

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



Progress Report on
The Maine Farms for the Future Program

**A Report Prepared for the
Joint Standing Committee on Agriculture, Conservation and Forestry
Pertaining to Title 7, Chapter 10-B,
Subsection 320. Program Administration, Part 6. Reporting.**

March 1, 2015



Walter E. Whitcomb, Commissioner

Department of Agriculture, Conservation and Forestry

REPORTING REQUIREMENT

Title 7-Chapter 10-B, The Maine Farms for the Future Program directs the Commissioner of the Department of Agriculture, Conservation and Forestry, to submit a report on or before March 1st to the Joint Standing Committee of the Legislature having jurisdiction over agricultural matters.

HOW THE MAINE FARMS FOR THE FUTURE PROGRAM WORKS

The Maine Farms for the Future Program (“Program”) is a two-phase competitive grant program that was enacted in 2000. The Program responds directly to one of the primary needs identified by the farming community¹. Many farmers have ideas for new crops, new value-added products, new markets, and/or improvements in production or processing, but lack the financial resources to research and develop their “*Idea or Ideas for Change*” into a viable business plan. The Program assists farmers with researching the details – from financial analysis and market research, to engineering and design – to write a business plan, and then compete for an investment support grant to scale-up and diversify their revenue stream to increase long term profitability.

Phase 1 – Business Plan Development

The Phase 1 grant opportunity is advertised in mid-August with a deadline in mid-October. The eligible applicant must own their farmland or be a partner or shareholder in a legal entity that owns the farmland. In addition, the applicant must have owned and operated the farm business for commercial sales for at least 2 years at the time of application. And, if the farmland has been purchased recently, then the applicant must have operated the farm business on another farm in Maine for at least 2 years.

Per the statutory requirements, five appointed Review Panel members adjudicate each detailed application, including each farm’s “*Idea(s) for Change*” to improve farm “*vitality*” and “*profitability*”, and farm financial data. The Panel scores each application in accordance with criteria established in statute and the Rules and follows consensus scoring procedures that have been reviewed and approved by the Division of Purchases.

¹ In a 2007 survey, farmers who had participated in the program rated the “value of the services offered to the farming community” as 4.84 on a scale of 1 to 5.

The five Review Panel members are:

- **Penelope Jordan** - Operations Manager, Wm. H. Jordan Farm, LLC, Cape Elizabeth, and Business Partner in *The Farm Stand*, a local foods store in South Portland.
- **Fredrick H. Morton Jr.** - Executive Vice President & Chief Lending Officer, Farm Credit of Maine.
- **James C. McConnon Jr.** - Business & Economics Specialist/Professor of Economics, University of Maine Cooperative Extension.
- **Wendy Pich** - Owner/Operator, Springtide Farm, Bremen. Retired State Legislator.
- **Robert Spear** - Owner/Operator, Spears Vegetable Farm & Spears Farm Stand, Nobleboro, and former Commissioner of Agriculture, Food and Rural Resources.

Once grant awards are reviewed and approved by the Bureau of Purchases, the Department's Program Administrator visits each farm to assist each grantee with identifying agricultural service providers from both the public and private sectors who have the technical knowledge and expertise to help them research and analyze their "*Idea(s) for Change*". Such changes must have been described in the application, and may include: diversification by scaling-up or adding farm production, manufacturing or management practices; developing new or value-added products; conducting market research to develop a new brand and open new market channels; investigating farm transition of ownership/operation, etc.

The Program Administrator and each grantee develop a scope of work and contract to ensure that grant funds are used to evaluate their idea(s) by: hiring consultants; traveling to conferences; meeting with professional financial and legal advisors; visiting farms with the technology or practices they would like to adopt; taking recordkeeping and accounting classes; purchasing recordkeeping software or technology to improve promotion, sales and streamline financial tracking, etc. Each scope of work includes tasks that are unique to each farm's "*Idea(s) for Change*", and general reporting and training requirements that are common to all Phase 1 farms. For example, all farms are required to provide progress reports to the Program Administrator, attend business planning training, and work with a certified business counselor. To guarantee that each farm/grantee has a priority status, the Department contracts with Maine Small Business Development Centers, to secure the services of certified business counselors who provide each farm with one-on-one assistance for up to 18 months.

Once a farm has completed its business plan and budget for project(s) related to the most feasible “*Idea(s) for Change*”, it may apply to compete for investment support to implement the plan. Only farms that have been awarded Phase 1 grants and completed their business plan are eligible to apply for Phase 2.

