

MAINE STATE LEGISLATURE

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THE
POTATO
MARKETING
IMPROVEMENT
FUND

2018/2019
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 acquisition, 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 general obligation bond proceeds in 2002 and \$500,000 in 2003 to re-capitalize the PMIF program.*



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EXECUTIVE DIRECTOR'S REPORT

To the Honorable Janet T. Mills, Governor; Amanda E. Beal, Commissioner, Department of Agriculture, Conservation and Forestry; and members of the Agriculture, Conservation and Forestry Committee:

From the time of initial authorization in 1981 through the 2019 fiscal year, the Maine Department of Agriculture, Conservation and Forestry and the Maine Potato Board have administered the Potato Marketing Improvement Fund (PMIF), provided PMIF staff, and coordinated loan activities with the Finance Authority of Maine.

In 2013, the Legislature transferred administration responsibility and staff to the Maine Potato Board (MPB). The MPB has continued to operate the PMIF program for the benefit and improvement of the Maine potato industry. The Commissioner of the Maine Department of Agriculture, Conservation and Forestry continues to provide final approval of all loan proposals and potato industry infrastructure improvement grants.

Since its inception in 1983, the PMIF has invested over \$28.1 million in 350 potato storage or packing and handling projects. This investment, combined with \$23.4 million in commercial lender financing and \$13.2 million in owner equity, has resulted in over \$64.7 million in investments in Maine potato industry storage and packing facilities and packing and handling equipment. The success of PMIF is a direct result of the strength of its partnerships with participating lenders, borrowers, and the agricultural community.

In 2019 the MPB and the MDACF adopted rule changes to the PMIF program that will benefit the potato industry in the future. The new Support Facilities Loan will help finance buildings and other structures which augment the production of potatoes and related rotation crops. The new Value-Added Loan Program is designed to help finance the acquisition, construction or improvement of facilities and equipment to add value to farm production directly related to potato production.

The infrastructure investments financed by PMIF have helped position the Maine potato industry to compete with other U.S., Canada, and international potato producing areas. Technical standards adopted for PMIF financed storage facilities help assure long-term storage quality of Maine potatoes to meet customer demands. Maine-produced seed potatoes are among the best in North America, and Maine-grown processing potatoes supply local, national, and multi-national processors with high-quality raw product.

The MPB and MDACF continue to foster and support the on-going improvement of all sectors of the Maine potato industry infrastructure, including growers, processors, and related entities.

Respectfully submitted,

Donald E. Flannery
Executive Director

PROGRAM OVERVIEW

The Potato Marketing Improvement Fund provides direct loans to growers and packers to help finance the acquisition, construction and retrofitting of modern storages, packing facilities and 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 in 1983, PMIF has invested a total of \$28,120,822 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

	1983-2018	Fiscal Year 2019	Total Program Activity
Number of Projects	350	0	350
PMIF Financing	\$28,120,822	\$0	\$28,120,822
Participating Lender Financing	\$23,444,853	\$0	\$23,444,853
Equity	\$13,222,166	\$0	\$13,222,166
Total Investments	\$64,787,841	\$0	\$64,787,841
Storage Capacity (cwt)	13,085,810	0	13,085,810

The Potato Marketing Improvement Fund can be disbursed through any one of six mechanisms defined in its enabling legislation. These are as follows: (1) New Facilities Loan Fund, (2) Storage Retrofit Loan Program, (3) Purchase/Acquisition Fund, (4) Support Facility Loan Program, (5) Value-Added Loan Program, and (6) the Grant Programs.

NEW FACILITIES LOAN FUND

The New Facilities Loan Fund is designed to help finance acquisition/improvement projects, or new construction of storages and/or centralized packing facilities and acquisition of packing, sizing, washing or drying equipment. Projects above \$150,000 total cost qualify for the New Facilities Loan Fund.

Eligible Applicant:

Any individual or organization in the business of growing, processing or marketing of potatoes.

Eligible Use of Loan Proceeds:

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities; new construction or expansion; and purchase and installation of machinery and equipment.

