



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #163

### **Agricultural Business Development Grants (Agriculture, Trade and Consumer Protection – Agricultural Assistance)**

[LFB 2021-23 Budget Summary: Page 56, #1]

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#### **CURRENT LAW**

The Department of Agriculture, Trade and Consumer Protection (DATCP) administers the Buy Local, Buy Wisconsin (BLBW) program to support growth in Wisconsin agricultural businesses and increase the consumption of foods in proximity to where they are produced. Program activities currently include: (a) production of a local foods marketing guide; (b) workshops for such topics as food safety assistance for producers; (c) facilitating relationships between food producers and nearby consumers, including DATCP activities related to farm-to-school programs around the state; and (d) administering Buy Local, Buy Wisconsin grants.

DATCP is provided \$200,000 GPR each year for Buy Local, Buy Wisconsin (BLBW) grants. BLBW grants support: (a) the creation, promotion and support of regional food systems and agricultural tourism trails; or (b) the development of regional food systems, including creating or expanding facilities for production, processing and transport of locally produced food, or strengthening networks of producers and consumers of locally produced food. The statutes require an equal recipient match on grant awards. Grants may not exceed \$50,000 per recipient in a fiscal biennium, by administrative rule. Contracts awarding grants generally are limited to two years, with possible extension to a third. Program administrative rules specify the following eligible costs: (a) operating expenses, including salaries and wages, contracts, travel, supplies and publicity; (b) real estate or equipment rental within the term of the grant contract; (c) non-durable equipment; and (d) reasonable depreciation expenses for capital equipment.

#### **DISCUSSION POINTS**

1. Consideration has been given in recent biennia to a variety of proposals intended to

support: (a) the development of new and innovative agricultural products; (b) the start-up, expansion, or innovation of specialty producers, first-time farmers, veteran farmers, or minority farmers; and (c) the expansion and strengthening of farm-to-table efforts, agritourism, and local food systems. While these proposed programs have represented a variety of approaches to agricultural development, all have sought to support the growth of agricultural businesses through specialization, operational expansion, or inclusion of new markets or customers.

### **Value-Added Agriculture and Small Farm Diversity Grants**

2. Assembly Bill 68/Senate Bill 111 would provide \$400,000 GPR each year to create the value-added agriculture program. Under the program, DATCP would provide grants related to the promotion and implementation of agricultural practices that provide value-added agriculture products. Eligible activities would include: (a) marketing of value-added agricultural products; (b) collaboration, technical assistance, planning, and business development related to organic farming; and (c) education and training on best practices related to grazing. Under the bill, value-added agricultural products are generally defined as those that have been improved beyond their base commodity through marketing, renewable production methods, or processing. The bill would not specify a match requirement for grant recipients. Additionally, the bill would provide \$68,000 GPR in 2021-22 and \$90,600 GPR in 2022-23 with 1.0 GPR position and authorize DATCP to promulgate rules to administer the program.

3. AB 68/SB 111 also provides \$125,000 GPR each year to create a small farm diversity grant program. The program would allocate grants of \$5,000 to \$50,000 to agricultural producers in operation less than one year and that have earned less than \$350,000 in gross cash farm income. Grants would require a 30% match and eligible activities would include: (a) business planning, feasibility research, and engineering; (b) start-up costs for new agricultural production; (c) research and development; (d) development of on-farm processing; and (e) development of agritourism destinations. The bill would authorize DATCP to promulgate rules to administer the small farm diversity grant program.

4. The proposed value-added agriculture and small farm diversity grant programs are both generally intended to increase the viability of small agricultural operations through business planning, marketing, research and development, best practices implementation, and diversification of operations. It may be that assisting smaller or new agricultural operations would increase the diversity of agricultural production in Wisconsin, which could fortify Wisconsin's agriculture industry against volatility inherent to the agriculture economy, and ongoing consolidation in certain agricultural sectors. However, as seen in Table 1, the total number of smaller farming operations (defined as those with annual gross sales below \$250,000) has decreased only slightly in recent years, by 1.6% from 2015 to 2019, while the total number of larger operations (\$250,000 or more) declined by 8.4% over the same period.

