

MAINE STATE LEGISLATURE

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**THE
AGRICULTURAL
MARKETING
LOAN
FUND**

**2017/2018
ANNUAL REPORT**

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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 & FORESTRY
OFFICE OF THE COMMISSIONER
22 STATE HOUSE STATION
AUGUSTA, MAINE 04333

JANET T. MILLS
GOVERNOR

WALTER E. WHITCOMB
COMMISSIONER

COMMISSIONER'S REPORT

To the Honorable Janet T. Mills, Governor; the Honorable Troy Jackson, President of the Senate; the Honorable Sara Gideon, 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 by our Director of Marketing Development. In fiscal year 2018, the AMLF was instrumental in meeting the capital project needs of five farms and producers. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly administered AMLF.

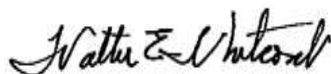
The Agricultural Marketing Loan Fund is a public and private partnership, helping small and medium-sized farms better meet their marketing and production needs. Producers invest to increase profitability, buy equipment that adds value to production, and build storage that extends the season. These examples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

Beginning farmers who have been in commercial operation for at least two years are also accessing AMLF financing as they complete the competitive Maine Farms for the Future business planning and investment support program. The Department of Agriculture, Conservation and Forestry has updated its comprehensive directory of lending services to assist all farmers in accessing loan, grant and alternative lending programs.

The AMLF program, working with private and nonprofit lending partners, must meet the changing needs of agricultural borrowers. There is potential new investment in processing and production facilities, land and building acquisitions and product distribution infrastructure that may further diversify the fund portfolio.

Increased capital investment in Maine agriculture is a critical element for the growth of the Maine economy. Using funds returned to AMLF as interest payments, the department has instituted the Agricultural Development Grant Program to provide incentive funding for innovation production and marketing investments. The Department plans to continue this grant effort with a \$250,000 annual commitment, which represents a significant state investment in the future of Maine's agricultural community.

Respectfully submitted,



Walter E. Whitcomb
Commissioner

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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.

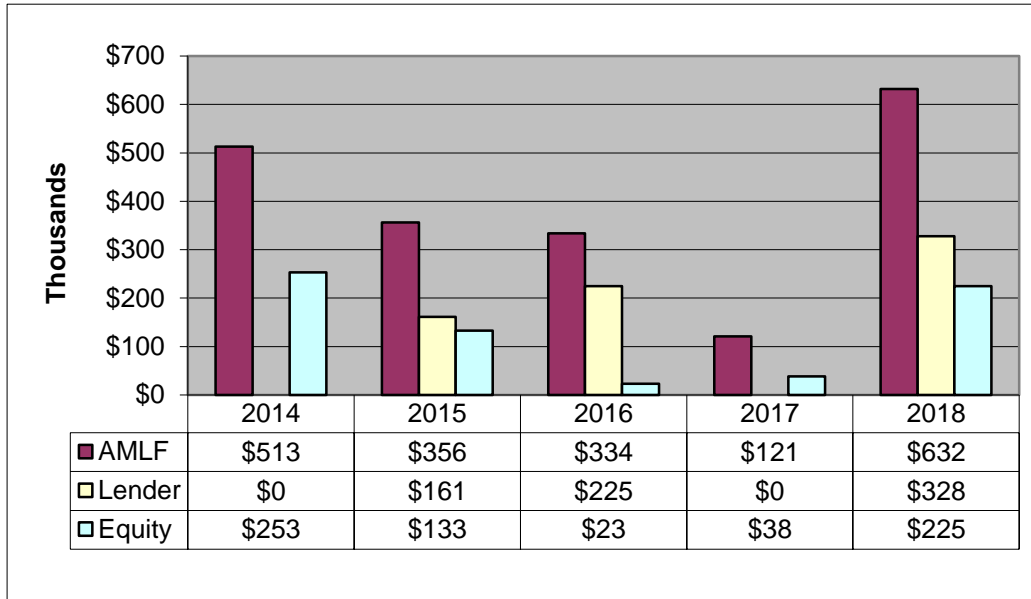
Over the years, AMLF has helped finance 131 projects that have leveraged a total of \$26,144,034 in investments in Maine’s agricultural infrastructure, as depicted in the chart below:

PORTFOLIO SUMMARY

	1998-2017	2018	Total
Number of Projects	126	5	131
AMLF Financing	\$11,572,067	\$632,200	\$12,204,267
Lender Financing	\$ 8,711,376	\$328,000	\$9,039,376
Equity	\$ 4,675,516	\$224,875	\$4,900,391
Total Investments	\$24,958,959	\$1,185,075	\$26,144,034

Since program inception, the agricultural industry sectors with the highest loan volumes have been: dairy, \$2,313,124; potato, \$2,297,332; aquaculture services, \$1,798,261; and crops sectors, \$2,677,174 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 Agricultural Development Grant (ADG) 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. If any project costs are incurred prior to application, the prospective borrower may request a waiver which is then reviewed and approved or denied by the Commissioner. 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, and vessels.

Application Process:

Application to the AMLF Fund is a two-step process. The prospective borrower must submit detailed information about their use of funds to request a determination of eligibility from the Department. If deemed eligible, the Commissioner issues a Letter of Eligibility to the prospective borrower providing them three months to submit their FAME – AMLF Application and FAME Personal Income Statement to FAME.

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.

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 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 2017/2018

Transactions Closed:

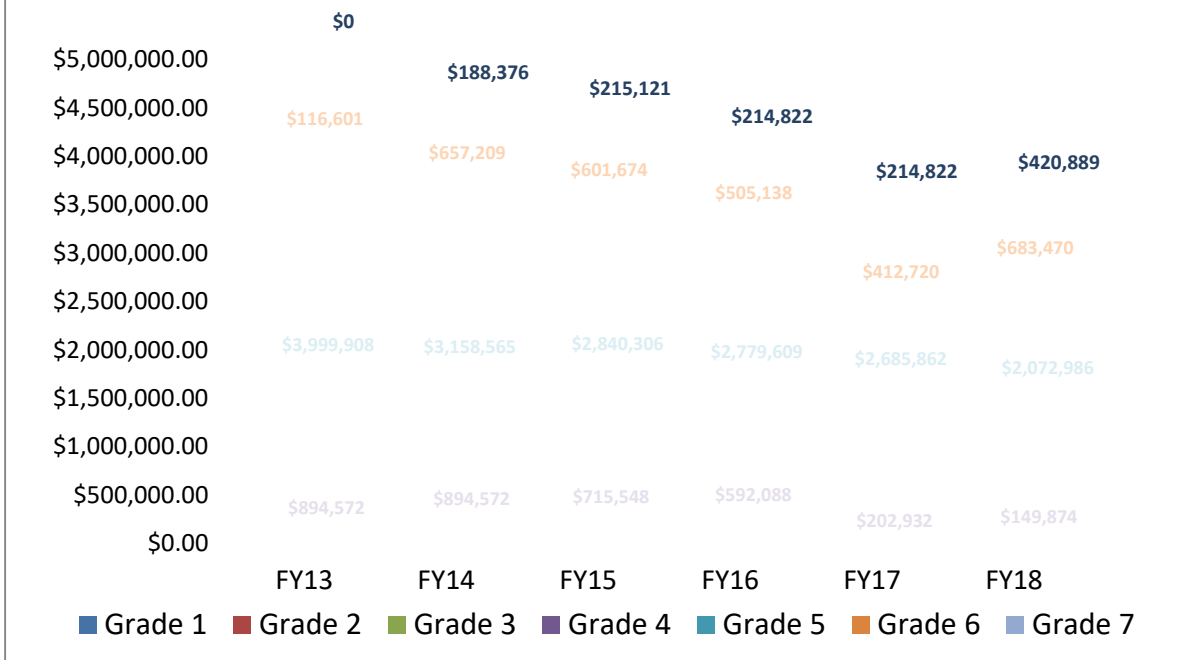
Location	Project Cost	Bank	Equity	AMLF	Project Type
Searsmont	\$115,000	\$0	\$25,500	\$90,000	Purchase Land
Newburgh	\$632,200	\$328,000	\$82,000	\$222,200	Purchase Christmas Tree Farm
Newburgh	\$30,000	\$0	\$0	\$30,000	Purchase Machinery and Equipment
Scarborough	\$100,364	\$0	\$10,364	\$90,000	Purchase Equipment
Arundel	\$307,511	\$0	\$107,511	\$200,000	Take-out Financing of Construction Loan
5 Projects	\$1,185,075	\$328,000	\$224,875	\$632,200	

