

MAINE STATE LEGISLATURE

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THE
POTATO
MARKETING
IMPROVEMENT
FUND

2013/2014
ANNUAL REPORT

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ABSTRACT

Potato Marketing Improvement Fund

In 1981, the 110th Maine Legislature authorized the creation of the Potato Marketing Improvement Fund (PMIF), and after approval by Maine voters in November of that same year, a \$5 million general obligation bond was issued to capitalize the new program. *

PMIF provides direct, fixed-rate loans to growers and packers for the construction and retrofitting of modern potato storages, packing facilities, and the acquisition and installation of packing equipment.

Modern ventilated and humidified storage facilities maintain potato quality after harvest. By providing a controlled warehouse environment, growers are able to deliver field-fresh product throughout the year. This is extremely important to both processors and consumers. Modern packing sheds and state-of-the-art equipment are also used to pack potatoes according to specific customer needs and preferences.

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

*Maine voters subsequently approved \$1 million of bond proceeds in 2002 and \$500,000 in 2003 to re-capitalize the PMIF program.



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 State Legislature; and Citizens of the State of Maine:

From the time of initial authorization in 1981 through the 2014 fiscal year, the Maine Department of Agriculture, Conservation and Forestry administered the Potato Marketing Improvement Fund (PMIF), provided PMIF staff, and coordinated loan activities with the Finance Authority of Maine.

During the previous fiscal year, the performance of the Potato Marketing Improvement Fund (PMIF) has once again resulted in significant investment in Maine's potato industry. Over the twelve-month period ending June 30, 2014, the Department of Agriculture, Conservation and Forestry approved 100 percent of the applications reviewed and funded one project totaling \$95,038 in loan proceeds. This, in combination with \$95,039 in bank financing and \$21,120 of owner equity, has resulted in more than \$211,197 being invested in Maine's potato industry.

This is the type of success this program returns to the Maine economy year after year. Since inception, PMIF has invested over \$27,305,822 in 348 projects. This investment, in conjunction with \$22,944,853 in lender financing and more than \$12,427,166 in owner equity, has resulted in an aggregate injection of over \$62,677,841 into the infrastructure of Maine's potato industry. PMIF's accomplishments are a direct result of the strength of its partnerships with participating lenders, borrowers, and the community. Ultimately, it is the teamwork of strong private and public support that continues to build this vitally important segment of Maine's agricultural industry.

In 2013 the Legislature transferred the Potato Marketing Improvement Fund staff and administration responsibility to the Maine Potato Board headquartered in Presque Isle. We know that the Potato Marketing Improvement Fund will remain a key component for investment in structural improvements critical for the continued success of the Maine potato industry.

Agriculture, Conservation and Forestry Department staff remain committed to our partnership role in the financial success of growers, processors and all other components responsible for Maine's largest agricultural crop – quality Maine potatoes.

Respectfully Submitted,

Walter E. Whitcomb
Commissioner

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PROGRAM OVERVIEW

The Potato Marketing Improvement Fund provides direct loans to growers and packers to help finance the construction and retrofitting of modern storages, packing facilities and the acquisition and installation of state-of-the-art packing equipment. The program participates with private lenders to provide customized, cost-effective financing packages for these capital projects.

Since the program's inception, PMIF has invested a total of \$27,305,822 in support of Maine's potato industry. This investment continues to help finance projects and assist farmers in storage, as well as overall capacity.

PORTFOLIO SUMMARY

| | 1983-2013 | Fiscal Year 2014 | Total Program Activity |
|--------------------------------|--------------|---------------------|---------------------------|
| Number of Projects | 347 | 1 | 348 |
| PMIF Financing | \$27,210,784 | \$95,038 | \$27,305,822 |
| Participating Lender Financing | \$22,849,814 | \$95,039 | \$22,944,853 |
| Equity | \$12,406,046 | \$21,120 | \$12,427,166 |
| Total Investments | \$62,466,644 | \$211,197 | 62,677,841 |
| Storage Capacity (cwt) | 12,817,810 | 63,000 | 12,880,810 |

The Potato Marketing Improvement Fund can be disbursed through any one of three mechanisms defined in its enabling legislation. These are (1) the New Facilities Fund, (2) the Storage Retrofit Fund, and (3) the Grant Fund.

NEW FACILITIES FUND

The New Facilities Fund may be used to finance the construction of storages, packing facilities and packing equipment with total project cost exceeding \$50,000. It may also be used for the acquisition of an existing storage when the project includes renovation of the storage to meet PMIF technical standards. Loans made under this fund may be assumed by subsequent eligible purchasers.