**TABLE 1**

**Number of Farms by Annual Gross Sales**

<u>Year</u>	<u>\$1,000 to \$9,999</u>	<u>\$10,000 to \$99,999</u>	<u>\$100,000 to \$249,999</u>	<u>Total Under \$250,000</u>	<u>Percent Change</u>	
2015	29,600	20,400	7,100	57,100		
2016	29,200	20,200	7,000	56,400	-1.23%	
2017	28,700	20,100	7,000	55,800	-1.06	
2018	28,800	20,100	6,900	55,800	0	
2019	29,000	20,200	7,000	56,200	0.72	

  

<u>Year</u>	<u>\$250,000 to \$499,999</u>	<u>\$500,000 to \$999,999</u>	<u>\$1,000,000+</u>	<u>Total Over \$250,000</u>	<u>Percent Change</u>	<u>Total Farms</u>
2015	4,600	2,700	2,200	9,500		66,600
2016	4,400	2,700	2,200	9,300	-2.11%	65,700
2017	4,300	2,550	2,150	9,000	-3.23	64,800
2018	4,300	2,550	2,150	9,000	0	64,800
2019	4,250	2,400	2,050	8,700	-3.33	64,900

Source: Wisconsin Agricultural Statistics Service, *2020 Wisconsin Agricultural Statistics*

5. The Committee could consider creating the value-added agriculture grant program and providing \$400,000 GPR each year for value-added agriculture grants [Alternative 1]. The Committee could also consider creating the small farm diversity grant program and providing \$125,000 GPR each year for small farm diversity grants [Alternative 2]. Given the first-time nature of proposed programs, consideration could be given to providing funding on a one-time basis during the 2021-23 biennium [Alternative 5]. In addition to grant funding, the Committee could also consider providing 1.0 GPR position with \$68,000 GPR in 2021-22 and \$90,600 GPR in 2022-23 to administer any new agricultural business development grant program [Alternative 6]. Given the relatively small decrease in smaller agricultural operations in recent years, the Committee could also consider taking no action [Alternative 7].

**Agricultural Development and Diversification Grants**

6. Similar to the proposed programs, grant programs authorized under current law are intended to achieve agricultural business development and diversification goals. DATCP is authorized under s. 93.46 of the statutes to administer the agricultural development and diversification (ADD) grant program. However, the program is not currently authorized funding, and was last provided funding of \$321,000 GPR each year during the 2011-13 biennium. If funding were provided, DATCP could resume the program without additional statutory modifications or changes.

7. The ADD program supports grants for research, demonstration projects, and feasibility

analyses that would develop new or alternative practices in production and processing of agricultural commodities. Grants must serve one of the following purposes: (a) creation of jobs in the agricultural industry; (b) new capital investment and expansion in the agricultural industry; (c) agricultural product market development and expansion; (d) diversification and expansion of the production, processing and distribution of agricultural products, or forestry products that are used to produce alternative fuels, heat, or electricity; (e) commercial application of new technologies or practices related to agricultural products, or to the production of alternative fuels, heat, or electricity from forestry products; (f) increased use of surplus agricultural products; (g) improvement of the competitive position of the state's agricultural industry; or (h) efficient use of farmland and other agricultural resources. Recipients must provide a match equal to 25% of total project cost, and may receive grants of up to \$50,000.

8. The breadth of allowable projects under the ADD program would be anticipated to support development across a range of agricultural producers, products, and production techniques in Wisconsin. Additionally, it would likely reduce or eliminate various administrative burdens if DATCP were to implement existing statutes and rules for a grant program to support the startup and expansion of agricultural businesses, rather than create rules and procedures for multiple new programs, as would be the case under AB 68/SB 111.

9. The Committee could consider providing \$200,000 GPR each year to fund the existing agricultural development and diversification grant program [Alternative 3]. Further, the Committee could consider providing funding on a one-time basis during the 2021-23 biennium [Alternative 5].

### **Buy Local, Buy Wisconsin Grants**

10. In addition to ADD grants, DATCP administers the Buy Local, Buy Wisconsin (BLBW) grant program, which supports the creation and expansion of agricultural production and processing to support the development of local food systems. BLBW was provided \$600,000 GPR during the 2021-23 biennium, including \$200,000 GPR in one-time funding. AB 68/SB 111 would renew one-time funding and provide \$300,000 GPR each year on an ongoing basis for BLBW grants. In addition to grant funding, AB 68/SB 111 would provide \$65,100 GPR in 2021-22 and \$86,800 GPR in 2022-23 with 1.0 GPR position to administer the BLBW grant program. Currently, the program is administered with limited-term staff and portions of other permanent staff within the Division of Agricultural Development.

11. Table 2 shows BLBW grant allocations since the program's inception in 2007-08. In the 2010-11, 2011-12, and 2012-13 fiscal years, the Department elected to lapse grant funding to meet agency lapse requirements under respective biennial budget acts. From 2008 to 2020, DATCP reports program recipients have reported new sales of approximately \$10 million associated with grant assistance, created or retained approximately 220 jobs, and approximately 2,800 producers have benefited from sales by program participants. DATCP does not formally track program participants' activities after grant-funded projects have completed, so information on the long-term retention or expansion of participant businesses is not available.

