

QUOTAS

Maple syrup quotas disputed

The Régie des marchés agricoles et alimentaires du Québec heard the cases brought by some 60 producers who disputed their quota allocation. The hearings on this issue were held in every region of Quebec between February and June 2005. As provided in the maple syrup production and marketing quota regulations, producers had 15 days to object to their quota following receipt of their certificate. The producers concerned asked for increases in the volume allocated, on the grounds that they experienced various production problems in the reference years used to calculate their quota, or that their number of taps had increased significantly between the two reference years. In the vast majority of cases, the RMAAQ validated the FPAQ's calculation

and maintained the quota. In fact, the RMAAQ's decisions to date have generated only 4,123 pounds of additional quotas. The decisions rendered by the RMAAQ are available on the Web site at www.rmaaq.qc.ca.

Registration forms

Like other years, maple producers will be receiving a registration form in December to report their bulk sales in large containers and retail sales in small containers.

RETAIL MARKET

Investigations on the retail market

The FPAQ has implemented an inspection program for maple products sold on the retail market in groceries, restaurants, convenience stores, etc. The purpose of this program is to ensure the product's compliance with provincial and federal regulations on: (1) labelling, (2) maple syrup quality and (3) maple syrup production quotas. The FPAQ samples 300 to 500 Quebec maple products a year for analysis. Each producer whose product has been analyzed receives a letter specifying the compliances and non-compliances, if applicable. In a major case of non-compliance, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ) is informed of the product's presence on the market and is asked to immediately withdraw all maple syrup containers in the lot concerned. The purpose of this initiative is to reassure maple product consumers, who are increasingly concerned about the origin and quality of food products on the market, and to maintain our industry's good image.

To date, the analyses show that 24% of the samples are not in compliance with requirements regarding container labelling, 33% with regard to syrup quality, and 31% with regard to quota regulations. Penalties apply in the last case.

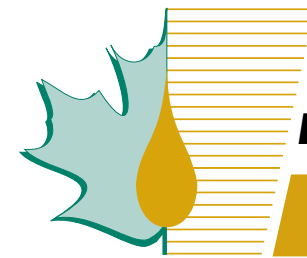
Regulation of the retail market

The FPAQ has also asked the Régie des marchés agricoles et alimentaires du Québec to ratify a draft regulation on quality standards for maple products in small containers. The purpose of this regulation is to reassure consumers about the quality of maple syrup on the retail market by performing random inspections at various points of sale. The draft regulation calls on producers who sell on these markets to observe the provincial regulations on labelling and maple syrup quality, to record their FPAQ registration numbers on their labels, and to maintain traceback registers of their products.

RMAAQ public hearings were to be held in Victoriaville last June 15 to hear the representations of the FPAQ and maple syrup producers on this question. However, the hearings were postponed to a later date because the RMAAQ ruled that certain parties, who were absent that day, had to be present at the hearing.

METTING IN VERMONT

Last June 9, FPAQ officers met with Stephen Kerr, Vermont Secretary of Agriculture, Food and Markets. This meeting made it possible to discuss several American concerns regarding the use of air injectors, maintenance of maple syrup prices in a context of inventory surpluses, sale of syrup with flavour defects, and cooperation between Quebec's Centre Acer and the Proctor Research Center in Vermont. The disparity between light syrup production and dark syrup consumption was also a topic of discussion.



INFO-SYRUP Summer 2005

Newsletter

Fédération des producteurs acéricoles du Québec

Four very relevant challenges, Pierre Lemieux, president

In the summer 2004 editorial of this newsletter, I mentioned that maple syrup producers had to meet four major challenges as soon as possible: (1) develop markets for our maple products, (2) ensure product quality, (3) increase farmgate income, and (4) continue to defend the Joint Plan. I find that these challenges are still relevant today, although several actions have been taken in the past year.