Eligible Applicant: Any individual or entity storing or packing Maine potatoes.

Use of Loan Proceeds: Building acquisition and improvements, new construction or expansion, and purchase and installation of equipment.

PMIF Financing: For projects with a total cost up to \$750,000, PMIF proceeds may be used to fund 45% of the total project expenses. However, PMIF may finance 50% of the project costs in cases where two or more growers own the project. On any portion of total project costs above \$750,000, PMIF may only finance 25% of those costs.

Interest Rate: Fixed at 5% for the term of loan.

Term: Typically 15-20 years.

Fees: Origination fee of 1% of the PMIF loan amount is due upon closing. The borrower is also responsible for all legal costs associated with loan closing.

STORAGE RETROFIT FUND

The Storage Retrofit Fund is used to finance the renovation of existing storage facilities. Renovations may include new insulation, ventilation and other energy efficient and climate control equipment. The intent is to upgrade existing storage units to modern technical standards. This fund may also be used to finance improvements to packing facilities and the acquisition of packing equipment.

Eligible Applicant: Any grower or other entity storing or packing Maine potatoes.

Use of Loan Proceeds: Real estate improvements, purchases, and installation of machinery and equipment.

PMIF Financing: For projects with total cost of \$50,000 or less, 55% of total project costs.

Interest Rate: Fixed at 5% for the term of loan.

Term: Up to 10 years.

Fees: The borrower is responsible for all legal costs associated with the loan.

GRANT FUND

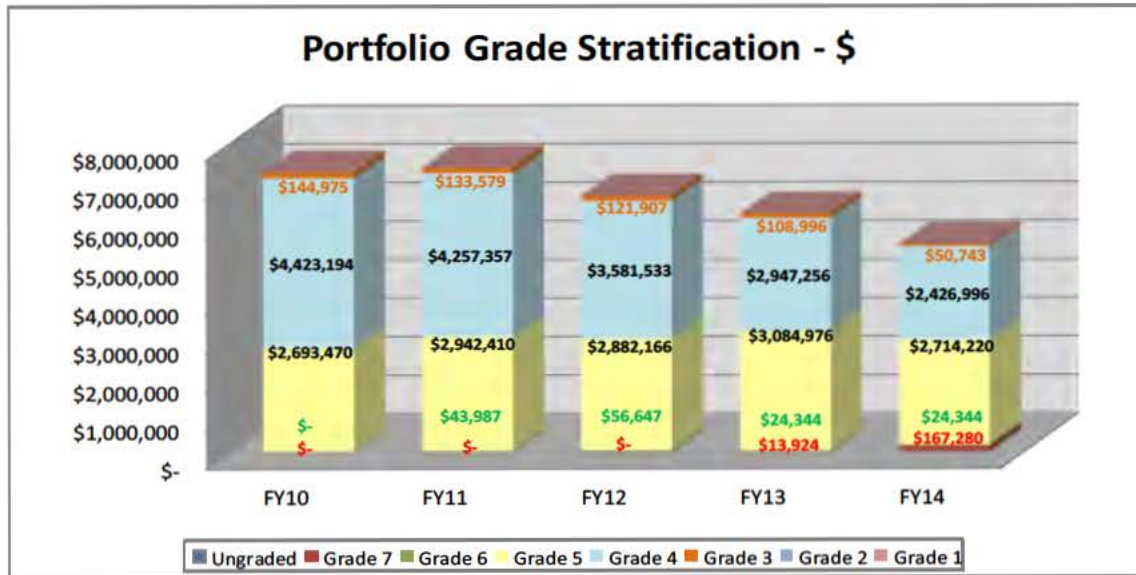
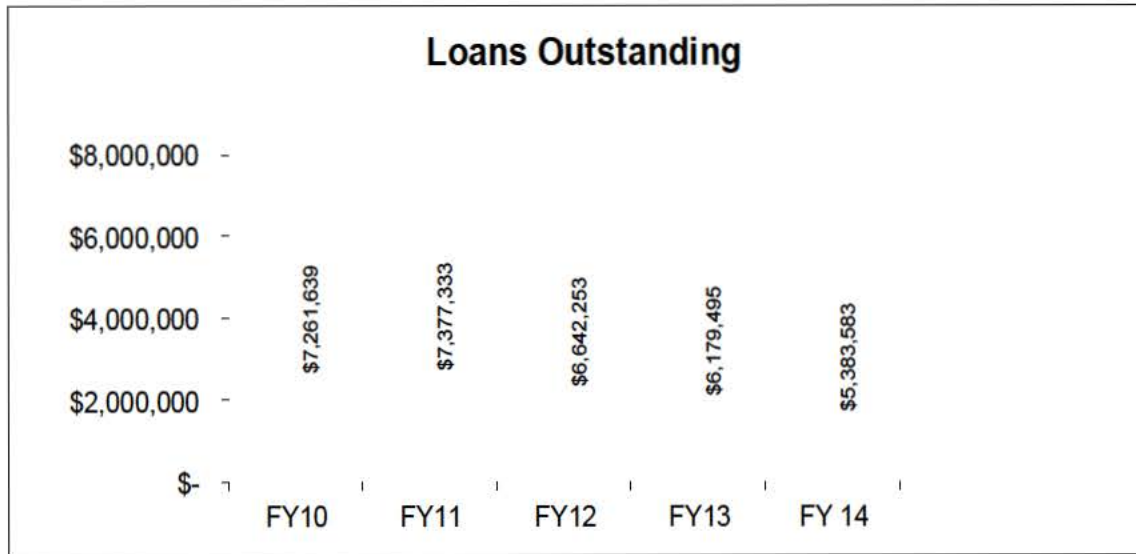
Provisions under the governing statute and program rule for the operation of the Potato Marketing Improvement Fund allow the Commissioner to make grants from interest earned on the cash balance of the Fund to individuals, firms, corporations or other organizations for research on potato storage and handling technologies and other purposes. During fiscal year 2013/2014, the Commissioner made 4 grants totaling \$115,550 to the Maine Potato Board for research and infrastructure improvements.

