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Joint Committee on Finance

Paper #178

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

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

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 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, and the statutes require grant recipients to provide at least 50% of the costs of the project. 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.

The farm-to-school program, created under 2009 Wisconsin Act 293: (a) connects schools to nearby farms to provide locally produced fresh fruit, vegetables, dairy products, and other

nutritious, locally produced foods; (b) develops healthy eating habits in the general public; (c) provides nutritional and agricultural education; and (d) improves farmers' incomes and direct access to markets. The farm-to-school program receives grant funding through the U.S. Department of Agriculture (USDA) and \$83,400 GPR annually for administration of the program. DATCP is authorized to issue grants to create or expand farm-to-school programs, but grant funding has never been appropriated.

DISCUSSION POINTS

Value-Added Agriculture Grants

1. Assembly Bill 43/Senate Bill 70 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.

2. The proposed value-added agriculture grant program is 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.

3. Table 1 shows the total number of smaller farming operations (defined as those with annual gross sales below \$250,000), which has decreased slightly in recent years, including by 0.9% from 2017 to 2021. The total number of larger operations (\$250,000 or more) declined by 2.2% over the same period, but increased from 2020 to 2021.

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>% Change</u>
2017	28,700	20,100	7,000	55,800	
2018	28,800	20,100	6,900	55,800	0.00%
2019	29,000	20,200	7,000	56,200	0.72
2020	28,700	20,100	6,900	55,700	-0.89
2021	28,200	20,200	6,900	55,300	-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>% Change</u>
2017	4,300	2,550	2,150	9,000	
2018	4,300	2,550	2,150	9,000	0.00%
2019	4,250	2,400	2,050	8,700	-3.33
2020	4,250	2,400	2,050	8,700	0.00
2021	4,300	2,400	2,100	8,800	1.15

Source: Wisconsin Agricultural Statistics Service, 2022 Wisconsin Agricultural Statistics

4. The Committee could consider creating the value-added agriculture grant program and providing \$400,000 GPR each year for value-added agriculture grants [Alternative A1]. Given that this would be a new program, the Committee may wish to set funding at \$200,000 annually, which would be consistent with some of the other grant programs [Alternative A2]. As written, AB 43/SB 70 does not specify a match requirement for grants. The Committee could consider specifying a match requirement, consistent with other agricultural assistance programs administered by DATCP. The Committee could require equal matching funds, or 50% of project costs, consistent with what is required currently by the Buy Local, Buy Wisconsin program [Alternative A3a]. The Committee could also require 33% of projects costs [Alternative A3b], or 20% of project costs, consistent with what is required currently by the dairy processor grant program [Alternative A3c].

5. Given the first-time nature of the proposed program, consideration could be given to providing funding on a one-time basis during the 2023-25 biennium [Alternative A4]. Given the relatively small decrease in smaller agricultural operations in recent years, the Committee could also consider taking no action [Alternative A5].

Farm-to-Fork

6. Assembly Bill 43/Senate Bill 70 would provide \$200,000 each year to create a state-funded farm-to-fork program. Under the program, DATCP would award grants to businesses,

universities, hospitals, and other entities with cafeterias to create and expand programs that accomplish the same goals as the current farm-to-school program. DATCP reports anticipated demand from early childcare centers and schools that are not currently eligible for the farm-to-school program. DATCP additionally estimates the following eligible entities: (a) 50 universities and colleges; (b) 159 hospitals; (c) 2,265 early childcare centers; (d) 1,800 senior living facilities; (e) 355 nursing homes; and (f) an undetermined number of additional businesses and organizations with cafeterias.

7. Grants would support projects that include: (a) creating, expanding, diversifying, or promoting production, processing, marketing, and distribution of food produced in Wisconsin for sale to entities in Wisconsin other than schools; (b) construction or improvement of facilities, including purchases of equipment, intended to support consumption of food produced in Wisconsin in entities other than schools; (c) training for food service personnel, farmers, and distributors; and (d) nutritional and agricultural education. DATCP would be required to consult with interested persons to establish grant priorities each year and give preference to proposals that are innovative or provide models other entities may adopt. DATCP would use an existing limited-term employee agricultural program specialist position to administer the farm-to-fork program.

8. The farm-to-fork program would intend to encourage the development of healthy eating habits in the general public by increasing access to fresh fruits and vegetables and dairy products and other nutritious, locally produced foods in meals and snacks. Research indicates that overconsumption of highly processed foods can increase risks of multiple negative health outcomes, and public health could benefit from programs that seek to displace such consumption with locally produced foods that may tend to be minimally processed or fresher and therefore have relatively greater nutritional value.

