

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 electronic originals
(may include minor formatting differences from printed original)

THE
AGRICULTURAL
MARKETING
LOAN
FUND

2014/2015
ANNUAL REPORT

CONTENTS

	Page #
Abstract	3
Commissioner's Report	4
Program Overview.....	5
AMLF Fund	6-7
Development Grant Program	7
Activity in 2014/2015	8-10
Grant Activity in 2015	11-12
Financial Statements.....	13
Committees	14
Participating Lenders.....	15
Staff.....	15
Administrative Contractor	15

ABSTRACT

Agricultural Marketing Loan Fund

In 1996, the Maine Legislature authorized the creation of the Agricultural Marketing Loan Fund (AMLF). After approval by Maine voters in November of the same year, a \$6 million general obligation bond was issued to capitalize the new program. A second general obligation bond was authorized in 2007 for an additional \$1 million as a continuing show of support for the program.

The AMLF provides direct, fixed-rate loans for purposes of assisting commercial agricultural enterprises and businesses engaged in producing, processing, storing, packaging or marketing products derived from an agricultural enterprise. The AMLF helps finance the design, construction or improvement of commodity and storage buildings and packing and marketing facilities, and the construction, renovation or acquisition of other related property.

Program staff are available for site visits and assistance with project planning and the AMLF loan application process. For further information, please contact the staff listed on the final page of this report.

**STATE OF MAINE
DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY
OFFICE OF THE COMMISSIONER
22 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0022**

**Paul R. LePage
GOVERNOR**

**Walter E. Whitcomb
COMMISSIONER**

COMMISSIONER'S REPORT

To the Honorable Paul R. LePage, Governor; the Honorable Michael Thibodeau, President of the Senate; the Honorable Mark Eves, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:

The Agricultural Marketing Loan Fund (AMLF) is administered within the Bureau of Agriculture, Food and Rural Resources by our Director of Marketing Development. In fiscal year 2015, the AMLF was instrumental in meeting the capital project needs of four farms and producers. Over the twelve-month period ending June 30, 2015, four projects closed totaling \$355,635 in AMLF proceeds, \$161,000 in lender financing, and owner equity of \$133,369.

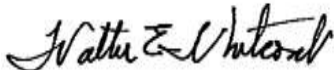
The Agricultural Marketing Loan Fund is a public and private partnership, helping small and medium-sized farms better meet their marketing and production needs. Producers invest to increase profitability, buy equipment that adds value to production and build storage that extends the season. These examples point to the wise investment of private capital partnered with the publicly administered AMLF. Beginning farmers are accessing AMLF financing as they complete the Farms for the Future Training Program.

We continually evaluate the AMLF program to determine what can better meet needs of farmers and better partner with private and nonprofit loan providers. There has been recent interest expressed that may lead to future investment to fund new processing and production, land and building acquisitions, and new infrastructure outlets that may further diversify the portfolio of this fund.

The Department of Agriculture, Conservation and Forestry has a comprehensive directory of lending services to assist farmers, particularly new farmers, in accessing loan funds.

Increased capital investment in Maine agriculture is a critical element for the growth of the Maine economy. This year we also re-instituted the Agricultural Development Grant Program through which, with a pullback of the previous year allocations, we were able to fund a total of 12 agriculture projects. This included committed funding of \$467,855 through a competitive grant process. Continued plans for this program includes annual commitments of \$250,000 into the agricultural community through similar grant projects in the coming years.

Respectfully submitted,



Walter E. Whitcomb
Commissioner

PROGRAM OVERVIEW

The Agricultural Marketing Loan Fund (AMLF) provides direct loans to agricultural enterprises and businesses engaged in producing, processing, storing, packaging or marketing of products derived from an agricultural enterprise with the construction or improvement of commodity and storage, packing and marketing facilities, along with the acquisition and installation of state-of-the-art equipment. The program participates with private lenders to provide customized, cost-effective financing packages for these capital projects.

