

Pre-Budget Consultation Brief

By:

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- Recommendation 1: That the government implement a policy to assist businesses with fixed expenses.

- Recommendation 2: That the fixed expense assistance policy cover food supplies for sugar-shack-type restaurants.

- Recommendation 3: That the government extend the Emergency Wage Subsidy for sugar shacks for the 2021 sugaring season.

Background

Quebec has approximately 200 sugar bushes with restaurant facilities, also known as sugar shacks,¹ but there is no organization dedicated to representing them specifically. The Producteurs et productrices acéricoles du Québec² represents the 7,400 sugar bush operations that produce maple syrup, but the organization does not represent sugar shacks specifically. Although some sugar shacks are members of the Association restauration Québec (ARQ), this organization does not really reflect their situation or represent them particularly well. At the beginning of the crisis, sugar shack owners sought help from the ARQ, which told them their unique situation made it impossible for the ARQ to make specific representations in response to their requests because the ARQ's mandate with respect to representation is more general.

As the owner of a family-run sugar shack, the author of this brief also speaks on behalf of other sugar shack owners. On June 11, the owners of a dozen sugar shacks in the Haut-Richelieu region met with Christine Normandin, Member of Parliament for Saint-Jean, and laid out a number of shared views, which led to the following recommendations.

- **Recommendation 1: That the government implement a policy to assist businesses with fixed expenses.**

Virtually none of the government's economic supports benefit sugar shack owners. Many sugar shacks are often family businesses passed down from one generation to the next. One of the biggest expenses for current owners, especially young ones, is the mortgage that has to be paid after the business is transferred. That means owners, especially those taking over from their elders, cannot access one of the main support programs, the rent subsidy.

In addition to the mortgage, a significant expense for sugar shacks is insurance, which must be paid even when they have almost no income. Unlike other restaurants, which generate income throughout the year, sugar shacks bring in most of their revenue from late February to mid-April. The rest of the year, many generate some revenue from wedding receptions, but it is not nearly as much. Some sugar shacks are not even licensed to operate outside of the sugaring season. Regardless, most wedding receptions booked for 2020 were cancelled by clients because of uncertainty over the venue's ability to accommodate the event or the potential impact of the pandemic.

Sugar shack owners are also reluctant to use the Emergency Business Account for two reasons: for one thing, the \$40,000 would not keep them afloat until the next sugaring season because expenses are too high and there is zero revenue; for another, their ability to pay back the loan depends on what happens during the next sugaring season. Many

¹ <https://www.bonjourquebec.com/en-ca/savour/sugaring-season-is-here/10-sugar-shack-recommendations-innovative-classic-or-reinvented>.

² <https://ppaq.ca/en>.

owners are confident they can get through a disastrous 2020 season, but they will not be able to bounce back if 2021 is just as bad. That is why operators want a more direct subsidy that will enable them to use 2021 to position themselves for future years. A decent 2021 season will help make up for their massive losses in 2020. A program to assist with fixed costs, such as mortgage and insurance, will help them make it to the 2021 season and attenuate the impact of the catastrophic 2020 season over the long term.³

- **Recommendation 2: That the fixed expense assistance policy cover food supplies for sugar-shack-type restaurants**

Restaurants typically manage their food supplies based on demand and make day-to-day adjustments. Sugar shacks are different. By the start of the season, sugar shacks have already acquired most of the supplies they will need for the next two months of operation. In fact, most of the purchasing is done as early as November of the year before. In 2020, operators lost the equivalent of two months' worth of stock that could not be resold because wholesalers refused to take back the goods.⁴

Unlike other restaurants whose inventory is in sync with income, sugar shacks' food supplies are much more like a fixed cost that should, in their case, be included in a program to assist businesses with fixed expenses.

- **Recommendation 3: That the government extend the Emergency Wage Subsidy for sugar shacks for the 2021 sugaring season.**

Sugar shacks were forced to close just two weeks into their regular season. Unlike other businesses that are working on their reopening and recovery, and for which the Emergency Wage Subsidy provides important breathing room, sugar shacks will not be able to start their recovery until February 2021, at which time the program may no longer be in place. This measure could leave sugar shacks out in the cold. A simple way to address the situation would be to extend the program to February, March and April 2021 for sugar shacks because it was not in place for those months in 2020.

Conclusion

Supporting sugar shacks during this time of crisis will help not only the sugar shacks themselves, but also the economies of entire regions that depend on these attractions. In regions like Haut-Richelieu, many small municipalities like Mont-Saint Grégoire benefit

³ <https://www.lapresse.ca/affaires/entreprises/2020-04-05/saison-catastrophique-pour-les-cabanes-a-sucre>. [In French only]

⁴ <https://www.journaldemontreal.com/2020/04/04/covid-19-une-aide-speciale-reclamee-pour-les-cabanes-a-sucre>. [In French only]

from these businesses. Not only do they employ many local residents, but they also generate income for other local businesses, such as butchers.

The closure of sugar shacks could have a devastating impact on revenues for a number of municipalities. Many sugar shacks are grandfathered to operate a business on land that would not otherwise be zoned for that purpose, so if sugar shacks close, the value of the land they are on could drop, which would mean massive tax revenue losses for municipalities.

Lastly sugar shacks are economic drivers in many regions. In Montérégie, the sugaring season is almost as popular an agrotourism activity as apple-picking season.⁵ The loss of any of these businesses would be the loss of a cultural gem and would have a negative impact on many nearby businesses that benefit from the annual influx of tourists seeking a sweet treat.

⁵ <https://www.canadafrancais.com/2013/02/18/les-erablieries-accueilleront-leurs-premiers-visiteurs-en-fin-de-semaine/>. [In French only]