Challenge 1

Develop markets for our maple products

The FPAQ is working to change Quebecers' views of maple products. We have to take maple syrup out of the pantry and show that it is a modern, local product that can easily be used in everyday cooking. Quebecers need to be better informed about the wide range of maple products already available and integrate them into their dishes and recipes. In this edition of InfoSyrup, you'll read about promotion initiatives conducted during the year to achieve this goal. The promotion campaigns in Quebec also serve as test benches for campaigns abroad. In other words, ideas that produce good results here are put into practice elsewhere, always with the same objective of integrating maple products into the everyday meals of American, Japanese and European consumers.

The efforts will have to be pursued in the years ahead to obtain the desired results. As we have seen with other food products, promotion campaigns must be conducted over long periods to produce lasting results. The FPAQ is trying to work miracles with your contribution of 2.75¢ a pound for market development initiatives.

Challenge 2

Ensure product quality

We can be proud of the bulk maple syrup inspection system in place, which makes it possible to analyze the quality of each of the 150,000 drums produced annually. However, improvements will be needed to reassure consumers, who are increasingly concerned about the safety of food manufacturing practices. Maple syrup bleaching practices, use of rusty drums and putting bad maple syrup in small containers hurt our image. It is useless to convince consumers to buy maple syrup if they are disappointed with their purchase.

The negotiations for the next marketing agreement will therefore focus on revision of the bulk syrup pricing schedule to reduce the price differences between syrup grades that create an incentive for bad production practices.

Challenge 3

Increase maple syrup producers' income

The current income of maple syrup producers does not satisfy any of the FPAQ's officers. Solutions must be found quickly to increase maple syrup producers' liquid assets. In the short term, governments will have to assist maple syrup producers on the same basis as other agricultural producers. The introduction of a program complementary to the Canadian Agricultural Income Stabilization (CAIS) Program for the maple syrup sector would be welcome. In the medium term, market development will increase the quotas of maple syrup producers. Agriculture and Agri-Food Canada has allied itself with the FPAQ to invest in promotion and market development activities. The Quebec government will have to do its share in this regard because maple syrup is our leading local product.

Negotiations with La Financière agricole du Québec were conducted throughout the summer with the hope of soon announcing the conditions of a CAIS-complementary program responding to the needs of maple syrup producers. If no agreement is reached, Quebec maple syrup producers will definitely have to increase pressure on policy-makers.

Challenge 4 Defend the Joint Plan

Collective marketing generates more income for all maple syrup producers than the free market. The figures presented to you on the regional tours prove this regularly. However, some individuals who benefited from the old system have tried unsuccessfully to have the courts overturn regulations adopted in the past few years. This series of court challenges is coming to an end, because the courts have mostly ruled in the FPAQ's favour. The parties involved will have to see the benefits obtained by the sales agency system — a stable supply, at a stable price, for a stable income, under equal market conditions for all.

Nonetheless, black market purchasing networks exist. Such networks hurt collective efforts, because a drum sold on the black market is one less drum

sold by the sales agency. It's clear to me that if there were no illegal sales it would be possible to quickly reduce inventories to an acceptable level and increase everyone's quotas. Maple syrup producers must make it a priority to try to convince holdouts of the value of the measures adopted recently. The FPAQ will continue to destabilize these networks by conducting investigations and imposing penalties on the producers and buyers involved.

As is the customary practice, the FPAQ's officers will tour Quebec's regions in September and October to attend the Annual Meetings of maple syrup producers' syndicates. I hope many of you will attend as these meetings are an opportunity to provide you with extensive information on the marketing of your production and to discuss, among producers, what actions should be taken to get our demands across.

EVALUATION OF 2005 HARVEST

According to Groupe Agéco, which was mandated by the FPAQ to conduct a telephone survey of more than 1,200 maple syrup producers, Quebec's **maple syrup production for 2005 is about 74 millions pounds**. This output is equal to an average production of 1.95 pounds per tap. This volume includes the production of syrup sold on both bulk and retail markets. Our estimates show that the 2005 harvest is smaller than in 2004 (evaluated at 86 million pounds). The final grading of the producers' barrels will provide an exact picture of the 2005 harvest. The Quebec Maple

Syrup Cluster Working Group will establish an official production figure in September, based on surveys conducted by several stakeholders.

