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OPEN LETTER

FROM

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Setting the facts straight: marketing Quebec maple syrup

Every year, Quebecers eagerly await the return of sugar season. And every year, the season brings its share of libertarian arguments about the way maple syrup is marketed. Unfortunately, many columnists seem to simply echo these arguments without really questioning their validity. So once again, the Federation of Quebec Maple Syrup Producers, representing 7,300 maple syrup businesses in Quebec, must set the facts straight.

First, contrary to what many would have you believe, there are 3 main channels of sales to market maple syrup in Quebec, not just one.

The **first channel** is **direct consumer sales** in containers under 5 liters, which includes the famous cans of maple syrup. All producers, without exception, no matter how big or small or whether or not they possess a quota, have access to this channel, and the Federation has no monitoring or inspection rights over it whatsoever. According to conservative estimates, direct consumer sales account for approximately 10 million pounds of maple syrup annually, or around 10% of Quebec's annual production.

The **second channel** is **third-party sales** (e.g., grocery stores), also in containers under 5 liters. Some 7,300 producers with quotas can use this channel, and these sales are included in their annual quota. The Federation is not involved in setting prices in this channel. Producers develop their own business relations with their local grocers to market their product. Some 4 to 5 million pounds of maple syrup are sold this way every year in Quebec.

The **third channel** is **bulk sales** in containers of 5 liters or over, mostly in barrels. This is the main channel used by most of Quebec's 7,300 quota holders. Through this channel, maple syrup producers can choose to deliver their syrup to one of some 60 authorized buyers in the province or to the Federation itself. Before the harvest, the Federation is required to negotiate with all buyers to set the price of maple syrup delivered in bulk.

Now let's turn our attention to the famous economic study by Forest-Lavoie, which is very popular at the moment among certain free market advocates, libertarians, and other free rider types. First, it's important to remember that this study was commissioned by the Federation itself, in partnership with the association of buyers. These two parties also created a joint committee on strategies for maintaining current markets, but also for developing new ones as well. The Federation is far from just sitting on its laurels.

Furthermore, critics of the current system have focused all of their attention on one single point from this study—the progressive decline of Quebec's share of the global maple syrup market in the past decade. The Federation has never denied this fact, but focusing exclusively on this one point is dishonest, and it provides a grossly incomplete picture. In fact, the study's first finding is as follows:

"The Quebec marketing system has proven to be effective at stabilizing the price and supply of syrup." Forest-Lavoie, 2014

This conclusion has gone largely ignored in most columns and editorials. In addition, the Federation wishes to point out that world demand for maple syrup rose from 90 million pounds to 150 million pounds between 2000 and 2015. To meet that demand, the number of taps in Quebec increased by 30% (from 33 to 43 million) during that period. Over 380 new businesses were started up between 2007 and 2010 thanks to a special program to issue new quotas. Since 2009, the maple syrup sales agency has seen its annual sales increase by 9.8%, Canadian exports of maple products have risen 7.6%, and payments to producers have increased by 8.5%. Not bad for a Federation that's supposedly going nowhere.

Now, if the current trend holds, this year's maple syrup harvest could be relatively modest. This brings us to the topic of the famous maple syrup reserve, which some have condemned as an underhanded way for the Federation to keep prices artificially high. In fact, the reserve was created to stabilize prices by stabilizing supply. Consider that the average price of the famous can of maple syrup has seen a steady drop from \$8.32 to \$8.02 since 2010, while the price of groceries has been growing faster than inflation. So while the strategic reserve stabilized prices paid to producers after the record harvest of the past two years, it will also stabilize the prices paid by Quebec consumers after the 2015 harvest. That's also what the strategic reserve is for.

The vast majority of maple syrup producers who attended last winter's regional meetings were not only satisfied with, but also proud of what their Federation has accomplished in recent years. They can earn a decent living from what they produce and contribute three-quarters of a billion dollars to Canada's GDP. However, certain academics and columnists are peddling fallacies that serve their ideologies, and it seems the Federation, on behalf of the 7,300 businesses it represents, must set the facts straight.

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