AMLF LOANS PENDING AND COMMITTED IN 2018

Transactions Pending & Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

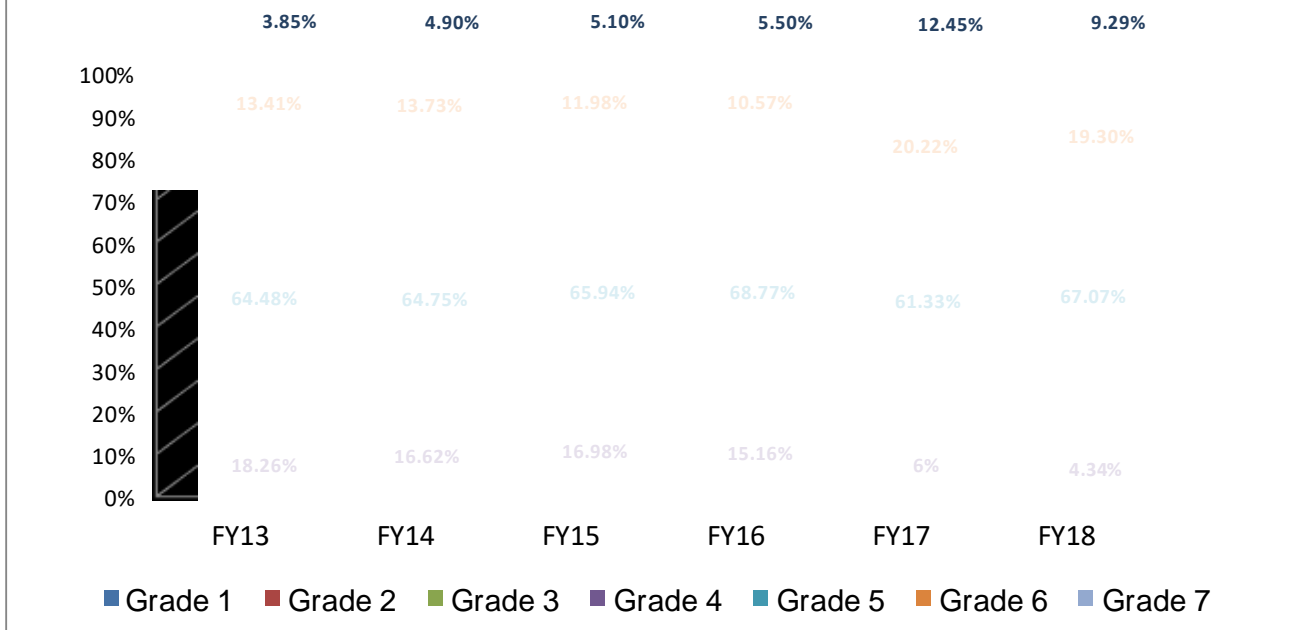
Portfolio Grade Stratification - \$



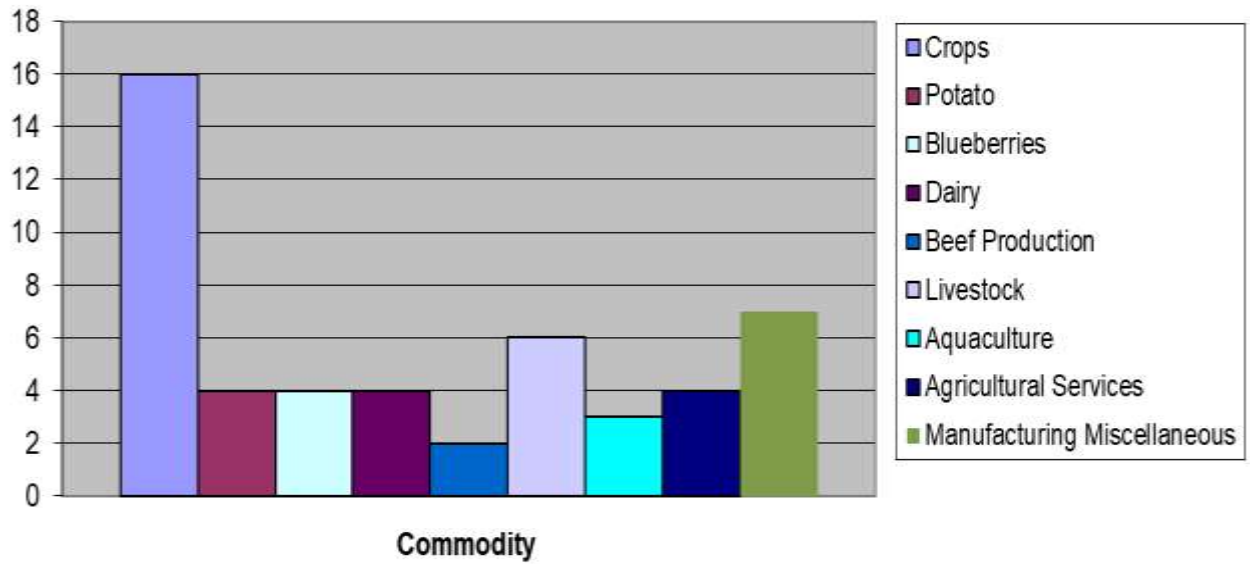
GRADE GUIDE:

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

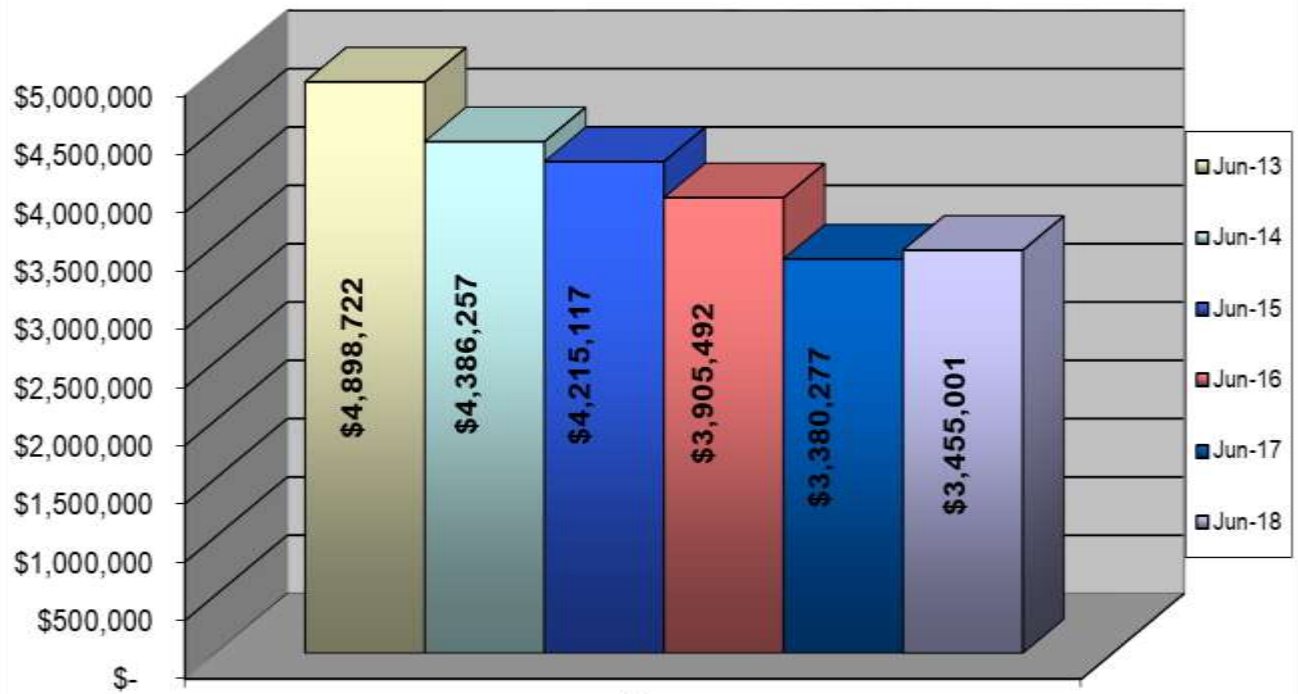
Portfolio Grade Stratification - %



AMLF Projects by Industry Type (50 Loans Outstanding)



Historical Portfolio Summary



AMLF GRANT ACTIVITY IN 2018

The following types of **Agricultural Development Grants** were approved for funding this past fiscal year.

MARKET RESEARCH AND/OR PROMOTION GRANTS

Project 2018-1:

Grantee: Blue Sky Produce, Scarborough

Amount Awarded: \$10,000

Summary of Project: Fresh Wild Blueberry Demonstration Project

Project 2018-2:

Grantee: LaJoie Growers LLC, Van Buren

Amount Awarded: \$50,000

Summary of Project: Value-Added Processing for Farm Products

Project 2018-3:

Grantee: Tide Mills Organics, Edmunds Township

Amount Awarded: \$50,000

Summary of Project: Become a Maine State Inspected Poultry Processing Facility under the Maine Meat and Poultry Inspection Program

Project 2018-4:

Grantee: University of Maine, Orono

Amount Awarded: \$27,735

Summary of Project: Ensuring Safety of Maine Wild Blueberries with Optimized Aqueous Washing Procedures

Project 2018-5:

Grantee: Wild Blueberry Commission, Orono

Amount Awarded: \$50,000

Summary of Project: Wild Blueberry School Foodservice Program 2.0

DIRECT TECHNICAL ASSISTANCE GRANTS

Project 2018 – 6

Grantee: Baker Brook Farm, Windham

Amount Awarded: \$7,050

Summary of Project: Develop innovative business models for value-added Dairy

Project 2018 – 7

Grantee: Maine Farmland Trust, Belfast

Amount Awarded: \$5,625

Summary of Project: Advance innovative digital profitability analysis tools to assist farmers

Project 2018 – 8

Grantee: The Fragrance Farm, Appleton

Amount Awarded: \$7,500

Summary of Project: Renovate bottle & construct distillation area, purchase mini pinch bottler to launch new product in December 2018.

Project 2018 – 9

Grantee: VitaminSea LLC, Scarborough

Amount Awarded: \$7,500

Summary of Project: Analyze labor needs, advantages, disadvantages, opportunities for scaling-up production to create facility requirements and schedule for expansion.

Project 2018 – 10

Grantee: HCCA/Maine Farm to School Network, Gardiner

Amount Awarded: \$5,625

Summary of Project: Develop farmer survey tool focused on development of more farm-to-institution markets.