Surveys by the U.S. Department of Agriculture show that 2005 was an average year with a production of 13.7 million pounds in the 10 U.S. maple-producing states. This is a decline of 18% from the previous year. In addition, a slight 2% increase in the number of taps was noted in the United States (New England Agricultural Statistics Service. 2005. Maple Syrup 2005: 8 p.).

Table 1
Estimate of Quebec maple syrup production in 2005, by maple producing region

	Operations (Number)	Yield (Pounds/tap)	Production (Million pounds)	Taps (Million taps)
Chaudière-Appalaches	3755	1.91	30.4	15.9
Bas-St-Laurent- Gaspésie	641	1.94	14.5	7.5
Estrie	888	2.05	11.5	5.6
Mauricie-Bois-Francs	941	1.94	8.1	4.2
Montérégie	495	1.93	3.9	2.0
Région de Québec	241	2.08	2.2	1.0
Outaouais-Laurentides	183	1.87	2.4	1.3
Lanaudière	180	1.84	1.0	0.6
Total	7324	1.95	74.0	38.0

Source : Groupe Agéco. 2005. Estimation du rendement de la production québécoise de sirop d'érable pour l'année 2005. Rapport. Québec : 17 p.

GOVERNMENT ASSISTANCE FOR MAPLE PRODUCERS

The FPAQ's officers have been lobbying the governments for many years for income support programs for maple syrup producers, as is done in other farm commodities. These requests provided maple producers with \$8 million per year through the Agricultural Revenue Stabilization Account (CSRA) between 2002 and 2004. Since termination of the CSRA, the FPAQ has kept up its lobbying for government assistance for syrup producers.

CAIS-complementary program

Discussions are continuing with La Financière agricole du Québec for the implementation of a maple assistance program to complement the Canadian Agricultural Income Stabilization Program (CAIS). To date, La Financière agricole du Québec has endorsed the principle of complementary assistance to maple producers, and negotiations are under way to determine the terms and conditions. However, the Board of the FPAQ agreed, on June 10, that the proposed assistance is far from satisfactory when compared with the assistance granted between 2002 and 2004 and the benefits received by La Financière agricole du Québec from organized marketing in the maple sector. The negotiations, which are likely to be difficult, will continue throughout the summer. The objective is to maintain the level of assistance in relation to other years.

Special assistance program

Producers nevertheless welcome the special assistance for Canadian farmers provided in the last federal budget. This assistance is paid to syrup producers through their CSRA account, based on their average ENS from 2000 to 2002. To date, 2,877 maple syrup operations have participated in the program and an amount of \$4.2 million was paid in May, or 80% of the assistance that will be granted via this program. Another payment will be made in the fall to cover the remaining 20%.

Market development program

Finally, the federal assistance also targets the development and promotion of maple products and markets since subsidies have recently been granted for FPAQ projects. The FPAQ should receive \$ 533,000 under the Agricultural Policy Framework (innovation component) for projects aimed at developing new products and markets between 2005 and 2008. The Conseil pour le développement de l'agriculture du Québec (CDAQ) has also provided funding of \$68,000 for a study on the nutritional qualities of maple syrup in order to inform consumers better on the nutritional values of maple syrup compared with substitution products. The results of this study will be useful in improving the labelling of maple products. In addition, funding of \$268,000 was provided under the Canadian Agriculture and Food International Program to finance promotion efforts at the international level in 2005.

LEGAL COLUMN

The Supreme Court of Canada rules in favour of the FPAQ

On June 30, the Supreme Court of Canada dismissed the motion for leave to appeal of Coopérative Citadelle, Shady Maple Farms Ltd., Produits alimentaires Jacques & Fils and Maple Grove Farms of Vermont Inc., which were attempting to invalidate the sales agency administered by the FPAQ and the 2002 and 2003 marketing agreements binding maple syrup producers.

This is another victory for the FPAQ, which had successfully defended the right of maple syrup producers to organize marketing of their production before the Régie des marchés agricoles et alimentaires du Québec, the Superior Court and the Court of Appeal. The FPAQ hopes that this marks the end of a long legal battle by several maple syrup buyers against provincial regulations governing the orderly marketing of this production.

