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Joint Committee on Finance

Paper #177

Dairy Processor Grants (Agriculture, Trade and Consumer Protection – Agricultural Assistance)

[LFB 2023-25 Budget Summary: Page 61, #1 (part)]

CURRENT LAW

The statutes require the Department of Agriculture, Trade and Consumer Protection (DATCP) to promote the interests, growth, and sound development of dairying in the state. DATCP is responsible for: (a) licensing and oversight of dairy farms, milk haulers, milk distributors, and food processing establishments; (b) regulating animal waste management practices and farm conservation practices; and (c) supporting administration of the state and federal milk marketing order.

To support DATCP's dairy development efforts, the Department is provided \$200,000 GPR each year for dairy processor grants. 2021 Act 58 provided an additional \$200,000 per year in one-time funding in the 2021-23 biennium for grants. Dairy processor grants provide funding to projects at dairy processing plants that, among other goals, grow the processing plant, contribute to processor innovation, or improve production and profitability. Eligible projects may include plant modernization and expansion, food safety improvements, staff training, and hiring of professional consultants. Dairy processor grants are provided on a reimbursement basis, and recipients must provide a match of at least 20% of project cost. Grants are limited to a maximum of \$50,000 per processor per year.

DISCUSSION POINTS

1. Dairy processing facilities receive raw milk from dairy farms and use specialized equipment and technology to pasteurize, homogenize, separate, and concentrate milk to create various dairy products. Wisconsin produces 14% of milk in the U.S. and in 2022, produced 31.9 billion pounds of milk. Milk production in 2022 surpassed the previous production record set in 2021 by 200

million pounds and continued a 17-year streak of annual production increases. As production increases steadily, there is pressure on processing facilities to keep up with demand, and an oversupply of milk unable to be processed can exert downward pressure on milk prices.

2. Since 2013-14, DATCP has allocated \$200,000 GPR annually for grants to dairy processors for various projects related to food safety, facility modernization or expansion, and technology innovation. As seen in the table, demand for dairy processor grants has exceeded awards in all grant rounds, with requests exceeding awards by \$1,338,800 in 2022. It should be noted that applicants who do not receive funding regularly reapply, which may tend to inflate requested amounts in subsequent years.

Dairy Processor Grants and Requests

<u>Year</u>	<u>Applications</u>	<u>Requested Amounts</u>	<u>Recipients</u>	<u>Awards</u>	<u>Food Safety</u>	<u>Modernization/ Expansion</u>	<u>Innovation</u>
2014	22	\$754,733	7	\$200,000	4.0	2.0	1.0
2015/16*	11	395,398	6	200,000	2.0	3.0	1.0
2017	14	678,304	8	200,000	2.0	4.0	2.0
2018	14	611,908	9	200,000	1.0	6.0	2.0
2019	14	512,238	10	200,000	0.5	4.0	5.5
2020	26	992,523	11	200,000	1.5	6.5	3.0
2021	18	627,334	15	200,000	1.0	11.5	2.5
2022	<u>43</u>	<u>1,738,754</u>	<u>19</u>	<u>400,000</u>	<u>1.3</u>	<u>10.8</u>	<u>5.8</u>
Total	162	\$6,311,192	85	\$1,800,000	13.3	47.8	22.8

*DATCP conducted one grant round for both of 2015 and 2016.

3. Requests for dairy processor grants in 2022 significantly exceeded requests in any year prior. DATCP suggests that awareness and interest in dairy processing grants has been growing as the Dairy Business Innovation Alliance (DBIA), a partnership between the Center for Dairy Research (CDR) and the Wisconsin Cheese Makers Association (WCMA) that supports dairy farmers and dairy processors, has begun promoting the program. DATCP also indicates that the COVID-19 pandemic may have encouraged processors to review their operations and identify projects that could improve resiliency in the case of future market disruptions.

4. Assembly Bill 43/Senate Bill 70 would provide an additional \$800,000 each year of the 2023-25 biennium for the dairy processor grant program. DATCP contends that there is sufficient demand for additional grant funding in 2023-25 biennium, as grants have been routinely oversubscribed since the inception of the program in 2014 and demand gradually increases each cycle.

5. The dairy industry contributes approximately \$45.6 billion annually to Wisconsin's economy, according to Dr. Steven Deller of UW-Madison in a widely regarded serial study of Wisconsin agriculture, last published in 2019. Given the economic importance of dairy processors responding to demand of dairy production, which is steadily rising, it could be considered appropriate to allocate an additional \$800,000 annually for dairy processor grants. Base funding for the program

would be \$1,000,000 in each year of the 2023-25 biennium [Alternative 1]. The Committee could also choose to provide \$200,000 GPR each year on an ongoing basis. Given uptake for grants in 2022 following one-time funding of \$200,000 GPR annually in the 2021-23 biennium, it could be considered appropriate to maintain this level of funding for the program. Funding would be \$400,000 GPR in each year of the 2023-25 biennium. [Alternative 2]. The Committee could also choose to provide either amount on a one-time basis, as was done in the 2021-23 biennium, to determine if demand for the program will remain high [Alternative 3].

6. The Committee could also choose to take no action. Funding for the program would be \$200,000 in each year of the 2023-25 biennium [Alternative 4].

ALTERNATIVES

1. Provide an additional \$800,000 GPR each year in the 2023-25 biennium for grants to dairy processors. Base funding for the program would be \$1,000,000 GPR annually.

ALT 1	Change to Base
GPR	\$1,600,000

2. Provide an additional \$200,000 each year in the 2023-25 biennium for grants to dairy processors. Base funding for the program would be \$400,000 GPR annually.

ALT 2	Change to Base
GPR	\$400,000

3. Specify that funding be provided on a one-time basis in the 2023-25 biennium. (This alternative could be selected in addition to Alternative 1 or 2).

4. Take no action. Funding for dairy processor grants would be \$200,000 GPR annually in 2023-25.

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