Canadian Beef Cattle Check-Off Evaluation

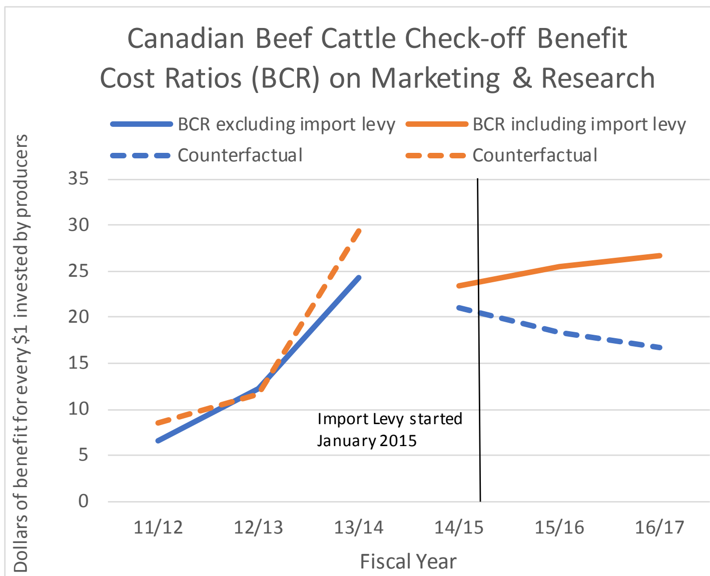
2018 Import Levy FACT SHEET

The Canadian Beef Cattle Check-Off provides industry funding for the Beef Cattle Research Council (BCRC) responsible for the industry's national research program; Canada Beef tasked with market development and promotion in domestic and international markets; and Public Engagement and Issues Management program delivered through the Canadian Cattlemen's Association (CCA).

The Canadian Beef Cattle Check-off is a mandatory levy collected from beef cattle producers when they market their cattle. The check-off generates approximately $7.5 million annually (5-year average) for research and marketing activities on behalf of the entire industry.

In January 2015, the Canadian Beef Check-off Agency started to collect the equivalent of $1 per head on beef imports. To determine the economic benefits in contributing to marketing activities a supplemental report was completed in June 2018. This built on the study that was completed by Dr. James Rude from the University of Alberta in June 2016. The model is built to reflect the market situation as closely as possible with counterfactual or 'what if' scenarios that allow for comparison to what would potentially occur with and without the import levy.

The chart shows the benefit cost ratio (BCR) on marketing and research investments from 2011/12 to 2013/14 excluding the import levy (solid blue line), increasing from 6.62:1 to a high of 24.24:1. The counterfactual scenario including the import levy (broken orange line) is only slightly higher. Showing that during this period other factors were having a greater influence; including declining national check-off funding, reduced matching dollars available for marketing and potentially structural changes following the merge of the Beef Information Centre and Canadian Beef Export Federation into Canada Beef in July 2011.



The import levy has meant that the benefit cost ratio to marketing and research has been maintained at the high level achieved in 2013/14.

The import levy started in January 2015 and was allocated solely to domestic generic beef marketing. The BCR including the import levy (solid orange line) maintains the gains from the previous three years going from 23.4:1 to 26.7:1. However, the counterfactual excluding the import levy (broken blue line) declines from 21:1 to 16.7:1, indicating that the BCR to investments in the domestic market are higher than the combined BCR to export marketing and research during this period. The difference between the BCR including and excluding the import levy is the portion attributable to the import levy.

The supplemental report showed that on average from 2014/15 to 2016/17, every dollar invested from the import levy resulted in a benefit cost ratio (BCR) of 6.42:1 or a $6 of benefit for Canadian importers.

This is in addition to the benefit producers receive from their investment in marketing and research activities. The average BCR for the import levy grew from 2.34 in 2014/15 to 9.92 in 2016/17. This implies that despite positive benefits, **under-investment continues for the Canadian beef cattle industry**. In addition, domestic generic beef marketing activities funded by the import levy are currently providing a higher BCR than the average marketing and research activities. Throughout the cattle cycle there are times when it makes sense to have higher allocations to domestic marketing, international marketing or research due to different demand opportunities or supply situations.

It should be noted that there is generally an inverse relationship between the amount of money spent on marketing, promotion or research activities and its marginal BCR. This is due to what economists refer to as “diminishing marginal returns” which means as more money is spent on an activity, the marginal or incremental gains from its increase at a decreasing rate. It is therefore expected that as national check-off dollars have declined the BCR has increased; and moving forward as investments increase to $2.50 per head in all provinces the BCR would decline. Even at a lower BCR the larger investment will provide a greater total return to producers and importers.

Allocations

In Canada, the national check-off is collected by provincial beef cattle organizations and is remitted to the Canadian Beef Check-off Agency. Provincial beef cattle organizations determine how they want their national check-off allocated between marketing, research, public engagement and issues management. Investments over the last five years (2013/14 to 2017/18) have averaged 65 per cent to marketing, 17 per cent to research and 17 per cent to provincial activities.

2018/19 Canadian Beef Cattle Check-off Allocations

Province	Federal Levy	Marketing	Research	Public Engagement and Issues Management	Provincial Allocation
British Columbia	$2.50	72%	25%	3%	0%
Alberta	$2.50	50%	44%	6%	0%
Saskatchewan	$2.50	65%	30%	5%	0%
Manitoba	$2.50	67.5%	23%	3%	6.5%
Ontario	$1.00	17.4%	30.6%	0%	52%
Quebec	$1.00	0%	0%	0%	100%
New Brunswick	$2.50	30%	30%	0%	40%
Nova Scotia	$2.50	30%	30%	0%	40%
PEI	$2.50	30%	30%	0%	40%
Imports	$1.00*	100%	0%	0%	0%

** Amount collected on imports is equivalent to $1 per head*

The supplemental report “Evaluating the Economic Benefits from the Canadian Beef Check-Off: Inclusion of Levies on Imports” is available at: http://www.canadabeef.ca/national-check-off/