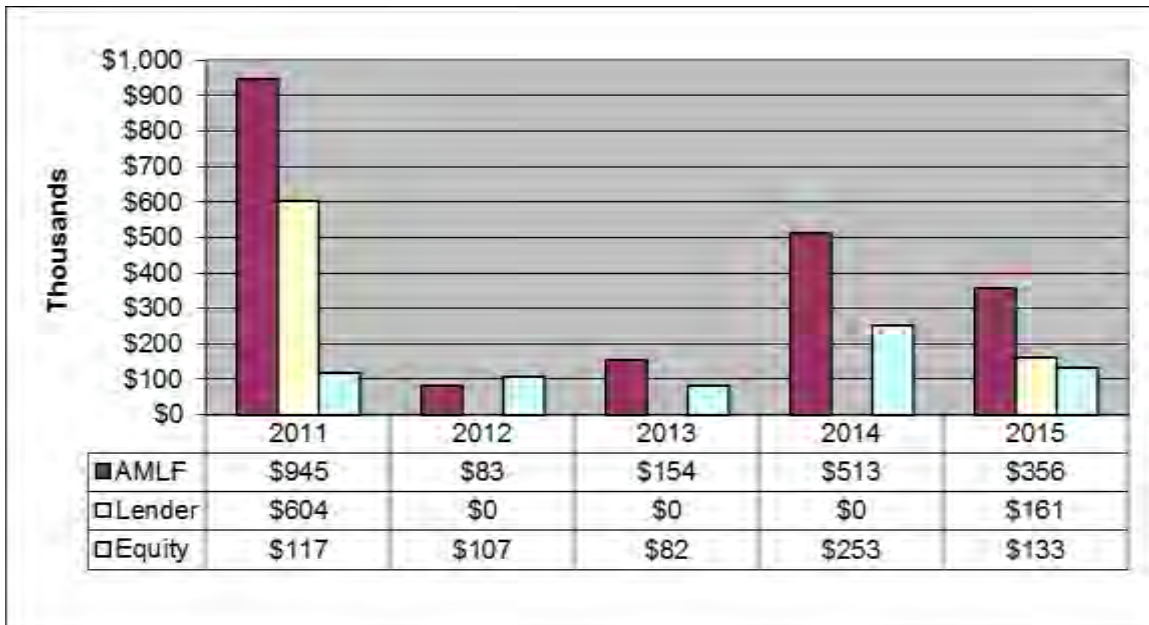
Over the years, AMLF has helped finance 121 projects that have leveraged a total of \$24,218,222 in investments in Maine's agriculture infrastructure, as depicted in the chart below:

PORTFOLIO SUMMARY

	1998-2014	2015	Total
Number of Projects	117	4	121
AMLF Financing	\$10,761,432	\$355,635	\$11,117,067
Lender Financing	\$ 8,325,376	\$161,000	\$8,486,376
Equity	\$ 4,481,410	\$133,369	\$4,614,779
Total Investments	\$23,568,218	\$650,004	\$24,218,222

Since program inception, the agricultural industry sectors with the highest loan volumes have been dairy, potato, aquaculture services, and crops sectors, with \$2,763,277; \$2,306,663; \$ 1,944,730; and \$3,635,714 in loans, respectively. Also, it should be noted that the AMLF loans provided to the potato industry have been largely for equipment purchases and not for storage construction, a loan purpose that has largely been satisfied through the Potato Marketing Improvement Fund loan program.

Historical Activity



The AMLF pool of money can be disbursed through two mechanisms defined in its enabling legislation. These are (1) the AMLF Fund and (2) the Research Grant Program.

AMLF

The AMLF Fund provides a low-cost source of financing to assist Maine-based companies involved in aquaculture and agricultural enterprises to employ new technologies and innovative processes. Financing from this fund may be used for new or existing facilities, improvements to land, buildings, vessels, as well as to purchase or retrofit machinery and equipment that help to improve the quality and marketability of Maine produced, processed, and marketed products. Financing by the AMLF Fund may not be used for working capital, refinancing, or non-project related expenses. The AMLF funds are minimally available during the construction phase of the project. Typically, they are committed before construction begins and used for permanent take-out financing after the construction phase of the project is complete.