Phase 2 – Investment Support

To be eligible the farmer must have: completed a Phase 1 Business Plan; own and operate at least 5 acres of farmland; be willing to sign a 7-year non-development agreement; and share financial updates with the Department for 3 years following receipt of Phase 2 investment support.

The Phase 2 - investment support grant cannot exceed the lesser of \$25,000 or 25% of the total project(s) cost. Each applicant must prove they are able to meet or exceed 75% match requirement. In exchange for the public investment, the successful grantee enters into another contract with the Department and signs a non-development agreement to protect the farmland for 7 years. The farm owner may terminate this agreement by reimbursing the Department/State of Maine for the grant. To date, three farms have sold with the agreement in place, and no farm has terminated their agreement.

Many farms develop projects with costs that exceed \$100,000. Thus, in 2009, the Legislature amended the statute to allow the Review Panel to recommend farms for a reduced-interest rate of 2% on loans through Agricultural Marketing Loan Fund (AMLF) (Title 10, Section 1023-J & Section 435). If recommended for this rate, farmers make a separate application for an AMLF capital improvement loan.

The complete grant cycle takes 20 months. Farms experiencing unforeseen challenges have occasionally requested that the Review Panel allow them a one-year extension before applying for Phase 2. The Department’s previous report covered activities from November 2009 to March 2012. The following report summarizes program activities from April 2012 (farms that began Phase 1 in November 2011) to the present and highlights milestones since the Program began in 2001.

PROGRAM ACTIVITY FROM APRIL 1, 2012 TO MARCH 1, 2015

- In four, Phase 1 grant cycles, 31 farms were awarded business planning grants.
- In two, Phase 2 grant cycles, 14 farms were awarded investment support grants. And eight (8) of these farms were recommended for the 2% interest rate.
- In two, Phase 2 grant cycles, a total of 1,296 acres of farmland in 8 counties, were protected for 7 years.
- 12 farms (two grant cycles) are queueing to apply for Phase 2- investment support grants and perhaps 5 will seek recommendation for 2% interest rate.
- The Program's Agricultural Service Provider Directory has been updated and will soon be available to all farmers at www.GetRealMaine.com. This will allow new and existing service providers to continually update their service descriptions.

	ROUND 11 Nov 2011 to Apr 2013	ROUND 12 Nov 2012 to Apr 2014	ROUND 13 Nov 2013 to Apr 2015	ROUND 14 Nov 2014 to Apr 2016
Phase 1	completed	completed	In process	In process
# Applications	21	10	3	10
# Grants made	13	7	3	8
Total Grant Value	\$78,000	\$42,000	\$18,000	\$48,000
Counties	11	5	2	5
	2-Aroostook 1-Cumberland 1-Kennebec 2-Knox, 1-Lincoln 1-Waldo 1-Washington, 4-York	1-Franklin 2-Kennebec 2-Lincoln 1-Waldo 1-York	2-Kennebec 1-Lincoln	1-Aroostook 1- Penobscot 2-Sagadahoc 1-Somerset 3-York
# Ac Owned	1,725	663	315	2,521
# Ac Leased	565	196	44	28
#Ac Production	1,345	411	157	1,250
Phase 2	April 2013	April 2014	April 2015	April 2016
# Applications	8	5 (1 R11, 4 R12)	3 anticipated (2 R12, 1 R13)	9 anticipated (1 R13, 8 R14)
# Grants made	8	5	April 2015	April 2016
Total Grant Value	\$167,810	\$140,000	April 2015	April 2016
Total Match Value	\$902,501	\$1,248,275	April 2015	April 2016
Total AMLF Value	\$456,739 Adds \$250,000 in future	\$250,000 Adds \$500,000 in future	April 2015	April 2016
Counties	6	5	April 2015	April 2016
	2-Aroostook 1-Cumberland 1-Kennebec, 2-Knox 1-Waldo, 1-York	1-Franklin 2-Kennebec 2-Lincoln 1-Waldo, 2-York	April 2015	April 2016
Ac protected	977	319	To be determined	To be determined

PROGRAM EFFECTIVENESS MEASURES: 2001 to 2015²

- Phase 1 business planning has improved the viability of 241 farms statewide.
- Phase 2 investment support has benefitted 116 farms.
- 27,869 total acres of working farmland protected converted to non-agricultural use³.
- The Program requires that \$1 of State investment is matched by \$3 of farmer investment. Over the life of the Program, farmers are matching at an average \$4.85 from savings, loans, USDA cost-share programs and other public and/or private grants.