Project 2018 – 11

Grantee: Ripley Farm, Dover Foxcroft

Amount Awarded: \$7,323

Summary of Project: Develop new product prototypes of native and bareroot perennial plant packages for wholesale, retail and online markets.

SPECIAL PROJECT GRANT

Project 2018 – 12

Grantee: Circle B Farms, Caribou

Amount Awarded: \$19,000

Summary of Project: Purchase a small root peeler and a carrot stick cutter to aggregate, process and distribute local produce to numerous institutional buyers in Aroostook and Washington Counties.

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/18

Balance Sheet

	FY17 June 30, 2017	FY18 June 30, 2018
<u>ASSETS</u>		
Investments - Custody Account	\$3,116,166	\$2,791,434
Investments - Market Value Adjustment	(\$13,314)	(\$53,837)
Investments - State Treasury Cash Pool	\$569,424	\$669,736
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$33,853	\$37,666
Notes Receivable	<u>\$3,380,277</u>	<u>\$3,455,000</u>
Total Assets	\$7,086,405	\$6,899,999
<u>Liabilities</u>		
Accounts Payable	\$25,459	51,746
Loan Funds Disbursed	\$3,815,319	3,890,043
Unrecoverable Loan Principal	(\$435,042)	(\$435,042)
Unearned Service Fees	\$0	0
Undisbursed Loan Funds	\$2,632,788	2,504,492
Undisbursed Investment Income	\$45,797	50,204
Undisbursed Market Value Adjustment	(\$13,314)	(\$53,837)
Undisbursed Note Interest	\$135,632	146,118
Undisbursed Grant Funds	<u>\$879,767</u>	<u>746,276</u>
Total Liabilities & Fund Balance	\$7,086,405	6,899,999

Statement of Revenues and Expenses

	June 30, 2017	June 30, 2018
<u>Revenue</u>		
Origination Fees	\$0	\$4,222
Investment Income	\$8,493	\$9,681
Loan Interest Income	\$50,631	\$112,266
Grant Revenue	<u>\$348,497</u>	<u>\$281,067</u>
Total Revenue	\$407,620	\$407,236
<u>Expenses</u>		
Misc. Expense	\$9,015	\$1,046
Insurance Expense	\$626	\$0
Advertising	\$0	\$0
Postage	\$0	\$11
Printing	\$0	\$0
Conferences/Meetings	\$609	\$0
Contributions, Membership Expense	\$0	\$251
Professional Fees	\$100,286	\$46,745
Travel	\$11	\$268
Telephone	\$20	\$15
Grant Expense	\$348,497	\$281,067
Legal	<u>\$18,945</u>	<u>\$15,721</u>
Total Expenses	\$478,010	\$345,124
Net Income	(\$70,390)	\$62,112

COMMITTEES

AMLF Eligibility Review Committee

Leigh Hallett, Chair
Maine Department of Agriculture,
Conservation and Forestry

Steve Belyea, Engineer
Potato Specialist

Ronald E. Dyer, 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

Chad Place
Camden National Bank, Camden

Jeffrey Plourde
TD Bank, Bangor

Greg Fuller
Machias Savings Bank, Bangor

Sean Cameron
Bangor Savings Bank, Rumford

Scott Peasley
Machias Savings Bank, Machias

Lucia A. Brown
Farm Service Agency, Bangor

PARTICIPATING LENDERS

Androscoggin Valley Council of Governments	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 East, 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
Ron Dyer, Bureau Director
Leigh Hallett, 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
Charles Emmons, Director of Commercial Lending
Carlos Mello, Chief Risk Officer
Jennifer Cummings, Senior Workout Officer
Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Ellen Curtiss, Credit Analyst
Sally Garand, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
Matthew Lindquist, Commercial Loan Officer
Kathy Clary, Commercial Loan Assistant
Michelle MacKenzie, Commercial Loan Assistant
Laurie Garrison, Commercial Loan Assistant