Eligible Applicant:

Any individual or entity engaged in an agricultural or aquaculture enterprise based in Maine is eligible to apply for financing under the Agricultural Marketing Loan Fund.

Use of Proceeds:

Building or land acquisition and improvements, construction or expansion, and the purchase and installation of equipment, docks, wharfs, piers, vessels, etc.

Loan Size:

Borrowers may apply for up to 75% of the project cost if the project exceeds \$100,000, and up to 90% of the project cost if the project is less than \$100,000. The maximum loan under the AMLF is \$250,000. The increased number of inquiries and applications for this program indicate that this change had a positive impact.

Interest Rates:

Loans from AMLF will be made at an interest rate of 5% fixed; however, participants who successfully complete the Maine Farms for the Future Program may apply for a reduced interest rate of 2%.

Fees & Other Expenses:

A 1% origination fee will be charged on AMLF loans of \$100,000 or more. The borrower is responsible for all closing costs, including legal expenses.

Repayment Terms:

Loan repayment terms will vary to reflect the useful life of the assets being financed.

DEVELOPMENT GRANT PROGRAM

The Commissioner of the Department of Agriculture, Conservation and Forestry may use the interest from the loan fund to support farmers and farm organizations through the **Agricultural Development Grant Program (ADG)**. Projects that promote **market promotion, market research and new technology demonstration and adoption**, and that benefit agricultural, aquacultural, and natural resource-based businesses in Maine, are invited to apply on an annual basis or as funds are available.

AMLF LOAN ACTIVITY IN 2014/2015

Transactions Closed:

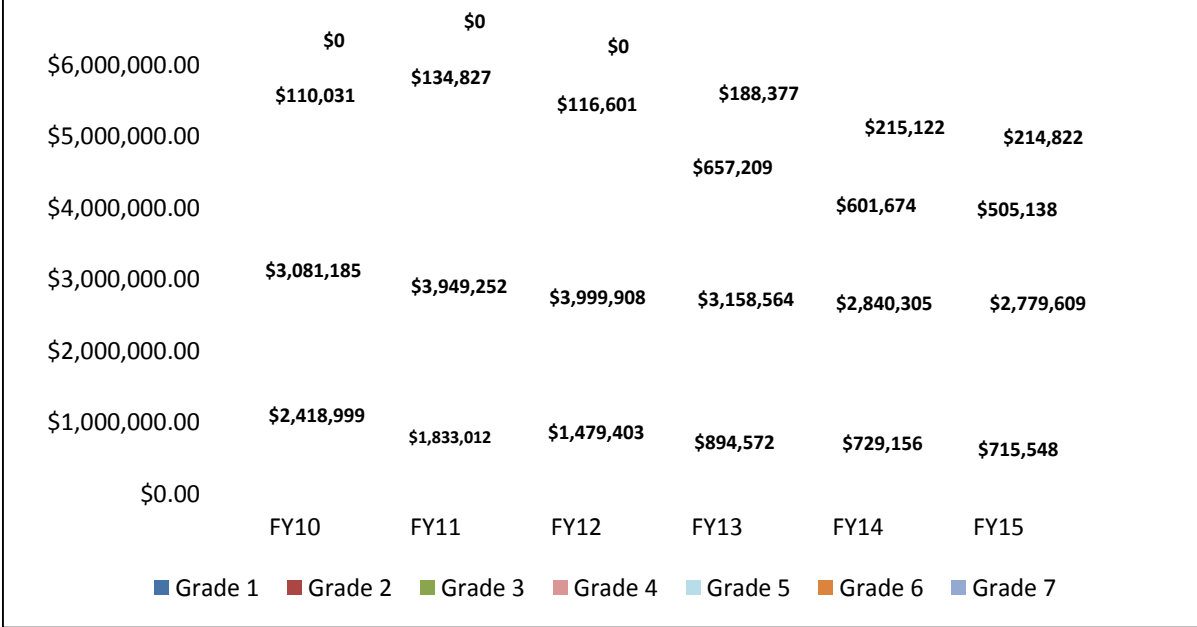
Location	Project Cost	Bank	Equity	AMLF	Project Type
Cape Elizabeth	\$120,000	\$25,000	\$5,000	\$90,000	Purchase Equipment
Whitefield	\$15,000	\$0	\$1,500	\$13,500	Purchase Equipment
North Yarmouth	\$135,104	\$0	\$1,869	\$133,235	Refinance
Caribou	\$379,900	\$136,000	\$125,000	\$118,900	"Take-out" Construction Financing
4 Projects	\$650,004	\$161,000	\$133,369	\$355,635	

