



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #176

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

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

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#### **CURRENT LAW**

The Department of Agriculture, Trade and Consumer Protection (DATCP) is responsible for supporting the meat and poultry industry in Wisconsin by adopting and enforcing 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.

The meat processor grant program was created by 2021 Wisconsin Act 58, the biennial budget act, to provide grant funding to facilities that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants, to promote the growth of the meat industry in Wisconsin. Following action by the Joint Committee on Finance, \$200,000 was allocated for grants in each of 2021-22 and 2022-23 in a biennial appropriation. Base funding for the program is \$200,000 GPR each year.

The meat processor grant program provides grants of up to \$50,000 per recipient for projects up to two years in duration and requires an equal match (50% of project costs). Eligible recipients are either DATCP- or U.S. Department of Agriculture-inspected meat processing facilities located in Wisconsin. Eligible projects are those that: (a) grow or develop the current business's harvest or throughput capacity; (b) improve facility production or profitability; or (c) assist processors in solving capacity or production bottleneck challenges. Grants are provided on a reimbursement basis, and support costs including equipment, engineering, architecture, design, construction, and food safety advisory services.

## DISCUSSION POINTS

1. 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. The result was increased demand for slaughter at smaller, state-inspected facilities as animals were diverted from larger facilities. Consistent with this trend, total slaughters of cattle (40,000) rose 21% in 2020 relative to 2019 and total slaughters of swine (45,500) rose 34% in 2020 relative to 2019. DATCP reports as of April, 2023, that total slaughters for cattle have remained high compared to pre-pandemic levels, but that numbers have moderated in the past two years, totaling 40,100 slaughters in 2021 and 40,200 in 2022. Total slaughters of swine have declined approximately 29% to 32,300 slaughters, consistent with pre-pandemic levels.

2. 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 grew. DATCP reports it expects continued growth in coming years as consumer demand for locally-sourced meat products continues.

3. The meat processor grant program, created under 2021 Act 58, provides support to small-scale, state-inspected meat processing establishments. In the 2021-22 grant cycle, the first meat processor grant round, DATCP received 100 applications requesting approximately \$4.4 million in funding. DATCP chose five projects, awarding each project between \$25,000 and \$50,000. Awarded projects meet various aspects of the following program objectives: (a) establishment of expansion efforts to provide assistance with siting, engineering, design, and layout of new facilities or production lines; (b) increase of an establishment's harvest capacity by 20% or more annually; and (c) increase of meat or meat product production and demonstrated benefits to harvest capacity within the supply chain. Preference was given to projects that demonstrated an industry-wide benefit or increased animal harvest benefitting multiple Wisconsin producers and farmers.

4. In response to strong demand for the first meat processor grant round, \$10 million in discretionary funding under the federal American Rescue Plan Act (ARPA) was allocated for the creation of a Meat and Poultry Supply Chain Resiliency grant program in May, 2022. DATCP received 99 applications requesting approximately \$11.1 million in funding and awarded the allocated \$10 million to 88 recipients. Eligible projects included siting, engineering, design, or layout of new facilities or production lines and any project that could increase a facility's harvest capacity by 20% or more each year. The maximum grant award was \$150,000 and required equal matches from processors and project lengths within two years.

5. In the second round of meat processor grants, the 2022-23 grant cycle, DATCP received 70 applications requesting approximately \$2.8 million in funding. DATCP contends that oversubscription in the 2022-23 grant round, following the investment of \$10 million for the Meat and Poultry Supply Chain Resiliency Program, indicates ongoing need and demand from Wisconsin meat processors. Assembly Bill 43/Senate Bill 70 would increase funding for the meat processor grant program by \$800,000 GPR annually. The bill would provide \$1,000,000 each year in ongoing funding for the program.

6. DATCP suggests that a shortage of meat processing capacity imposes a bottleneck on growth in Wisconsin's meat industry. DATCP estimates that in recent years, wait times from scheduling to slaughter have increased from approximately two months to two years. As of 2023, DATCP reports that most meat processors are booked for slaughter services through the end of 2024, meaning slaughter appointments are being scheduled for animals not yet born. DATCP contends that meat processor grants assist in reducing slaughter wait times, and allow identification of process and facility improvements that other facilities could implement statewide. It may be that additional 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.

7. DATCP argues that increased meat processing capacity would support 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 contribution of meat processing to Wisconsin's economy and ongoing demand for meat processing grant funding, 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 support the meat processing grant program [Alternative 1].

8. Since July, 2021, the U.S. Department of Agriculture (USDA) has provided \$375 million to 30 businesses for the Meat and Poultry Processing Expansion Program to create and expand small livestock processors across the U.S. and improve meat processing resiliency. As of March, 2023, one Wisconsin processor received \$1.6 million for a 19,400-square-foot expansion project for increasing production, improving food safety, and streamlining processes in the facility. The project is anticipated to add 35 meat processing jobs.

9. In April, 2023, USDA announced an investment of \$125 million for two new grant programs, the Indigenous Animals Harvesting and Meat Processing grant program and the Local Meat Capacity grant program. Each grant program intends to provide funding to small, independent, local meat and poultry processing plants. Local Meat Capacity grants will fund expansion and equipment-only costs for smaller-scale projects, similar to the criteria of the state program.

10. Substantial federal funding for smaller meat processing establishments may indicate lesser needs for additional state appropriations for such purposes. However, to the extent state and federal programs may have differing eligibility criteria, and because Wisconsin establishments would compete against applicants from other states, it may be desirable to have additional state funding to fulfill the aims of the program. Given increasing federal investment in meat processing and overlapping eligibility between state and federal programs, it could be considered appropriate to provide an additional \$300,000 annually for the state program [Alternative 2]. The Committee could also consider taking no action and base funding for the meat processing grant program would be \$200,000 GPR in each year of the 2023-25 biennium [Alternative 3].

## **ALTERNATIVES**

1. Provide an additional \$800,000 each year of the 2023-25 biennium for grants to facilities

that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants. Total funding for meat processing grants would be \$1,000,000 in each year of the 2023-25 biennium.

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$1,600,000

2. Provide an additional \$300,000 each year of the 2023-25 biennium for grants to facilities that slaughter animals for human consumption, or that process meat or meat products, excluding rendering plants. Total funding for meat processing grants would be \$500,000 in each year of the 2023-25 biennium.

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$600,000

3. Take no action.

Prepared by: Margo Poelstra