



Legislative Fiscal Bureau

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October 19, 2021

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Agriculture, Trade, and Consumer Protection: Section 13.10 Request for Meat Processor Infrastructure Grant Program

REQUEST

Transfer \$200,000 each year of the 2021-23 biennium from the Joint Committee on Finance's general purpose revenue (GPR) supplemental appropriation to the Department of Agriculture, Trade and Consumer Protection (DATCP) to establish a meat processor infrastructure grant program.

BACKGROUND

DATCP reports approximately 500 meat processors operate in Wisconsin. 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.

2021 Wisconsin Act 58, the biennial budget act, created a meat processor grant program under section 93.68 of the statutes, and allocated \$200,000 GPR each year in the Committee's supplemental appropriation to fund that grant program. Section 93.68 allows DATCP to award grants to meat processing facilities for the purposes of promoting the growth of the meat industry in Wisconsin. Meat processing plants are defined as those where animals are slaughtered for human consumption, or where meat or meat products are processed, not including rendering plants.

ANALYSIS

Due to temporary closures as a result of the COVID-19 pandemic, slaughter activity in Wisconsin shifted from high-volume processing facilities to smaller facilities, which are usually state-inspected. Further, shifting consumer preferences toward locally-sourced meat are also increasing demand for smaller facilities. The result of these trends is a need for additional capacity at smaller meat processing facilities. Consistent with this trend, total slaughters of cattle and swine

at state-inspected facilities rose 32% in 2020 relative to 2019. DATCP reports it expects continued growth for small facilities in coming years as consumer demand for locally-sourced meat products continues to grow.

The proposed meat processor infrastructure grant program would provide grants of up to \$100,000 per recipient and require an equal match (50% of project costs). Eligible recipients would be either DATCP- or U.S. Department of Agriculture-inspected meat processing facilities located in Wisconsin. Eligible projects would be those that seek to increase harvest capacity or the amount of meat product produced. Grants would be provided on a reimbursement basis, and would support costs including equipment, engineering, architecture, design, construction, and food safety advisory services.

DATCP would require progress reports from grant recipients every six months, and a final report upon project completion. Interim reports would track project planning and progress, and implementation challenges. The final report would be required to include a project description, project accomplishments, insights from the project, and the percent increase of processing capacity of a plant relative to before the project.

Since 2014, DATCP has operated a dairy processor grant program, which offers grants similar to the proposed meat processor infrastructure grant program to grow processing capacity through plant modernization or expansion, food safety improvements, or investment in innovative technologies. DATCP's dairy processor program is provided \$200,000 GPR each year in base funding, plus a one-time supplement of an additional \$200,000 GPR each year during the 2021-23 biennium. The dairy processor grant program has a maximum grant per recipient of \$50,000.

DATCP reports that the proposed \$100,000 maximum grant amount reflects feedback from industry stakeholders. Such a grant maximum would support larger projects that could have a higher impact per dollar awarded. However, larger grants could also reduce availability of funding for other applicants. DATCP notes that the higher grant maximum gives it additional flexibility in awarding grants, but that if a significant number of applications were received it would likely award more grants in smaller denominations.

If the Committee wished to mirror the existing program for dairy processors, it could consider specifying a maximum grant of \$50,000 per recipient, which would allow at least four operations to receive grants in any given year (Alternative 2). The Committee could also approve the request (Alternative 1), and DATCP would retain flexibility to award larger grants.

ALTERNATIVES

1. Approve the request to transfer \$200,000 GPR each year of the 2021-23 biennium from the Joint Committee on Finance's supplemental funding appropriation under s. 20.865 (4)(a) to the Department of Agriculture, Trade and Consumer Protection appropriation under s. 20.115 (4)(f) to establish a meat processor infrastructure grant program with a maximum grant of \$100,000 per recipient and a required match equal to the grant award (50% of project costs).

2. Approve the request to transfer \$200,000 GPR each year of the 2021-23 biennium to establish a meat processor infrastructure grant program, and specify a maximum grant of \$50,000 per recipient and a required match equal to the grant award (50% of project costs).
3. Deny the request.

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