AMLF LOANS PENDING AND COMMITTED IN 2015

Transactions Pending & Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Portland	\$45,000	\$0	\$6,000	\$39,000	Purchase Equipment
Sidney	\$50,000	\$0	\$5,000	\$45,000	Improvements
Van Buren	\$475,000	\$225,000	\$0	\$250,000	"Take-out" Construction Financing
3 Projects	\$570,000	\$225,000	\$11,000	\$334,000	

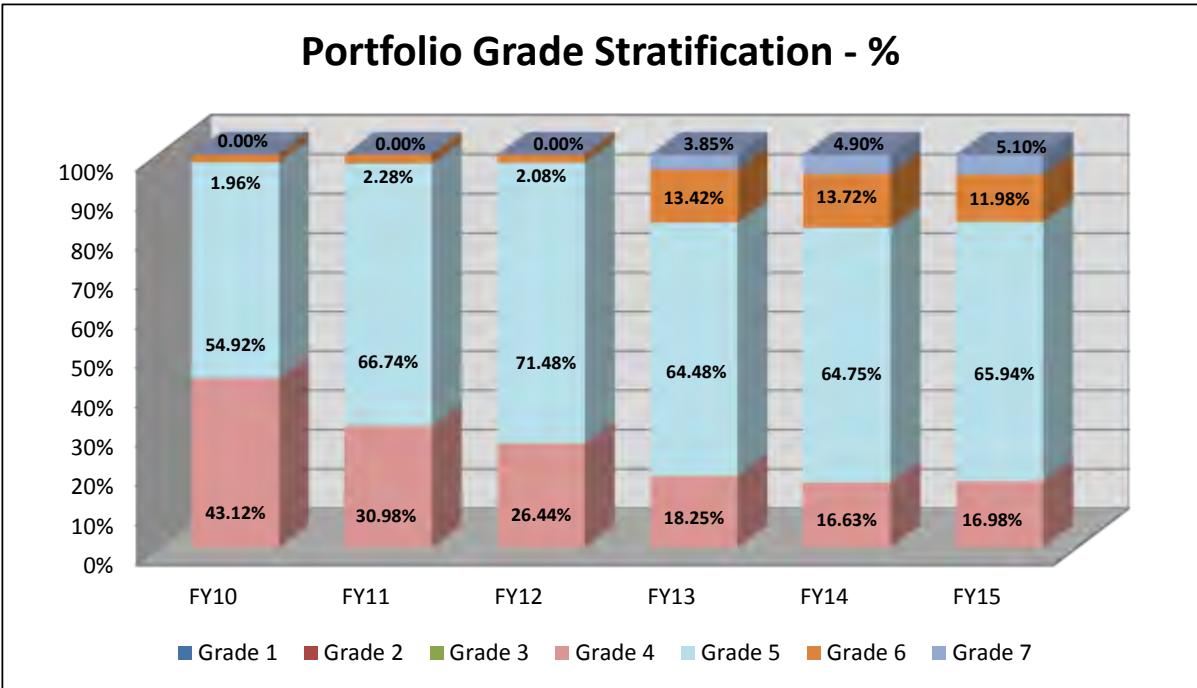
Portfolio Grade Stratification - \$



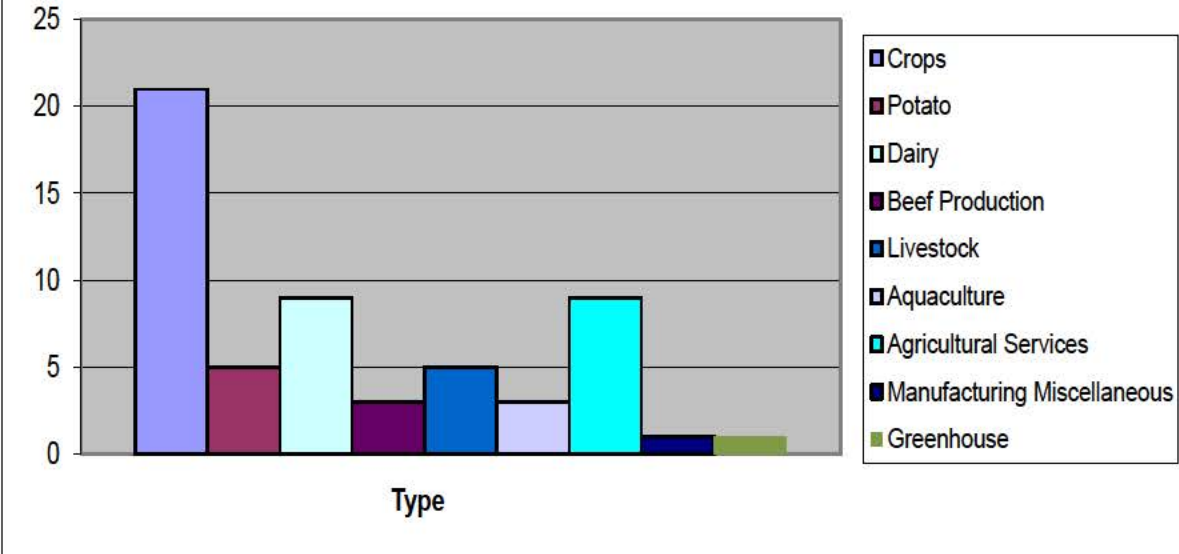
GRADE GUIDE:

- | | | | |
|------------------|---------------|-----------------|----------------|
| 1 – Superior | 2 – Excellent | 3 – Good | 4 – Acceptable |
| 5 – Sub-Standard | 6 – Doubtful | 7 – Liquidation | |