Rates, Terms, Amounts, and Fees: Please refer to Chart on Page 8.

STORAGE RETROFIT LOAN PROGRAM

The Storage Retrofit Loan Program is designed primarily to upgrade existing storages with insulation, other energy efficiency improvements, and ventilation and other climate-control equipment in order to improve the quality of the stored potatoes and extend the shipping season.

Eligible Applicant:

Any individual or organization in the business of growing, processing or marketing of potatoes.

Eligible Use of Loan Proceeds:

Proceeds may be used for improvements to existing storages, provided the majority of the project cost is for expenditures to improve the energy efficiency and/or climate-control characteristics of the storage. This includes real estate improvements and acquisition and installation of machinery and equipment.

Proceeds may be used for major repairs and upgrades of existing facilities, including structural repairs and improvements. Any facility using these funds for major repairs and upgrades shall be assessed for its structural integrity and overall physical condition prior to commencement of the proposed repair or upgrade, and will be determined to be suitable or appropriate for the proposed repair or upgrade.

Rates, Terms, Amounts, and Fees: Please refer to Chart on Page 8.

SUPPORT FACILITIES LOAN PROGRAM

The Support Facilities Loan Fund is designed to help finance the new construction or improvement of buildings and other structures which augment the production and/or storage of potatoes and/or potato rotation crops; or to help finance new facility construction or facility improvements required to meet food safety standards in potato storages and packing facilities.

Eligible Applicant:

Any individual or organization in the business of growing, processing or marketing of potatoes.

Eligible Use of Loan Proceeds:

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities, and new construction, conversion or expansion.

Rates, Terms, Amounts, and Fees: Please refer to Chart on Page 8.

VALUE-ADDED LOAN PROGRAM

The Value-Added Loan Program is designed to help finance the acquisition, construction, or improvement of facilities and equipment to add value to farm production with a direct benefit to potato production.

Eligible Applicant:

Any individual or organization in the business of growing processing or marketing of potatoes.

Eligible Use of Loan Proceeds:

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities; new construction or expansion; and purchase and installation of machinery and equipment.

Rates, Terms, Amounts, and Fees: Please refer to Chart on Page 8.

PURCHASE/ACQUISITION FUND

The Purchase/Acquisition Fund is designed to help finance the purchase and acquisition together with any necessary upgrading of existing modern storage facilities. Modern potato storages that have previously been financed through a PMIF loan may be financed either by providing purchase money financing or by permitting the assumption of an existing PMIF mortgage and promissory obligation. Modern storage facilities not previously financed through a PMIF loan may be financed by providing purchase money financing.

The availability of loans from this fund is subject to the conditions set forth in *01-001 Department of Agriculture, Conservation and Forestry, Chapter 31: Rules for Operation of Potato Marketing Improvement Fund*.

Eligible Use of Loan Proceeds:

Proceeds may be used for, and permission for the assumption of existing financing may be given for, the acquisition of existing modern storage facilities previously financed through a PMIF loan.

Rates, Terms, Amounts, and Fees: Please refer to Chart on Page 8.

GRANT FUNDS

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 2018/2019, the Commissioner made no grants for research or infrastructure improvements.

