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FISCAL IMPACT REPORT

ORIGINAL DATE 02/14/21

SPONSOR Woods LAST UPDATED _____ HB _____

SHORT TITLE Meat Processing Program SB 173

ANALYST Valenzuela/Wan

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$1,600.0	\$1,600.0	\$4,800.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB121, Relates to HM1, HB33
 Duplicates Appropriation in the General Appropriation Act of 2021

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture (NMDA)
 Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 173 appropriates \$150 thousand from the general fund to New Mexico Department of Agriculture (NMDA) for a statewide meat processing and marketing program. The purpose of the program is to expand access to beef produced locally and to collaborate with the Economic Development Department (EDD) to expand local beef processing and beef producers' access to local retail markets.

FISCAL IMPLICATIONS

The appropriation of \$150 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY22 shall revert to the general fund. The FY22 LFC recommendation includes \$150 thousand for the purpose outlined in SB173. According to NMDA, a state meat inspection program would require \$1.6 million to operate annually.

SIGNIFICANT ISSUES

Value-added agriculture is one of the industries EDD is targeting for business retention and expansion. EDD's position is that providing resources for this industry by enacting SB173 would "stimulate future opportunity for New Mexico's businesses to utilize funding from the Economic Development Department's Job Training Incentive Program and Local Economic Development Act program."

However, local meat producers and processors already have access to local retail markets throughout the state because all meat processing in New Mexico is inspected by the U.S. Department of Agriculture (USDA). USDA inspection allows meat processors to sell product both within the state (intrastate) and across state lines (interstate), except for custom-exempt processors (see below).

Overview of Meat Inspection. Through the USDA Food Safety and Inspection Service (FSIS), the federal government maintains primacy over meat inspection throughout the country. In several cases, USDA has certified states to manage their own meat inspection programs, and in some cases, provides partial funding support to those states. Across the country, 27 states manage their own meat inspection programs. State-managed meat inspection programs are required to be at least equal to federal inspection programs.

According to USDA, 99 percent of processed animal products are inspected under a federal or federally-approved meat inspection program to allow the processors access to local and national markets. Meat processors inspected by states may only sell their products within their state boundaries unless an appropriate interstate agreement is in place.

Meat Inspection in New Mexico. New Mexico managed a USDA-approved meat inspection program until 2007 when the USDA revoked its authority, a result of continual compliance and performance issues. USDA returned New Mexico to a federally inspected program, ensuring New Mexico meat processors maintain access to New Mexico and national markets.

According to a recent NMSU study, most New Mexico meat processors were not in favor of a shift to state inspection. A small number of "custom-exempt" meat processors expressed interest in a state program, believing it would allow access to local retail markets. The type of inspection, however, is not a constraint to local retail markets; designation as a "custom-exempt" processor is the limitation. Custom-exempt meat processors are prohibited from selling meat product to retail customers, regardless if inspected by a state or a federal program.

ALTERNATIVES

The Taos County Economic Development Corporation received \$300 thousand from the

Legislature to acquire and operate a USDA-inspected mobile meat processing facility (called the mobile Matanzas) in northern New Mexico and reports that local producers are motivated by commodity pricing more than inspections. When commodity prices are high, small- and mid-size producers opt to sell directly into the national distribution channels. When commodity prices are low, producers use the mobile Matanzas because the USDA-inspected service allows the local producers to sell to local retailers.

POSSIBLE QUESTIONS

1. Would the state of New Mexico be in violation of federal law if it operated a meat inspection program without authorization from the USDA?
2. Can local livestock producers process their meat for sell to local New Mexico markets under a state meat inspection program that has not been authorized by the USDA?

CW/sb