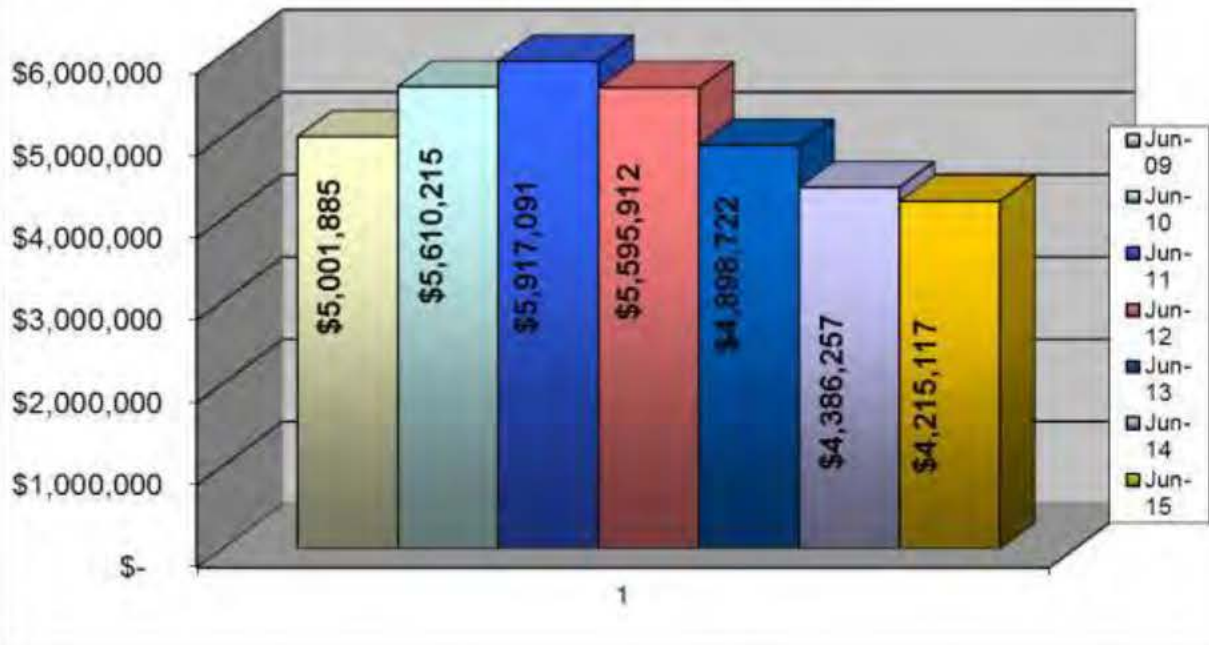
Portfolio Grade Stratification - %



AMLF Projects by Industry Type (57 Loans Outstanding)



Historical Portfolio Summary



AMLF GRANT ACTIVITY IN 2015

Agricultural Development Grant Awards

The following grants were approved for funding this past fiscal year.

Project 2015-1: Food Safety Education for Maine Crop Distribution System

Grantee: AgMatters, LLC

Amount Awarded: \$50,000

Summary of Project: Food Safety Information for Regional Distributors, food hubs and other Maine food holding systems.

Project 2015-2: Establishing Cover Crop Seed Cleaning Capability inside the State of Maine, with associated demonstration of growing practices.

Grantee: Aurora Mills & Farm LLC

Amount Awarded: \$50,000

Summary of Project: Diversification for Grains Cleaning.

Project 2015-3: Maine Malt House

Grantee: Buck Farms

Amount Awarded: \$50,000

Summary of Project: Local Malting Facility with Local Barley for Local Breweries.

Project 2015-4: Maine Malt House/Commissioners Special Project Award

Grantee: Buck Farms

Amount Awarded: \$45,000

Summary of Project: Local Malting Facility with Local Barley for Local Breweries. This project specially supports the innovative kiln technology.

Project 2015-5: Market Expansion of a National Award Winning Artisan Creamery

Grantee: Crooked Face Creamery

Amount Awarded: \$20,950

Summary of Project: Market Research and Cold-Smoking Technology.

Project 2015-6: Downeast Salmon Federation Mobile Smokehouse