**PMIF LOAN ACTIVITY FOR THE
12- MONTH PERIOD ENDING JUNE 30, 2014**

Loans Closed

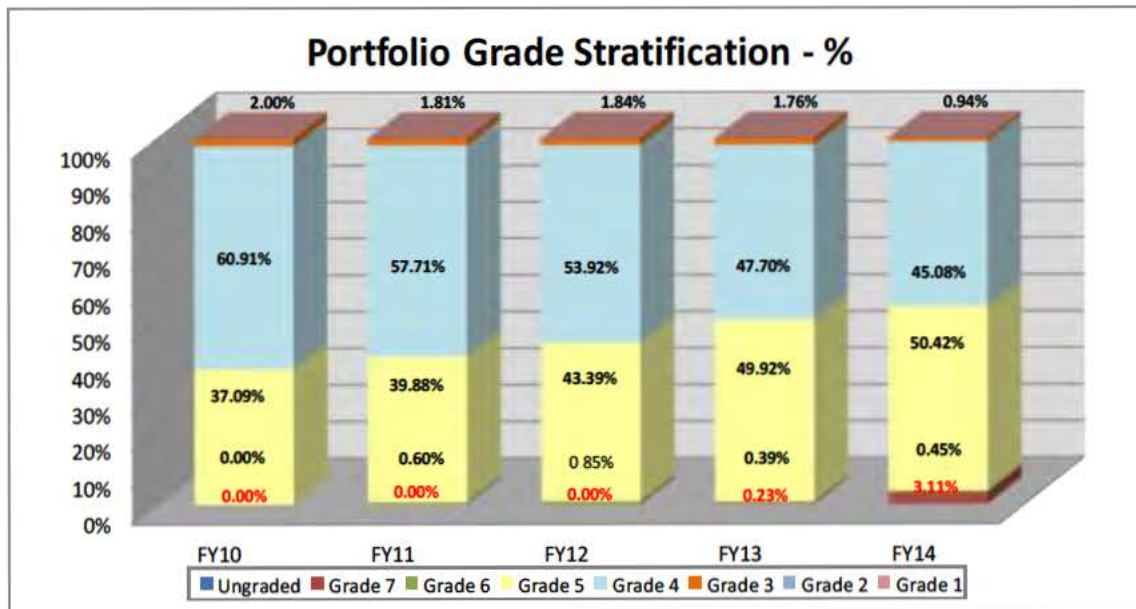
| Location | Project Cost | Bank | Equity | PMIF | Capacity CWT | Project | Storage Type |
|-----------------|---------------------|-------------|---------------|-------------|---------------------|-------------------------------|---------------------|
| St. Agatha | \$ 211,197 | \$95,039 | \$21,120 | \$95,038 | 63,000 | Purchase Storage and Upgrades | Tablestock |

