



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #161

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

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

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) is responsible for supporting the meat and poultry industry in Wisconsin by regulating food safety standards, overseeing meat processing facilities, ensuring animal health standards, preventing animal disease outbreaks, and providing technical assistance for meat and poultry producers. Further, the Department is required to promote the interests of agriculture, and it does so through various marketing activities and grant programs.

DISCUSSION POINTS

1. A 2019 study by Dr. Steven Deller of the University of Wisconsin-Madison Department of Agricultural and Applied Economics estimated that meat and poultry processing businesses in Wisconsin generated sales of \$8.6 billion in 2017, and employed approximately 16,000 workers. Due to temporary closures of a number of high-volume meat establishments as a result of the COVID-19 pandemic, demand for slaughter capacity at other meat processing establishments increased in 2020. State-inspected meat processing facilities are generally smaller operations, and were less affected by COVID-19 closures. Consistent with this trend, total slaughters of cattle (43,300) and swine (46,100) at state-inspected facilities rose 32% in 2020 relative to 2019. Further, DATCP notes that supply chain disruptions associated with the COVID-19 pandemic caused consumers to pursue locally-sourced meat, which is often slaughtered at smaller state-inspected facilities. As a result of these pandemic disruptions and shifting consumer behavior, demand for increased capacity at smaller meat processing facilities has grown. DATCP reports it expects continued growth in coming years as consumer demand for locally-sourced meat products continues to grow.

2. Assembly Bill 68/Senate Bill 111 would provide \$1,000,000 GPR each year to create a meat processor grant program. Eligible facilities would be those that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants. DATCP estimates approximately 430 to 445 facilities in Wisconsin would be eligible for meat processor grants. The bill would authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated.

3. Although not specified in the bill, DATCP reports it intends to require an equal match for grant recipients (50% of project costs) and provide a maximum of \$100,000 per recipient. DATCP intends that the program would support plant improvements that grow the plant, implement innovative practices, or improve profitability. DATCP suggests such eligible costs could include: (a) updating or expanding the slaughter floor; (b) increasing workspace; (c) adding cooler or other storage space; (d) consulting services related to engineering, design, food safety, or process improvement; or (e) updating equipment to increase throughput.

4. DATCP suggests that a shortage of meat processing capacity imposes a bottleneck on growth in Wisconsin's meat industry. DATCP estimates that in the last five years, wait times from scheduling to slaughter have increased from approximately two months to two years. Currently, most meat processors are booked for slaughter services through 2023, meaning slaughter appointments are being scheduled for animals not yet born. Anecdotally, DATCP staff report cases of farmers who elect not to increase their livestock herd or poultry flock due to wait times of several months for slaughter appointments at processing facilities; however, there are no immediate estimates of the prevalence of such an occurrence. DATCP believes meat processor grants would assist in reducing slaughter wait times, and would allow identification of process and facility improvements that other facilities could implement statewide. It may be that financial assistance for meat processing facility improvements may increase meat processing capacity, reduce wait times for slaughter, and allow for additional growth in Wisconsin's meat industry.

5. DATCP argues that increased meat processing capacity would ensure continued growth in Wisconsin's meat industry, produce economic benefits for farmers, retailers, and consumers, and strengthen farm-to-table connections for meat products. Given the estimated annual contribution of meat processing to Wisconsin's economy and the increasing demand for meat processing, it could be considered appropriate to allocate general fund revenues to support growth in meat processing capacity in Wisconsin. The Committee could consider providing \$1,000,000 GPR each year to create a meat processing grant program [Alternative 1].

6. The bill would authorize DATCP to promulgate rules to implement the program. Under the rulemaking process, DATCP would propose a rule, seek public and industry input, review the economic impact of its proposal, and submit a final rule to the Legislature for consideration. If the Legislature wished to ensure certain requirements under the grant program, it could consider specifying them in statute. The Committee could consider specifying a grant maximum of \$100,000 per recipient [Alternative 4a], or \$50,000 per recipient [Alternative 4b], which would match the current maximum grant under the dairy processor grant program. Additionally, the Committee could consider requiring an equal match (50% of project costs) for recipients [Alternative 5a], or a 20% match [Alternative 5b], as under the dairy processor grant program.

7. Given the first-time nature of the program, the Committee could consider providing a lower amount, which would allow DATCP to pilot the program and give the Committee additional information to consider provision of larger grant awards under subsequent biennial budget deliberations. Under current law, the dairy processor grant program is provided \$200,000 GPR each year, and the Committee could consider providing an equal amount for meat processor grants [Alternative 2]. Further, the Committee could consider providing funding on a one-time basis during the 2021-23 biennium [Alternative 3]. The Committee could also take no action [Alternative 6].

ALTERNATIVES

1. Create a biennial appropriation and provide \$1,000,000 GPR each year to create a meat processing grant program. Specify that eligible recipients are facilities that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants. Authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated. Further, allow the emergency rule to be issued without the finding of an emergency, preparation of a statement of scope, or submittal of a final draft rule to the Governor.

ALT 1	Change to Base
GPR	\$2,000,000

2. Create a biennial appropriation and provide \$200,000 GPR each year to create a meat processing grant program. Specify that eligible recipients are facilities that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants. Authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated. Further, allow the emergency rule to be issued without the finding of an emergency, preparation of a statement of scope, or submittal of a final draft rule to the Governor.

ALT 2	Change to Base
GPR	\$400,000

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

4. In addition to any of the alternatives above, establish a maximum grant per recipient of one of the following:

- a. \$100,000; or
- b. \$50,000.

5. In addition to any of the alternatives above, require grant recipients to provide a match of one of the following:

- a. 50% of project costs (an equal match); or
 - b. 20% of project costs.
6. Take no action.

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