Grantee: Downeast Salmon Federation's Aquatic Research Center

Amount Awarded: \$31,200

Summary of Project: Mobile promotion and local outreach.

Project 2015-7: Modern Storage Facility for Year-Round Distribution of Local Farm Produce to Food Insecure Mainers

Grantee: Good Shepherd Food Bank

Amount Awarded: \$50,000

Summary of Project: Technology upgrades for food safety around year round local fruits and vegetables.

Project 2015-8: Increasing Maine Agricultural Markets & Nutritional Awareness of Maine Crops through Elementary Education

Grantee: Maine Agricultural in the Classroom

Amount Awarded: \$10,000

Summary of Project: Creation and Printing of Educational Books on Agriculture.

Project 2015-9: Commercial Propagation of Common Milkweed and Butterfly Weed

Grantee: Peaked Mountain Farm

Amount Awarded: \$31,115.74

Summary of Project: Diversified and alternative plantings for pollination.

Project 2015-10: Developing Retail Markets for Maine Organic Poultry

Grantee: Tide Mill Organics

Amount Awarded: \$50,000

Summary of Project: USDA Poultry Processing.

Project 2015-11: Increasing Local Plum Production for Farm Market Diversification

Grantee: University of Maine

Amount Awarded: \$29,590

Summary of Project: Plum Research.

Project 2015-12: 2015 Wild Blueberry Major Metro Enhancement Program

Grantee: Wild Blueberry Commission of Maine

Amount Awarded: \$50,000

Summary of Project: Alternative Marketing Campaign.