Historical Portfolio Summary

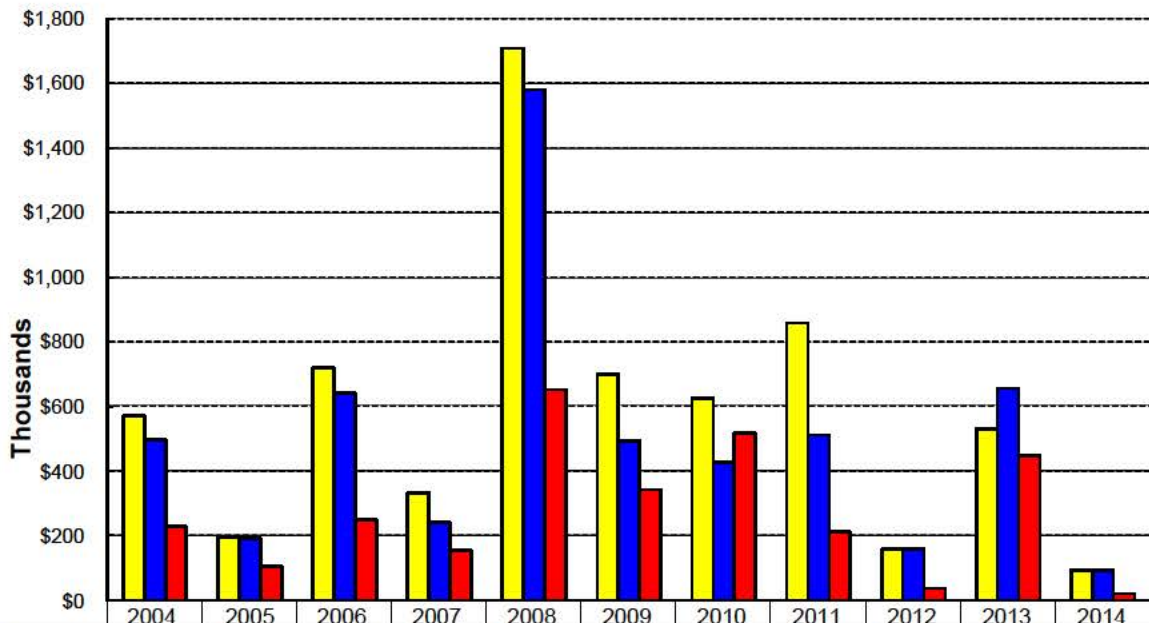


GRADE GUIDE:

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

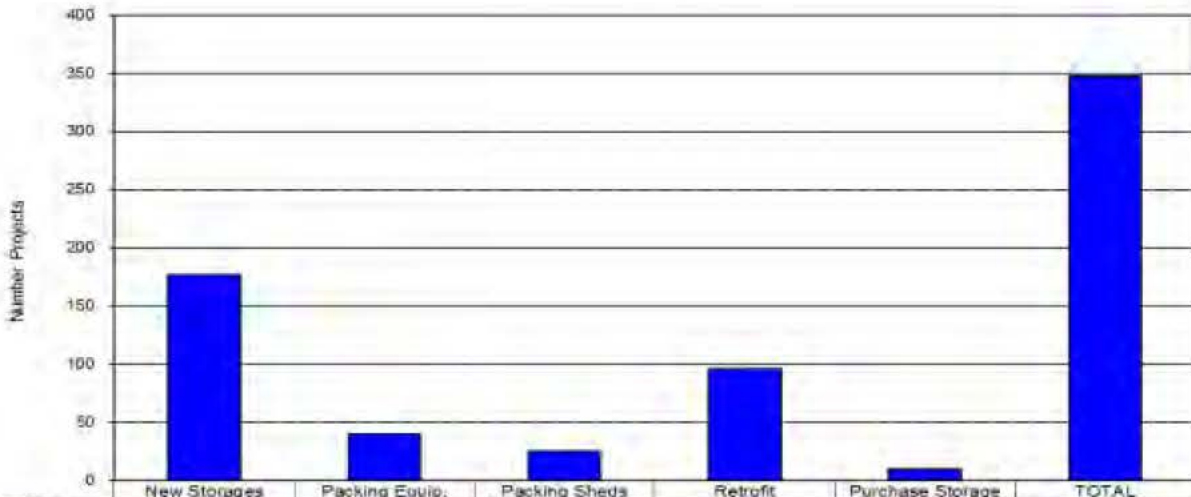


Historical Activity



| | | | | | | | | | | | |
|--------------|-------|-------|-------|-------|---------|-------|-------|-------|-------|-------|------|
| PMIF (000) | \$571 | \$196 | \$720 | \$333 | \$1,708 | \$699 | \$625 | \$858 | \$156 | \$532 | \$95 |
| Lender (000) | \$497 | \$190 | \$641 | \$243 | \$1,582 | \$495 | \$426 | \$511 | \$156 | \$655 | \$95 |
| Equity (000) | \$227 | \$105 | \$247 | \$155 | \$653 | \$344 | \$517 | \$212 | \$35 | \$447 | \$21 |