LOAN PROGRAMS

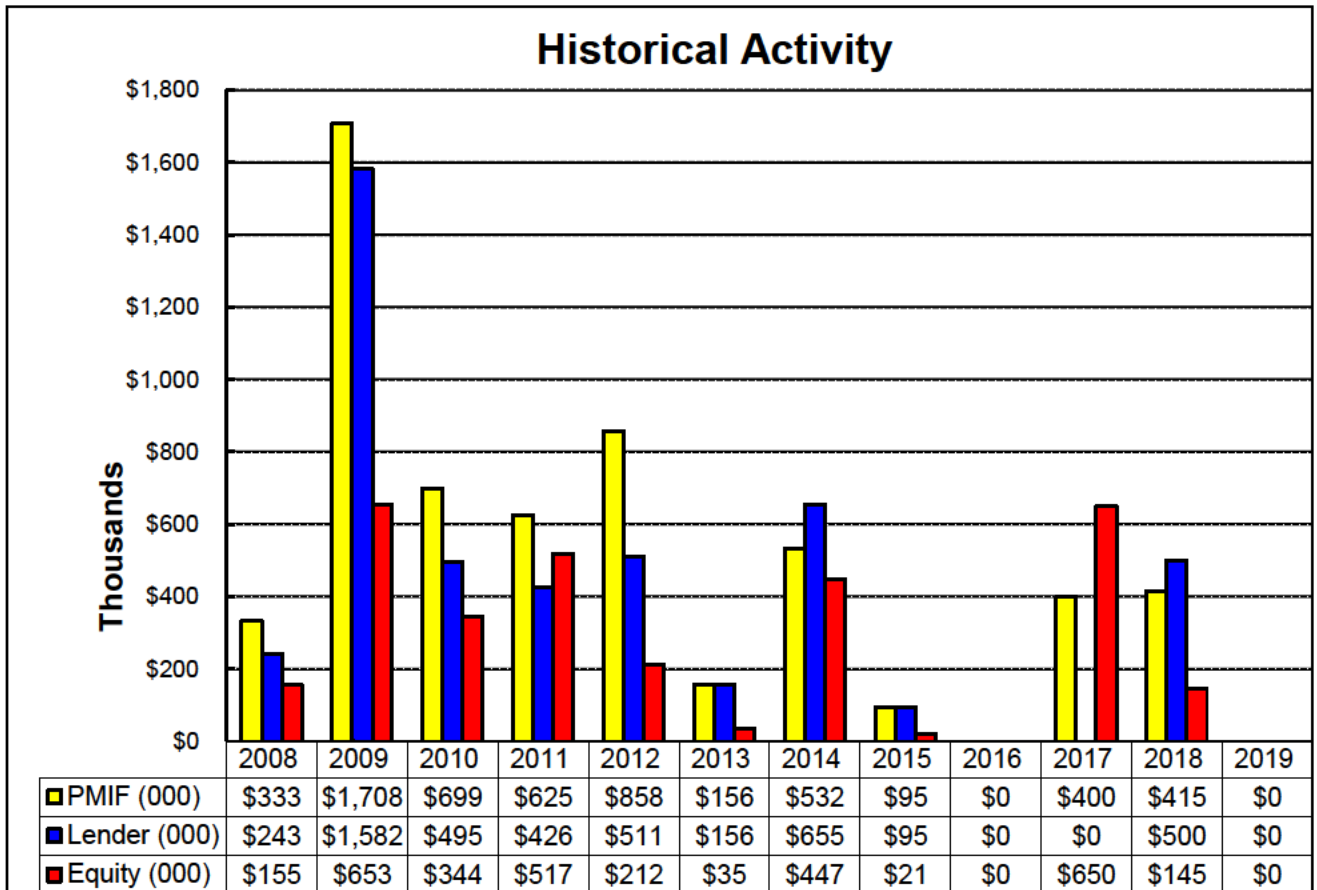
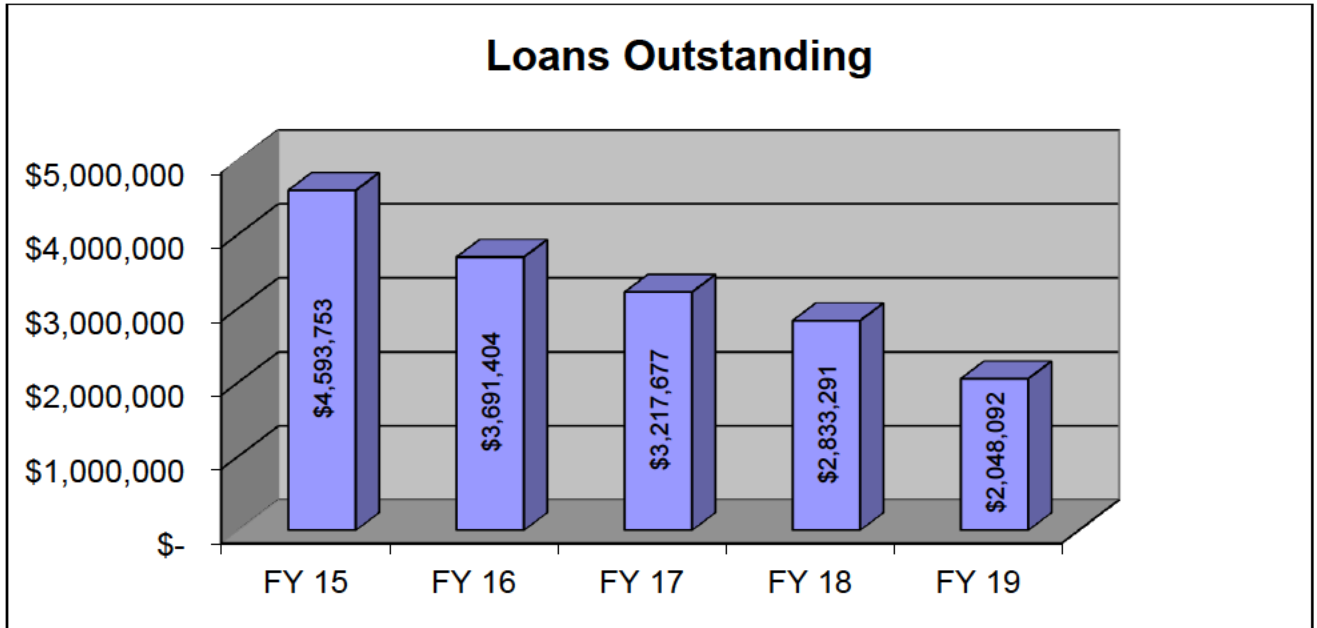
	New Facilities Loan Fund	Storage Retrofit Fund	Support Facilities Loan Program	Value-Added
Lending Values	45% of total project costs for projects up to \$1,500,000* Minimum project cost of over \$150,000*	55% of total project costs for projects up to \$150,000	45% of total project costs for projects up to \$300,000	45% of total project costs for projects up to \$300,000; 50% if purchase or remodel of existing buildings
Interest Rate	5%	5%	5%	5%
Term	Up to 25 years	Up to 10 years	Up to 10 years	Up to 10 years
Fees	1% Loan Origination Fee All legal and out-of-pocket expenses of the Department related to borrower's project.	N/A	1% Loan Origination Fee All legal and out-of-pocket expenses of the Department related to borrower's project.	1% Loan Origination Fee All legal and out-of-pocket expenses of the Department related to borrower's project.
Borrower Commitment	10%**	N/A	5%***	5%***