Follow-up to the investigations

The RMAAQ hearings are continuing on several black market purchasing networks. Even though the proceedings may appear long to producers who abide by the applicable regulations, they will seem very short to individuals who are exposed to penalties and liquidated damages. In addition, the proceedings against a black market buyer will lead to various investigations of the producers who supply them. In short, the RMAAQ hearings are under way in several cases of black market purchasing networks, and decisions are expected soon.

Already, Wal-Mart, which bought maple syrup from the late André Lamothe, has made a commitment in Court to buy only syrup from producers or processors in good standing with the regulations in force.

It is important to understand that black market sales harm all producers who follow the marketing rules, because they directly reduce the Agency's sales.

Winding up of the RCPEQ

On March 9, the Court of Appeal rendered a decision on the winding up of Regroupement pour la commercialisation des produits de l'érable du Québec (RCPEQ), which has dragged through the courts for several years. In short, the decision upholds the judgment of the Superior Court, which awarded the RCPEQ's assets of maple syrup holdings and nearly \$20 million to maple syrup producers. The FPAQ has made a commitment to transfer the monetary assets (about \$12 million) to maple syrup producers. The buyers concerned have applied for leave to appeal this decision to the Supreme Court of Canada, which will rule on this matter in October 2005.

PROMOTION OF MAPLE PRODUCTS IN 2004-2005

The promotion and market development strategy of the **Québec Federation of Maple Syrup Producers (FPAQ)** is designed to:

1. deseasonalize consumption of maple products by promotional efforts outside the maple syrup season, during the September post-vacation period and during the Christmas and New Year's holiday season;
2. multiply the uses of maple syrup by proposing new recipes to consumers;
3. promote the quality of maple syrup by providing information on nutritional values and different grades of maple syrup;
4. increase foreign sales by organizing generic promotion of maple products in our main export markets.

Fall 2004

“Faites une place à l'érable dans votre cuisine” (Make a place for maple in your kitchen) campaign

Production and distribution in publi-sacs of recipe booklets with contests and discount coupons, offering 1.2 million Quebec households new uses for maple syrup. 84,000 contest entries.



Ad placement in 9 Quebec cooking, health and news magazines reminding consumers of maple cooking outside the maple syrup season, for a total readership of 3,379,000.

Commercial spots on 10 Quebec radio stations informing consumers of the advantages of integrating maple syrup into everyday cooking.

Tastings in 100 Metro and IGA stores, proposing the use of Sirop regular and organic maple syrup on fruit yogurt, in partnership with the Liberty company.

Christmas 2005

“Joyeux temps des sucres” (Happy sugar season) campaign

Production and distribution in publi-sacs of recipe booklets with contests, offering 1.2 Quebec households new uses of maple syrup in holiday cooking. 50,000 contest entries.



Ad placement in 7 Quebec cooking, health and news magazines reminding consumers of maple cooking outside the maple syrup season, for a total readership of 5,849,000.



Participation of 600 elementary schools in the drawing contest “Dessine-moi Noël dans une érablière” (Draw me Christmas in a sugar bush) with a view to production of a Christmas 2005 preserve.

Spring 2005

Official opening of maple syrup season in Montreal

in front of 15,000 visitors and 27 journalists, featuring new maple products.



Launch of the maple products showcase: www.siroperable.ca/ cataloguelinking consumers and distributors of 130 maple syrup-based products.



Opening of maple syrup season in Tokyo

in front of 121 journalists and 40 dignitaries.



Creation and distribution of a booklet of 23 Japanese recipes integrating maple products, developed by Ms. Eiko Egami, a well-known chef in Japan.



Organization of a visit by 2 teams of Japanese journalists to Quebec to inform their public about maple syrup production.

Exhibition at the SIAL International Food Exhibition in Montreal to present the maple products showcase and offer tastings of different grades of syrup to food distributors from here and elsewhere.

Summer 2005

Planning and completion of a study to update data on the nutritional and nutraceutical properties of maple syrup.



