



SUPPLY GUARANTEES

THE AIM OF THE NEW FOREST REGIME IS TO DIVERSIFY THE SOCIAL AND ECONOMIC DEVELOPMENT POTENTIAL OF QUÉBEC'S PUBLIC FORESTS BY MAKING FOREST RESOURCES MORE WIDELY AVAILABLE. THE SUSTAINABLE FOREST DEVELOPMENT ACT, WHICH CAME INTO FORCE ON APRIL 1, 2013, REPLACES THE OLD TIMBER SUPPLY AND FOREST MANAGEMENT AGREEMENTS BY TIMBER SUPPLY GUARANTEES, AND ADDRESSES REQUIREMENTS FOR THE CREATION OF AN OPEN TIMBER MARKET. THIS HAS ALLOWED THE MINISTÈRE DES FORÊTS, DE LA FAUNE ET DES PARCS TO MAKE TIMBER MORE WIDELY AVAILABLE WHILE STILL MAINTAINING STABLE SUPPLIES FOR THE PROCESSING MILLS.

WHAT IS A TIMBER SUPPLY GUARANTEE?

→ The Sustainable Forest Development Act states that a timber supply guarantee entitles its holder to purchase, each year, a volume of timber from forests in the domain of the State, in one or more specific administrative regions, to supply the wood processing mill for which the guarantee was granted. The annual volumes of timber that may be purchased by the holder are specified in the timber supply guarantee, by species or group of species, for each region concerned.

CHANGES INTRODUCED BY THE NEW FOREST REGIME

Timber supply and forest management agreements (TSFMAs) were replaced on April 1, 2013, by supply guarantees. A TSFMA was granted to a wood processing mill under the provisions of the Forest Act, to allow it to obtain timber supplies. The agreement came with the obligation to plan and carry out the forest management work required to maintain the productivity of Québec's public forests.

A supply guarantee also grants its holder the right to purchase a volume of timber each year in order to supply a processing mill, and obliges the holder to harvest wood purchased as standing timber under the guarantee.

EXTENDING ACCESS TO TIMBER WHILE MAINTAINING STABLE SUPPLIES

The Sustainable Forest Development Act gave former TSFMA holders the right to obtain a supply guarantee on April 1, 2013, provided they applied for it. The purpose of this was to maintain stable supplies for Québec's wood processing mills. However, the Ministère also held back a certain percentage of the available volumes to help establish an open market for timber in Québec.

In addition, under the rules introduced for supply guarantees, volumes of wood not used by guarantee holders during the year can be made available and offered to other mills that are able to process them and hence create wealth.

The Ministère hopes these new measures will not only encourage companies to become more effective and innovative, but will also provide more mills in Québec with access to timber from the public forests, while maintaining stable supplies for the mills that held TSFMAs prior to April 1, 2013.

CALCULATING THE VOLUMES AVAILABLE UNDER THE GUARANTEES

The volumes of timber indicated in the guarantees were taking into account certain reductions of the allowable cut established by the Chief Forester.

The Minister began by identifying the annual volume of timber to which each TSFMA holder would have been entitled if its agreement had not been cancelled. This was done using the review criteria stipulated in the Sustainable Forest Development Act, including:

- changes in the wood processing mill's requirements;
- changes in the availability of timber from private forests or from other supply sources;
- changes in the availability of wood from forests in the domain of the State (a change in the allowable cut);

- constraints and timber losses related to harvest integration, volumes used for purposes other than to supply a processing mill, and other factors that may reduce the volume available for harvesting;
- the mill's forest-related and environmental performance during forest management activities carried out in the supply area in recent years.

The proposed volumes for each mill's supply guarantee were then reduced to ensure that sufficient timber was available:

- for auction sales of timber from the public forests by the timber marketing board, in order to calculate the market value.

PURCHASING A VOLUME OF TIMBER UNDER A SUPPLY GUARANTEE

The Ministère may prepare a schedule setting the dates on which guarantee holders must state their interest in purchasing some of the annual volumes of timber available under their guarantees. In stating its interest, the guarantee holder undertakes to purchase the stipulated volume, and signs a contract of sale to that effect.

In addition, guarantee holders must pay annual dues, which entitle them to maintain and exercise their guaranteed right to purchase for that year. They must also pay dues on every cubic metre of timber purchased during the year.

The rate of the annual dues and the cost of timber purchased under a supply guarantee are set by the timber marketing board. The price charged for every cubic metre of timber purchased by a guarantee holder is calculated on the basis of the price obtained at auctions of timber from the public forests.

For further information on the forest regime of the Ministère des Forêts, de la Faune et des Parcs, please visit the following website:

mrn.gouv.qc.ca/forets/index.jsp

2013 Version