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/15

Balance Sheet

	FY14 June 30, 2014	FY15 June 30, 2015
<u>ASSETS</u>		
Investments - Custody Account	\$1,960,067	\$1,913,763
Investments - Market Value Adjustment	\$16,717	\$5,538
Investments - State Treasury Cash Pool	\$1,393,914	\$1,519,611
Accounts Receivable	\$0	\$24,312
Accrued Interest - Direct Notes	\$68,235	\$36,162
Notes Receivable	<u>\$4,386,257</u>	<u>\$4,215,117</u>
Total Assets	\$7,825,190	\$7,714,503
<u>Liabilities</u>		
Accounts Payable	\$7,001	\$4,225
Loan Funds Disbursed	\$4,679,645	\$4,508,505
Unrecoverable Loan Principal	(\$293,388)	(\$293,388)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$2,102,606	\$2,165,416
Undisbursed Investment Income	\$36,276	\$37,217
Undisbursed Market Value Adjustment	\$16,717	\$5,538
Undisbursed Note Interest	\$267,334	\$235,271
Undisbursed Grant Funds	<u>\$1,008,999</u>	<u>\$1,051,719</u>
Total Liabilities & Fund Balance	\$7,825,190	\$7,714,503

Statement of Revenues and Expenses

	June 30, 2014	June 30, 2015
<u>Revenue</u>		
Origination Fees	\$8,045	\$2,512
Investment Income	\$36,225	\$26,038
Loan Interest Income	\$184,244	\$167,036
Grant Revenue	<u>\$0</u>	<u>\$192,655</u>
Total Revenue	\$228,514	\$388,241
<u>Expenses</u>		
Misc. Expense	\$10,564	\$9,746
Insurance Expense	\$0	\$0
Advertising	\$0	\$0
Postage	\$6	\$9
Printing	\$200	\$0
Conferences/Meetings	\$966	\$700
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$110,023	\$88,167
Travel	\$4,578	\$1,754
Telephone	\$14	\$1
Grant Expense	\$0	\$192,656
Legal	<u>\$1,602</u>	<u>\$12,103</u>
Total Expenses	\$127,953	\$305,136
Net Income	\$100,561	\$83,105

COMMITTEES

AMLF Eligibility Review Committee

Jessica Nixon, Chair
Maine Department of Agriculture,
Conservation and Forestry

Steve Belyea, Engineer
Maine Potato Board

Ellis Additon, Bureau Director
Maine Department of Agriculture,
Conservation and Forestry

Ann Gibbs, State Horticulturist
Maine Department of Agriculture,
Conservation and Forestry

**Gary Anderson, Animal and
Biosciences Specialist**
University of Maine Cooperative
Extension

David Yarborough, Ext. Blueberry
University of Maine

Credit Review Committee: Reviews Project Financial Feasibility

Brian Flewelling
KeyBank National Association,
Presque Isle

Matthew Senter
Farm Credit of Maine, Auburn

Jeffrey Plourde
TD Bank, Bangor

Sean Cameron
Northeast Bank, Bethel

Scott Peasley
Machias Savings Bank, Machias

Deborah Dufour
Farm Service Agency, Bangor

PARTICIPATING LENDERS

Androscoggin Valley COG	KeyBank National Association
Bar Harbor Bank & Trust	Kennebunk Savings Bank
Bath Savings Institution	Kingfield Savings Bank
Eastern Maine Development Corporation	Lewiston Economic Growth Council
Farm Credit of Maine, ACA	Maine Rural Development Authority
Finance Authority of Maine	Norway Savings Bank
First Citizens Bank	TD Bank
First National Bank of Bar Harbor	
Katahdin Trust Company	

STAFF

Department of Agriculture, Conservation and Forestry
State House Station 28
Augusta, Maine 04333-0028
(207) 287-3871

Walter E. Whitcomb, Commissioner
Ellis Additon, Bureau Director
Jessica Nixon, Director, Market Development

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine
5 Community Drive, P. O. Box 949
Augusta, Maine 04332-0949
(207) 623-3263

Bruce E. Wagner, Chief Executive Officer
Carlos Mello, Director of Business and Finance
Jennifer Cummings, Senior Workout Officer
Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Charlie Emmons, Senior Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
John Endicott, Commercial Loan Officer
Kathy Clary, Commercial Loan Assistant
Michelle MacKenzie, Commercial Loan Assistant