Publication of a booklet for importers and managers of foreign food banners wishing to obtain supplies in Quebec.

Survey on Japanese perceptions of maple products.

Organization of a visit by journalists from a prestigious Japanese magazine.

Consultation of the maple syrup industry with a view to preparation of a 2006-2008 international strategy.

Management of the www.siroperable.ca and siropcool.com sites on the Quebec maple syrup industry.

Management of an export partnership program funding part of the maple syrup bottlers' promotion efforts.

Research and obtaining of \$671,000 in external funding for promotion and studies on maple products.

Management of sponsorships and partnerships for 23 activities in Quebec promoting consumption of maple products.

Strategic watch on trends affecting consumption of maple products.

Relationship with Quebec food banners (Provigo/Loblaws, Metro, Sobeys, etc.).

Relationship with stakeholders related to foreign trade (Canadian Embassies, Quebec Delegations, government departments, etc.).



FINANCIAL ADVANCES

Last April, the FPAQ's officers signed agreements with Agriculture and Agri-Food Canada and La Financière agricole du Québec, allowing it to deliver the Financial Advance Program for Maple Syrup Producers. This program's conditions are simplified compared with past years. The producers participating in this program have already received or will receive:

- a spring advance based on their number of taps. This spring, 3,370 producers received \$24.5 million under this program;
- a financial advance within 15 business days following grading of their maple syrup (the grading date may be different from the delivery date of the syrup to an authorized buyer). This financial advance corresponds to 75% of the value of the syrup delivered in-quota for all grades (AA, A, B, C and D). As of July 30, 4,620 producers had received \$83 million within the prescribed time limits;

However, no advance was paid for VR (buddy tasting) and NC (not graded) syrup. Also, no advance was paid on syrup delivered over-quota, and the expenses associated with receiving this syrup will be charged to the producer;

- a financial advance of up to 90% of the value of the quota before December 1, 2005 if the Agency's sales support these disbursements at that time;
- a payment on March 15, 2006 corresponding to the percentages of sales realized by the Sales Agency up to that date. For example, the March 15 payment will correspond to 95% of the quota value if the Agency's sales amount to 95% of the quota issued to that date.

The premium of 15¢ a pound will be paid to organic producers as this syrup is sold. The producers already received 15.19% of the premium on July 15, 2005.

Producers who do not wish to participate in the financial advances program will receive a payment corresponding to the percentage of syrup sales by the Agency on July 15, 2005, November 15, 2005 and March 15, 2006. The payment will correspond to the percentage of syrup sold at that date, namely 42.46% at July 15, 2005. Nearly 1,000 producers delivering an average of 2,500 pounds of bulk syrup decide each year not to participate in the financial advances program.

2006 MARKETING AGREEMENT

Maple syrup marketing conditions are defined each year in an Agreement between maple syrup buyers and producers. This Agreement is the result of negotiations between the FPAQ and maple syrup buyers. When the parties do not agree, the dispute is arbitrated by the Régie des marchés agricoles et alimentaires du Québec, as happened in 2002, 2003 and 2004. In 2005, the Marketing Agreement for 2004 was applied since none of the parties asked to have it reopened.

BULK SYRUP SALES

On May 2, the FPAQ's officers met with maple syrup buyer-processors from Quebec and the United States to discuss their supply needs and available inventories. It was agreed at this meeting to sell the maple syrup from 2005 before selling the previous years' inventories. Prior sale of the 2005 harvest is explained by two main reasons. First, selling the current year's syrup avoids pasteurization costs. Secondly, the complete sale of the current year's syrup crop makes it possible to pay for all of the maple syrup producers' in-quota deliveries. Indeed, the weighted average value of regular syrup delivered by producers is \$2.15 a pound, while buyers are asking for darker syrup with a weighted average value of \$2.00 a pound. To pay producers for their 2005 deliveries, the FPAQ must find a buyer for _ of the syrup.

It was also agreed at the May 2 meeting that buyer-processors would have access to the 2000, 2002, 2003 and 2004 inventories in proportion to their 2005 syrup purchases. This measure is intended to encourage buyers who comply with the applicable marketing rules. Thus, black market purchases reduce the offending buyers' access to FPAQ inventories, to the benefit of buyers who play fair.