**For projects over \$1,500,000, 45% of first \$1,500,000 of total project costs plus 24% of costs over \$1,500,000*

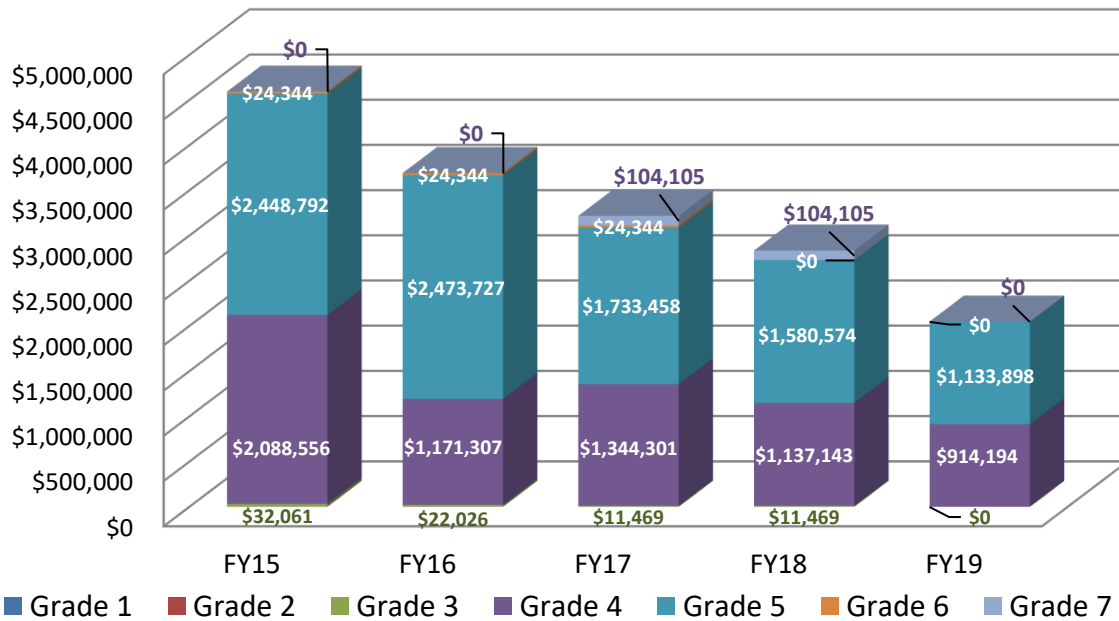
***Borrower must inject at least 10% in private funds into the project except in the case of cooperative projects by two or more farmers; such demonstrated commitment of private funds shall total at least 5% of the total project.*