9. On the other hand, it could be argued that existing programs, including Buy Local, Buy Wisconsin, already pursue goals of developing and expanding local food systems. Providing base or additional appropriations to such programs could be viewed as more effective allocations of funding than a new program with similar aims.

10. The Committee could consider providing \$200,000 GPR annually for farm-to-fork grants due to anticipated demand for the program and the potential nutritional benefits to the public and economic benefits to producers [Alternative B1]. The Committee could also consider specifying matching funds for the farm-to-fork program. The Committee could require equal matching funds, or 50% of project costs, consistent with what is required currently by the Buy Local, Buy Wisconsin program [Alternative B2a]. The Committee could also require 50% matching funds, or 33% of projects costs [Alternative B2b], or 20% of project costs, consistent with what is required currently by the dairy processor grant program [Alternative B2c]. Further, the Committee could consider providing funding on a one-time basis during the 2023-25 biennium [Alternative B3]. The Committee could also take no action [Alternative B4].

Buy Local, Buy Wisconsin

11. 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 \$200,000 GPR each year during the 2021-

23 biennium. AB 43/SB 70 would continue base funding.

12. 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 2022, DATCP reports program recipients have reported new sales of approximately \$10 million associated with grant assistance, created or retained approximately 211 jobs, and approximately 2,700 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

Grant Year	Applications		Awarded		Not Funded	
	Number	Amount	Number	Amount	Number	Amount
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	33	1,182,000	9	300,000	24	882,000
2021	37	1,312,200	14	300,000	23	1,012,200
2022	60	1,911,500	12	200,000	48	1,711,500

13. 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.

14. Given unmet demand for BLBW grants in recent years and potential community benefits, the Committee could consider maintaining providing additional funding to BLBW in lieu of creating new programs such as the farm-to-fork program and the value-added agriculture program. The Committee could choose to provide \$600,000 in additional funding to BLBW, equal to the allocations AB 43/SB 70 would have made for those programs [Alternative C1], \$200,000 in additional funding each year [Alternative C2], or \$100,000 in additional funding each year, consistent with \$100,000 in additional yearly funding provided in the 2019-21 biennium, when the program last received a one-time increase in appropriations [Alternative C3]. The Committee could also specify

that any additional funding is provided on a one-time basis in the 2023-25 biennium [Alternative C4].

ALTERNATIVES

A. Value-Added Agriculture Program

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.)

ALT A1	Change to Base
GPR	\$800,000

2. Include the provisions specified in A1, but establish funding at \$200,000 annually, rather than \$400,000.

ALT A2	Change to Base
GPR	\$400,000

3. Specify that grant recipients must provide matching funds at least equal to one of the following:

a. 50% of project costs (This would be consistent with current requirements for the Buy Local, But Wisconsin program.).

b. 33% of project costs.

c. 20% of project costs. (This would be consistent with requirements under the dairy processor grant program.)

4. Specify that funding be provided on a one-time basis in the 2023-25 biennium.
5. Take no action.

B. Farm-to Fork Program

1. Create a biennial appropriation and provide \$200,000 GPR each year to create a farm-to-fork grant program. Define a farm-to-fork program as one that: (a) connects entities that have cafeterias, other than school districts, to nearby farms to provide locally produced fresh fruit, vegetables, dairy products, and other nutritious, locally produced foods; (b) develops healthy eating habits in the general public; (c) provides nutritional and agricultural education; and (d) improves farmers' incomes and direct access to markets. (This alternative may be selected independently or in addition to other alternatives.)

ALT B1	Change to Base
GPR	\$400,000

2. Specify that grant recipients must provide matching funds at least equal to one of the following:

- a. 50% of project costs.
 - b. 33% of project costs.
 - c. 20% of project costs.
3. Specify that funding be provided on a one-time basis in the 2023-25 biennium.
 4. Take no action.

C. Buy Local, Buy Wisconsin Grant Program

1. Provide \$600,000 GPR each year in additional funding to the Buy Local, Buy Wisconsin grant program.

ALT C1	Change to Base
GPR	\$1,200,000

2. Provide \$200,000 GPR each year in additional funding for the Buy Local, Buy Wisconsin grant program.

ALT C2	Change to Base
GPR	\$400,000

3. Provide \$100,000 GPR each year in additional funding for the Buy Local, Buy Wisconsin grant program.

ALT C3	Change to Base
GPR	\$200,000

4. Specify that grant funding be provided on a one-time basis during the 2023-25 biennium. (This alternative could be selected in addition to any of the above alternatives.)

5. Take no action. (Base funding of \$200,000 GPR each year would be maintained.)

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