The final purchases of 2005 maple syrup and the past years' inventories will only be known at the end of the year. However, purchases to date show that our partners have little interest in very light syrup (AA and A). On the other hand, sales of lower grades are going well, because Grade B, C and D syrup from 2005 is in the process of being sold out. We therefore plan to open the past years' inventories on August 15 (as stipulated in the Marketing Agreement) to meet the buyer-processors' needs. They can buy the past years' inventories of Grade C and D syrup, which will be combined with the remaining Grade A and AA syrup from 2005. Thus, the lots sold will contain 25% of the drums of Grade AA syrup (2005), 25% Grade A syrup (2005), 35% Grade C syrup (2000, 2002, 2003, 2004) and 15% Grade D syrup (2000, 2002, 2003, 2004). This approach is aimed at selling off the 2005 deliveries and part of the past years' inventories.

The FPAQ met with buyers again on July 8 to give details on the inventory sales policy.

However, on July 15, 2005, the FPAQ and several buyer-processors asked to reopen various clauses of the Marketing Agreement currently in force. This means negotiations will have to take place between both groups and a new Agreement will be drawn up for the coming year.

Among other things, the FPAQ is asking for a review of the pricing schedule to reduce the price difference between light and dark syrup. This difference increases the imbalance between deliveries of various maple syrup grades.

BULK MAPLE SYRUP GRADING

The grading and inspection of maple syrup in large containers is progressing well. Table 2 shows that a quantity of 55.5 million pounds of syrup had been graded as of July 30. The total quantity of bulk maple syrup graded in 2005 should be about 60 million pounds since a significant number of producers were unable to produce their maple quota. We invite you to

have your syrup graded before September 30 to avoid paying a penalty of \$0.10 per pound on deliveries after that date.

To date, a volume of nearly 7.5 million pounds has been certified as organic syrup. The number of organic syrup producers has dropped from 414 in 2004 to 312 in 2005.

Table 2
Bulk maple syrup grading (as of July 30, 2005)

Grade	Regular syrup (Million pounds)	Organic syrup (Million pounds)	Total (Million pounds)	Flavor defects (%)
AA	11.5	1.4	12.9	11
A	14.7	2.7	17.4	10
B	13.1	2.1	15.2	8
C	6.4	1.0	7.4	13
D	2.0	0.3	2.3	32
NG	0.3	0.0	0.3	
Total	48.0	7.5	55.5	11

Nearly 11% of the maple syrup graded has flavour defects (VR). Table 3 gives a breakdown of the barrels with flavour problems.

In this regard, 51 producers asked for a grading review of 223 barrels. Following the review, grading remained the same for 61% of the barrels,

was unfavourable to producers for 8% of the barrels, and favourable for 31% of the barrels. The cost of a grading review is \$20 per barrel. A producer who wants to have a grading review MUST be present at the initial grading.

INVENTORY OF PAST YEARS

The quantity of bulk maple syrup from previous years in stock at the start of 2005 totaled 60 million pounds, or the equivalent of the annual sales. These stocks, worth over \$100 million, are summarized in Table 4. A quantity of 4 million pounds from 1999 held by the former RCPEQ is not included in

the table. The dissolution of this company is still being contested by maple syrup buyers before the courts.

Table 3
Pasteurized maple syrup inventories held by the sales agency
(as of March 1, 2005)

	2000	2002	2003	2004	Total
AA	1 795 637	22 759	83 194	3 269 386	5 170 976
A	4 114 206	566 781	2 416 249	7 716 445	14 813 681
B	4 658 743	5 207 623	4 429 513	8 112 018	22 407 897
C	3 995 803	325 273	3 236 640	1 880 910	9 438 626
D	1 505 476	470 705	1 082 314	79 203	3 137 698
NG	63 457	15 171	5 579	1 005 486	1 089 693
Total	16 133 322	6 608 312	11 253 489	22 063 448	56 058 571