****Borrower must demonstrate a commitment of private funds of at least 5% of the total project cost.*

Historical Portfolio Summary



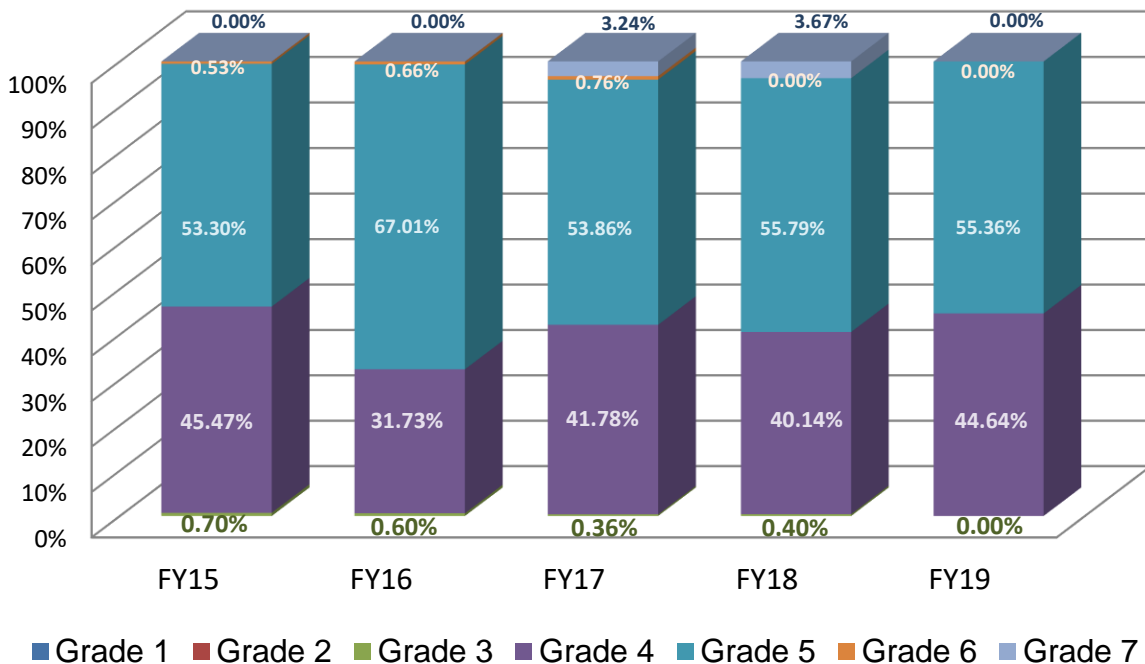
Portfolio Grade Stratification - \$

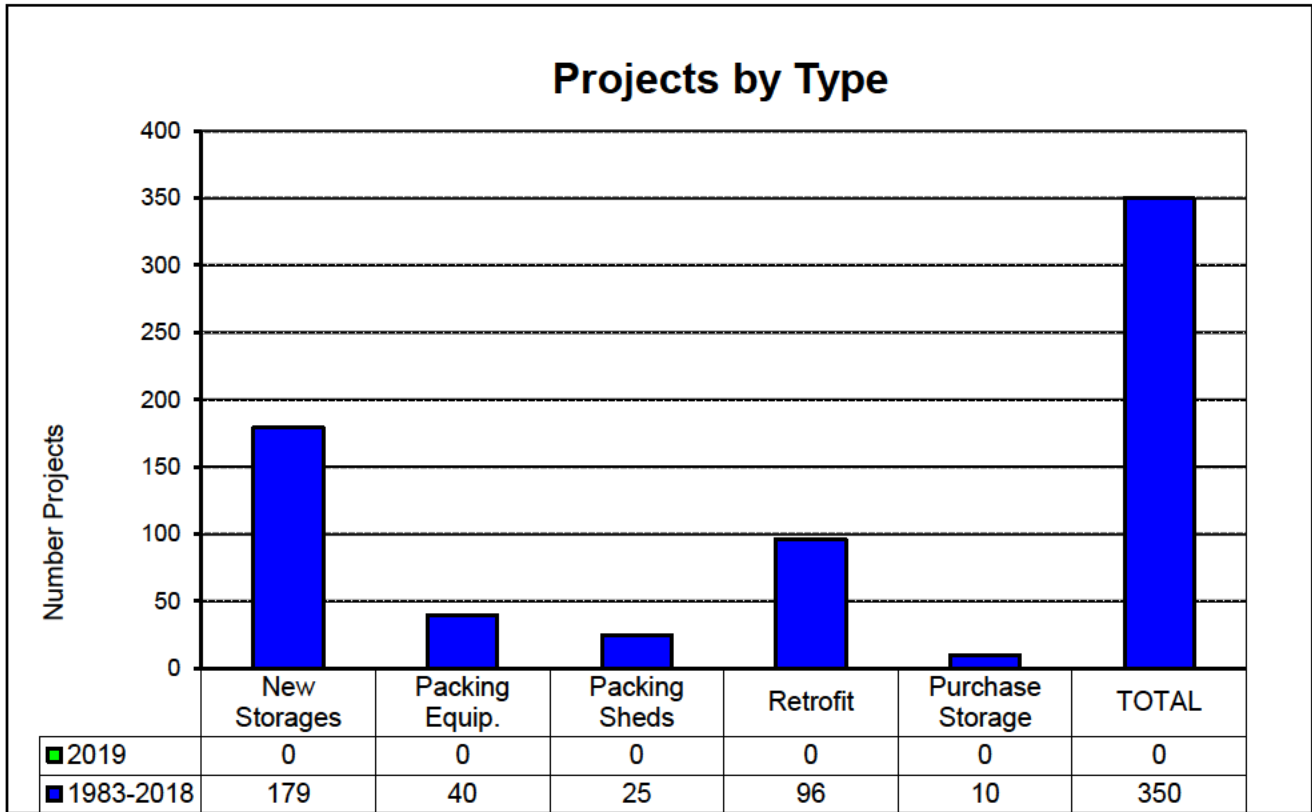


GRADE GUIDE:

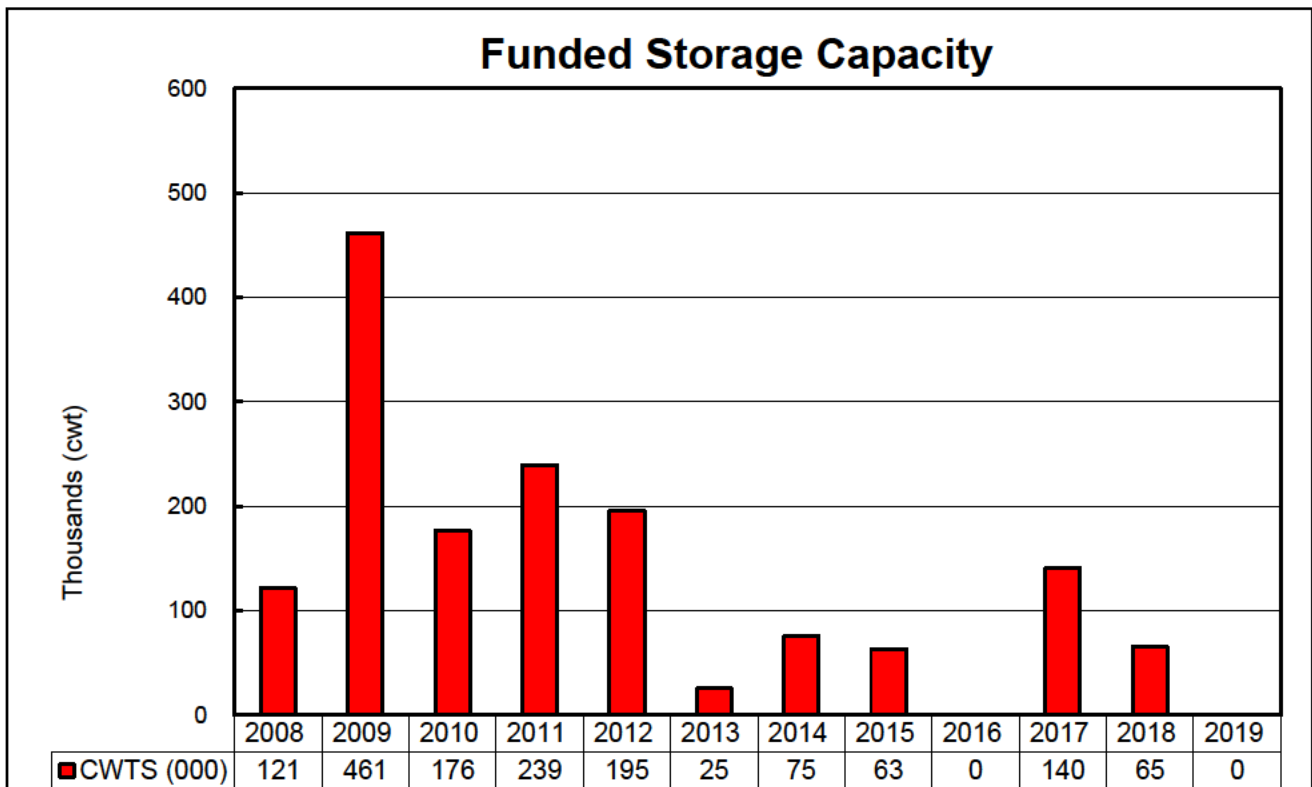
- | | | | |
|------------------|---------------|-----------------|----------------|
| 1 – Superior | 2 – Excellent | 3 – Good | 4 – Acceptable |
| 5 – Sub-Standard | 6 – Doubtful | 7 – Liquidation | |

Portfolio Grade Stratification - %





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



FINANCIAL STATEMENTS

Balance Sheet

	FY18 June 30, 2018	FY19 June 30, 2019
<u>ASSETS</u>		
Investments - Cash & Investments	\$11,477,122	\$12,445,889
Notes Receivable	\$2,833,291	\$2,048,092
Reserves for Losses	(\$110,375)	(\$26,548)
Accrued Interest	<u>\$70,599</u>	<u>\$59,282</u>
Total Assets	\$14,270,637	\$14,526,715
<u>Liabilities</u>		
Accounts Payable	\$16,529	\$16,031
Donated Surplus (Original Bond Issue)	\$6,500,000	\$6,500,000
Unappropriated Surplus	<u>\$7,754,108</u>	<u>\$8,010,685</u>
Total Liabilities & Fund Balance	\$14,270,637	\$14,526,715