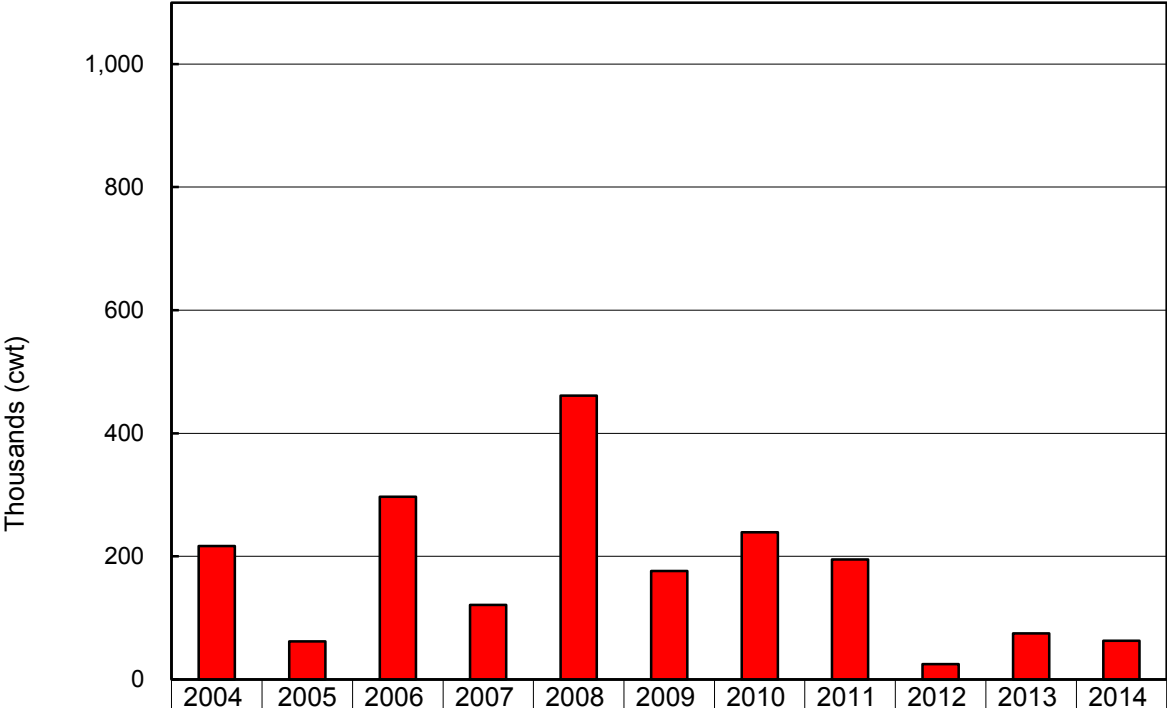
Projects by Type



| | | | | | | |
|-----------|-----|----|----|----|---|-----|
| 2014 | 0 | 0 | 0 | 0 | 1 | 1 |
| 1983-2013 | 177 | 40 | 25 | 96 | 9 | 347 |

* Reporting prior to 1999 was based on a calendar year; 1999 and after are based on fiscal years

Funded Storage Capacity



| | | | | | | | | | | | |
|--------------|------|------|------|------|------|------|------|------|------|------|------|
| ■ CWTS (000) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| | 217 | 62 | 297 | 121 | 461 | 176 | 239 | 195 | 25 | 75 | 63 |

