

Request for Approval of Grant Proposal by the Arkansas CARES Act Steering Committee - State Agency

Form No.

CARES-St Agency-001G

0400

Arkansas Department of Agriculture

Business Area

Cabinet Name / Division Name

Description/Purpose of Grant:

The Arkansas Department of Agriculture is seeking \$5 million in CARES Act funding to establish a cost-share program to help local, small-scale Arkansas meat processing facilities expand processing capacity to meet increased demand due to impacts of the COVID-19 pandemic. The proposed grant would reimburse up to 75% of eligible expenses for non-capital improvements. Custom-exempt processing facilities would be required to become USDA inspected processing facilities. This program is modeled after the North Dakota Department of Agriculture Meat Processing Plant Cost-Share Program that utilized CARES Act funding.

Estimated Total Cost

\$5 million

Estimated Appropriation Needs

\$5 million

Estimated Funding Needs

\$5 million

Justification of Need:

The COVID-19-related meat processing facility disruptions across the nation highlighted Arkansas's need for regionalized, smaller-scale meat processing facilities that producers and consumers can access during normal and emergency situations. As the COVID-19 pandemic spread across the nation in March and April, Arkansans were faced with a limited animal protein supply for the first time in many decades. The limited supply resulted in much higher retail prices for beef, pork, and chicken. There are three local, small-scale USDA-inspected meat processing facilities and approximately 40 custom-exempt processors in Arkansas currently. This proposed program meets the requirements of the CARES Act funding guidance that specifically states that allowable expenditure may include "expenditures incurred to respond to second-order effects of the pandemic, such as by providing economic support to those suffering from employment or business interruption due to COVID-19-related business closures". Please see the attached document for additional information.

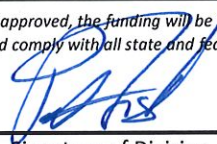
*By signing the Approval for Grant Proposal Form, the Cabinet Secretary and Division Director are certifying that if approved, the funding will be utilized in accordance with Section 601(a) of the Social Security Act, as added by Section 5001 of the CARES Act and the agency will track all expenditures and comply with all state and federal reporting requirements.*



Signature of Secretary

6-8-2020

Date



Signature of Division Director

6/8/2020

Date

**CARES Act Meat Processing Grant Proposal**  
**June 5, 2020**

The Arkansas Department of Agriculture is seeking up to \$5 million in CARES Act funding to establish a cost-share program to help Arkansas meat processing facilities expand processing capacity to meet increased demand due to the COVID-19 pandemic.

**Background**

Arkansas ranks 10<sup>th</sup> in the nation in the production of animals and animal products that provide more than \$5.3 billion to the state's economy annually. The cattle and calves industry is the fourth largest sector of Arkansas's agriculture industry in terms of cash receipts, valued at \$533 million annually. In the 2018 production year, Arkansas was ranked 11<sup>th</sup> in the nation in beef cattle production and 24<sup>th</sup> in the nation in cattle and calves with 528,300,000 pounds of production.

One of the largest COVID-19 impacts to the agriculture sector is meat processing facility disruptions. The disruptions to the nation's food supply chain and the reduction in meat processing capacity highlighted Arkansas's need for regionalized, smaller-scale meat processing facilities that producers and consumers can access during normal and emergency situations.

As the COVID-19 pandemic spread across the nation in March and April, Arkansans were faced with limited animal protein supply for the first time in many decades. The limited supply resulted in much higher retail prices for beef, pork, and chicken.

At the same time of rising prices and limited supply, the impacts of COVID-19 also limited Arkansas livestock producers' marketing alternatives and negatively impacted their profits. The possibility of a resurgence of COVID-19 this fall and winter continues to heighten the concerns of consumers and producers about the reliability of the food supply chain.

Arkansas consumers are demanding more locally grown and processed meat, but the demand currently cannot be met by Arkansas livestock producers due to the limited number and capacity of USDA inspected processing facilities. Arkansas currently has only three small-scale meat processing facilities that have the necessary federal inspection to allow commercial sale of the meat processed by the facility. Meat processed by the state's approximately 40 custom-exempt (non-federally inspected) processing facilities cannot be sold commercially.

*\* To become federally inspected, facilities must apply to USDA for a grant or certification of inspection. Facilities are required to meet federal guidelines for sanitation, standard operating procedures, food safety, and laboratory testing.*

**Request:**

The Arkansas Department of Agriculture proposes a grant program for local, small-scale meat processing facilities to expand meat processing capacity in Arkansas. This proposal would assist both Arkansas livestock producers and consumers.

The proposed grant program would reimburse up to 75 percent of the eligible expenses for non-capital improvements to enable local, small-scale meat processing facilities in Arkansas to expand processing

capacity. Under the grant program, custom-exempt facilities would be required to become USDA inspected processing facility.

There are three local, small-scale USDA-inspected meat processing facilities and approximately 40 custom-exempt processors in Arkansas currently. A 33 percent expansion of meat processing capacity at a single facility is estimated to create 5-10 additional jobs.

The Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments, dated April 22, 2020, states that payments from the Fund may be used to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019. According to the guidance, this may include “expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures”.

The funds are not intended to be utilized for capital improvement projects that broadly provide potential economic development in a community as referenced and prohibited in the Coronavirus Relief Fund Frequently Asked Questions document dated May 4, 2020.

*\* This proposal is modeled after the North Dakota Department of Agriculture Meat Processing Plant Cost-Share Program that utilized CARES Act funding.*

#### **Implementation:**

Participation: Potentially up to three existing federally licensed processing facilities and 40 custom exempt facilities could apply. It is anticipated that 20 applications or less from new or existing facilities would be received.

Total Payments: Up to \$5 million in funding will be distributed to qualifying applicants for non-capital improvement in the following categories:

- existing federally inspected facilities,
- custom-exempt facilities that expand and meet USDA inspection requirements,
- any new facilities that meet USDA inspection standards

#### Program Process:

The application process would require the following information at a minimum:

- Five-year business plan
- Estimated number of jobs that would be created
- Estimated number of farmers impacted
- Estimated percentage increase of livestock and poultry processing per week
- Narrative regarding current status of federal inspection with USDA FSIS

Online applications would be accepted from July 1 – Aug. 30, 2020. Applications would be reviewed by a committee composed of agriculture and financial industry partners.

All participants in the program will be subject to reporting and audit requirements and must operate as a USDA inspected facility.

Administration: The program will be administered by the Arkansas Department of Agriculture with existing staff.

Benefits of the Program: Cost-share funding to expand meat processing capacity in Arkansas will assist Arkansas consumers and livestock producers who were negatively impacted by disruptions in the food supply chain as a result of the COVID-19 pandemic. Job creation is an expected result.