Income Statement

	June 30, 2018	June 30, 2019
<u>Revenue</u>		
Investment Income*	(\$19,901)	\$395,393
Note Interest Income	\$157,568	\$115,459
Fees	<u>\$4,596</u>	<u>\$2,723</u>
Total Revenue	\$142,263	\$513,575
<u>Expense</u>		
Salaries & Benefits	\$175,148	\$175,148
Administrative Contracts	\$45,000	\$47,300
Postage	\$0	\$0
Printing	\$0	\$0
Conferences/Meetings	\$0	\$0
Training & Seminars	\$300	\$202
General Operating Expenses	\$703	\$671
Utilities	\$505	\$505
Travel	\$14,178	\$17,534
Telephone	\$1,790	\$1,790
Legal Expense	(\$7,064)	\$381
Miscellaneous Expense	\$775	\$2,491
Grant Expense	<u>\$40,000</u>	<u>\$0</u>
Total Expenses	\$271,335	\$246,022
Provisions for losses on notes receivable	(\$34,840)	(\$83,827)
Notes Written Off	\$0	\$94,803
Surplus (Deficiency)	(\$53,480)	\$256,577

*In FY18, the PMIF recorded unrealized losses on investments of \$140,593.21. This was due to investments in the pooled account having lower coupon rates than current market rates. In FY 19, the fund recorded unrealized gains on investments of \$188,940.78. This represents recovery of previous unrealized losses as investments with lower coupon rates either matured or became closer to the maturity date. Since the bonds are redeemed at par value any unrealized losses are reversed at maturity.

COMMITTEES

2018/2019 Potato Marketing Improvement Committee: *Overall Program Evaluation*

Scott Ayotte
Hamlin

Todd Bradley
Easton

Dan Blackstone
Caribou

Nick McCrum
Mars Hill

Bart Bradbury
Bridgewater

Gerald Miller
Houlton

Brent Buck
Mapleton

Brianne O'Leary
Bridgewater

Matt Porter
Mapleton

Adam Paradis
Frenchville

Robbie Irving
Caribou

2018/2019 Credit Review Committee: *Reviews Financial Feasibility*

Al Butler
Camden National Bank, Gardiner

Ghent Holdsworth
Farm Credit East, Presque Isle

Ryan Ellsworth
The County Federal Credit Union, Presque
Isle

Chris Fitzpatrick
Machias Savings Bank, Houlton

Brian Flewelling
KeyBank National Association, Presque Isle

Jeff Pangburn
TD Bank, Presque Isle

2018/2019 Project Review Committee: *Reviews Technical Feasibility*

Scott Ayotte
Ayotte Farms, Van Buren

James Park
Farm Credit East, Presque Isle

Brent Buck
Buck Farms, Mapleton

Erica Fitzpatrick Peabody
McCain Foods, Easton

Greg Garrison
Borderview Farms, Mars Hill

Matthew Porter
Porter Farms, Inc., Mapleton

Nick McCrum
County Super Spuds, Inc., Mars Hill

STAFF

Department of Agriculture, Conservation and Forestry

Amanda E. Beal
Commissioner

Nancy McBrady
Bureau Director

Leigh Hallett
Director, Agricultural Resource Development

Maine Potato Board

Donald E. Flannery
Executive Director

George F. McLaughlin
Program Manager & Storage Specialist

Jeannie M. Tapley
Office Manager

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

Bruce E. Wagner
Chief Executive Officer

Roxanne Broughton
Commercial Loan Officer

Carlos R. Mello
Chief Risk Officer

Matthew Lindquist
Commercial Loan Officer

Jennifer Cummings
Director of Business Programs

Karen Kunesh
Commercial Loan and Workout Officer

Scott Weber
Senior Credit Officer

Kim Getchell
Commercial Loan Officer

Jeff Murch
Credit Analyst

Kathy Clary
Commercial Loan Assistant

Ellen Curtiss
Credit Analyst

Michelle MacKenzie
Commercial Loan Assistant

Laurie Garrison
Commercial Loan Assistant

Abel Auclair
Commercial Loan Assistant