FARM PARTICIPATION: ALL FARMS Sept 2001-Mar 2012 + NEW FARMS Nov 2012 –Mar2015⁴

COUNTY	ALL FARMS	# PHASE 1 FARMS	# PHASE 1 & PHASE 2 FARMS	PRIMARY FARM TYPES ALL FARMS	# Farms
Androscoggin	7	3	4	Apples	7
Aroostook	35+3	22+1	13+2	Beef	9
Cumberland	12+1	6	6+1	Berries & Cranberries	12
Franklin	7+1	5	2+1	Dairy (cows)	36
Hancock	9	2	7	Dairy (diversified)	15
Kennebec	26+5	9+2	17+3	Goats	3
Knox	18+2	9	9+2	Hay /Grain	16
Lincoln	13+4	5+2	8+2	Livestock (mixed)	21
Oxford	8	4	4	Livestock & Compost	2
Penobscot	10+1	5+1	5	Maple Syrup & Honey	3
Piscataquis	8	4	4	Medicinal Herbs	3
Sagadahoc	3+2	2+2	1	Ornamentals	4
Somerset	7+1	5+1	2	Pigs	5
Waldo	22+2	13	9+2	Potatoes & Rotation Crop	9
Washington	10+1	4+1	6	Poultry	1
York	13+8	10+5	3+3	Sheep	7
TOTAL	239	123	116	Vegetables	23
				Vegetables & Compost	1
				Vegetables & Fruit	18
				Vegetables & Livestock	32
				Vegetables & Ornamentals	12
				TOTAL	239

² From Department data and an independent program Evaluation Report prepared by Pan Atlantic SMS Group, Portland, Maine in January 2008.

³ Amendments to the law in 2001, 2003 and 2008 varied the length of the non-development agreement.

⁴ From Department data, an independent program Evaluation Report prepared by Pan Atlantic SMS Group, Portland, Maine in January 2008 and an Annual Report from Coastal Enterprises Inc, in March 31, 2009.

WHAT SOME PHASE 2 FARMERS TOLD US IN 2014

In a 2014, eighty-nine (89) Phase 2 farms (Rounds 1 through 11) were mailed a questionnaire, and sent a follow-up email or give a telephone call to encourage their response. **Forty-five (45) Phase 2 farms (%50) responded.**

Profitability: Forty (40) reported that their year to year profits were better.
Five (5) said their year-to-year profits were worse.

Project Completion:
39 had completed their Phase 2 project
5 farms were 50-75% done with their Phase 2 project
1 farm did not undertake the project or claim Phase 2 grant due to a family illness

Project Expenditures:
21 out of 45 farm reported additional, unforeseen Phase 2 project costs
30 out of 45 farm reported making significant additional investments since completing Phase 2

Employment on 45 farms:
73 full-time jobs for family members
45 part-time jobs for family members
55 full-time jobs for non-family
195-205 part-time, seasonal jobs for non-family

Comments regarding other impacts participation in the Program had on the farmer and the farm:

- We've been able to greatly improve the quality of our grounds & building maintenance to enhance the experience of visitors to our farm. We've worked with many people who are interested in pursuing a business in our growing industry (winery).
- Better quality of life, community, land/farm protection, conservation & ecology. Stability.
- Our project gave insight into our own operation with improved logistics for the farm. We learned more about directions available to the farm and ways to diversify which are presently not being serviced in Maine.
- GPS guided equipment has provided overall operating efficiency, lessening fuel consumption, more accurate use of crop inputs such as fertilizer and chemicals. Using our land base to its greatest potential. A better business understanding, the business plan process assisted our operation to identify which crops had greater potential for profitability. Consulting allows us to achieve goals set for overall food safety initiatives and helps us maintain our markets.
- Our farm benefits from the Program in many ways - greater feed efficiency with our cattle, ease of care of cattle, less labor. Just a better farm all around.
- Able to expand into new markets due to opening the store. Able to offer more products and starting to work with other farmers

Recommendations on how the Program can help farmers address other obstacles:

- Help farmers navigate the legal aspects specific to our industry
- The Program facilitates growth...but growth brings additional challenges often unforeseen. Help with unintended consequences of growth
- Have an available list of consultants specializing in certain areas of agriculture
- Provide additional monetary grants to continue remaining viable & independent on rising feed and energy costs.
- Remember that this is a farm - profit and loss does not follow a normal business pattern. Sometimes farms lose money because of the long term and high capital needs of the farm or orchard.