**TABLE 2**

**Buy Local, Buy Wisconsin Grant History**

<u>Year</u>	<u>Applications</u>		<u>Awarded</u>		<u>Not Funded</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Requests Minus Awards</u>
2008	95	\$3,216,800	7	\$225,000	88	\$2,991,800
2009	75	2,703,200	9	222,700	66	2,480,500
2010	37	1,533,500	5	177,700	32	1,355,800
2014	57	1,860,000	8	200,000	49	1,660,000
2015	41	1,545,600	8	199,300	33	1,346,300
2016	23	773,800	7	200,000	16	573,800
2017	32	1,093,400	8	200,000	24	893,400
2018	25	978,600	6	200,000	19	778,600
2019	31	1,104,200	9	200,000	22	904,200
2020	<u>33</u>	<u>1,182,000</u>	<u>9</u>	<u>300,000</u>	<u>24</u>	<u>882,000</u>
Totals	449	\$15,991,100	76	\$2,124,700	373	\$13,866,400

12. As seen in Table 2, demand for BLBW grants has consistently exceeded funding since the program's inception. Further, recent trends in sales of agricultural products have increased demand for farm-direct and locally produced agricultural products, which are thought to produce economic and social benefits for local communities, and may have lower environmental impact due to reduced transportation, processing, and packaging costs. Additional funding for BLBW grants would support continued growth in locally focused agriculture systems and allow local communities to capture the economic and social benefits of farm-direct food.

13. Given unmet demand for BLBW grants in recent years and potential community benefits, the Committee could consider providing an additional \$100,000 GPR each year on an ongoing basis for BLBW grants [Alternative 4]. The Committee could also consider providing funding on a one-time basis during the 2021-23 biennium [Alternative 5]. To support administration of the BLBW program, the Committee could consider providing 1.0 GPR position with \$68,000 GPR in 2021-22 and \$90,600 GPR in 2022-23 [Alternative 6]. The Committee could also take no action [Alternative 7].

**ALTERNATIVES**

1. Create a biennial appropriation and provide \$400,000 GPR each year to create a value-added agriculture grant program. Allow DATCP to provide education, technical assistance, and grants related to the promotion and implementation of agricultural practices that provide value-added agriculture products. Specify that activities include: (a) general market promotion of value-added agricultural products, including those produced using resource-conserving practices; (b) providing assistance related to organic farming practices, including business and market development assistance; (c) collaborating with organic producers and industry participants; and (d) providing grants to organic producers and industry participants for education or technical assistance related to organic farming, creating organic farming

plans, assisting farmers in the transition to organic farming, or educating and training farmers on best practices related to grazing. Define a value-added agricultural product as a product that: (a) has undergone a change in physical state; (b) is produced in a manner that enhances its value; (c) is physically segregated in a manner that enhances its value; (d) is a source of farm-based or ranch-based renewable energy; or (e) is aggregated and marketed as a locally produced farm product. Allow the Department to promulgate rules to administer the value-added agriculture program. (This alternative may be selected independently or in addition to other alternatives.)

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$800,000

2. Create a biennial appropriation and provide \$125,000 GPR each year to agricultural producers that have been in operation less than one year and earned less than \$350,000 in gross cash farm income. Specify grants would be from \$5,000 to \$50,000 per recipient and require a 30% match. Limit eligible costs to those for: (a) business planning, feasibility research, and engineering designs for new or expanded product lines; (b) start-up costs for new agricultural production; (c) research and development of food, feed, and fiber products that are innovative or add value to agricultural production; (d) development of on-farm processing of agricultural commodities; and (e) development of an agritourism venue. Specify the Department give preference to applicants that: (a) develop a business plan; (b) have a high probability for success; (c) feature research that is innovative and feasible; (d) are scalable for commercial use; and (e) demonstrate committed funding from other sources. Require recipients to submit annual reports on use of expenses and results of investments. Authorize DATCP to promulgate rules to administer the small farm diversity grant program. (This alternative may be selected independently or in addition to other alternatives.)

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$250,000

3. Provide \$200,000 GPR each year to resume the agricultural development and diversification grant program. (This alternative may be selected independently or in addition to other alternatives.)

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$400,000

4. Provide an additional \$100,000 GPR each year for Buy Local, Buy Wisconsin grants, for a total of \$300,000 GPR each year. (This alternative may be selected independently or in addition to other alternatives.)

<b>ALT 4</b>	<b>Change to Base</b>
GPR	\$200,000

5. Specify that grant funding be provided on a one-time basis during the 2021-23 biennium. (This alternative could be selected in addition to any of the above alternatives.)

6. Provide \$68,000 GPR in 2021-22 and \$90,600 GPR in 2022-23 with 1.0 GPR position in the Division of Agricultural Development's general program operations appropriation to administer agricultural business development grants. (This alternative could be selected in addition to any other alternative.)

<b>ALT 6</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$158,600	1.00

7. Take no action.

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