FINANCIAL STATEMENTS

| Balance Sheet | FY13 June 30, 2013 | FY14 June 30, 2014 |
|---|-------------------------------------|-------------------------------------|
| ASSETS | | |
| Cash & Investments | \$8,489,685 | \$9,404,666 |
| Loans Receivable | \$6,179,495 | \$5,383,583 |
| Reserve for Losses | (\$621,555) | (\$576,697) |
| Prepaid Expenses | \$0 | \$0 |
| Accrued Interest | <u>\$160,156</u> | <u>\$96,179</u> |
| Total Assets | \$14,207,781 | \$14,307,731 |
| Liabilities and Fund Balance | | |
| Accounts Payable | 21,602 | 14,870 |
| Bond Proceeds | \$6,500,000 | \$6,500,000 |
| Unappropriated Surplus | <u>\$7,686,179</u> | <u>\$7,792,861</u> |
| Total Liabilities & Fund Balance | \$14,207,781 | \$14,307,731 |
| Income Statement | | |
| | June 30, 2013 | June 30, 2014 |
| Revenue | | |
| Investment Income | (\$9,393) | 103,525 |
| Interest on Loans | \$313,868 | \$288,624 |
| Loan Fees | <u>\$5,640</u> | <u>\$1,270</u> |
| Total Revenue | \$310,115 | \$393,419 |
| Expense | | |
| Salaries & Benefits | \$123,085 | \$105,541 |
| Administrative Contracts | \$56,500 | \$51,900 |
| Promotion | \$0 | \$0 |
| Postage | \$48 | \$9 |
| Printing | \$470 | \$281 |
| Conferences & Meetings | \$430 | \$0 |
| Subscriptions & Dues | \$0 | \$0 |
| Training & Seminars | \$50 | \$0 |
| Insurance | \$288 | \$0 |
| General Operating Expenses | \$845 | \$41,619 |
| Rent | \$4,348 | \$0 |
| Utilities | \$0 | \$0 |
| Travel | \$14,382 | \$18,795 |
| Telephone | \$25 | \$0 |
| Legal Expense | \$3,787 | \$1,685 |
| Misc. Expenses | \$40,455 | \$4,537 |
| Grants | <u>\$125,500</u> | <u>\$115,550</u> |
| Total Expenses | \$370,213 | \$339,917 |
| Provisions for losses on notes receivable | (\$166,643) | (\$44,858) |
| Surplus (Deficiency) | \$64,006 | \$100,526 |

COMMITTEES

2013/2014 Potato Marketing Improvement Committee: *Overall Program Evaluation*

Kramer Bell
Mars Hill

Bart Bradbury
Bridgewater

Seth Bradstreet
Newport

Brent Buck
Mapleton

Gregg Garrison
Mars Hill

Keith Labrie
St. Agatha

Greg McCrum
Mars Hill

Nick McCrum
Mars Hill

Adam Paradis
Frenchville

Greg Schools
Littleton

Mark Tarr
Washburn

2013/2014 Credit Review Committee: *Reviews Financial Feasibility*

Al Butler
The Bank of Maine, Gardiner

Brian Flewelling
KeyBank National Association, Presque Isle

Ryan Ellsworth
The County Federal Credit Union, Caribou

Ghent Holdsworth
Farm Credit of Maine, Presque Isle

Michael Mathers
Farm Service Agency - USDA
Presque Isle

Jeff Pangburn
Katahdin Trust Company, Presque Isle

2013/2014 Project Review Committee: *Reviews Technical Feasibility*

Scott Ayotte
Ayotte Farms, Van Buren

Brent Buck
Buck Farms, Mapleton

Greg Garrison
Borderview Farms, Mars Hill

Michael Mathers
Farm Service Agency – USDA
Presque Isle

Nick McCrum
County Super Spuds, Inc., Mars Hill

James Park
Farm Credit of Maine, Presque Isle

Erica Fitzpatrick Peabody
McCain Foods, Easton

Matthew Porter
Porter Farms, Inc., Mapleton

PARTICIPATING LENDERS

TD Bank

STAFF

Department of Agriculture, Conservation and Forestry

Walter E. Whitcomb
Commissioner

Ellis Additon
Director, Bureau of Agriculture,
Food and Rural Resources

David R. Lavway
Deputy Commissioner

Jessica Nixon
Director, Market Development

Maine Potato Board

Donald Flannery
Executive Director

Stephen Belyea
Program Manager & Storage Specialist

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

Bruce E. Wagner
Chief Executive Officer

Scott Bursey
Commercial Loan Officer

Carlos R. Mello
Director of Business and Finance

Sally A. Garand
Commercial Loan Officer

Jennifer Cummings
Senior Workout Officer

Roxanne Broughton
Commercial Loan Officer

Charles C. Emmons, Jr.
Senior Commercial Loan Officer

Kathy Clary
Commercial Loan Assistant

Scott Weber
Senior Credit Officer

Michelle MacKenzie
Commercial Loan Assistant

Jeff Murch
Credit Analyst