

# MAINE STATE LEGISLATURE

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# THE AGRICULTURAL MARKETING LOAN FUND

2009/2010  
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 \$6,000,000 bond was issued to capitalize the new program. A second bond was authorized in 2007 for an additional \$1,000,000 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.

# COMMISSIONER'S REPORT

STATE OF MAINE  
DEPARTMENT OF AGRICULTURE, FOOD & RURAL RESOURCES  
28 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0028

Paul R. LePage  
GOVERNOR

Seth H. Bradstreet, III  
ACTING COMMISSIONER

**To the Honorable Paul R. LePage, Governor; the Honorable Kevin Raye, President of the Senate; the Honorable Robert Nutting, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:**

I am pleased to announce that the Agricultural Marketing Loan Fund (AMLF) was instrumental this year in meeting the needs of eleven farms for capital projects. The projects closed over the 12-month period ending June 30, 2010 included eleven projects totaling \$1,517,179 in AMLF proceeds, \$447,193 in other lender financing, and owner equity of \$1,008,187.

The new activity can be attributed to more local sales of vegetables and the need for storage and storefronts, and the establishment of new companies and processing facilities. The Farms for the Future (FFTF) Program and our NxLevel Business Training classes have been good promoters for new loan applicants, especially for the FFTF reduced 2% interest loan. While we encourage those farmers to access traditional lending sources as well, many are still at higher risk than others due to financial or other pressures. The availability of AMLF incentive loans provides that small edge in helping to make farms more successful and viable through education and capital improvements.

We also supported one new Technical Assistance grant to help a cooperative of farmers do a feasibility study for a new organic grain facility. They have since filed for a loan to purchase an old feed mill and renovate it. These grant programs are very helpful to groups of farmers looking for ways to increase markets or test new technology.

Again, these grants and loans help increase net income for our farmers, a key evaluation component for a healthy Maine Agriculture. We face many challenges in the months and years ahead, and we look for your continued support for these Agricultural Development programs to be able to meet these challenges and help Maine's natural resource-based enterprises remain profitable and sustainable.

Respectfully submitted,



Seth H. Bradstreet, III, Acting Commissioner  
Maine Department of Agriculture, Food, and Rural Resources

## 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.

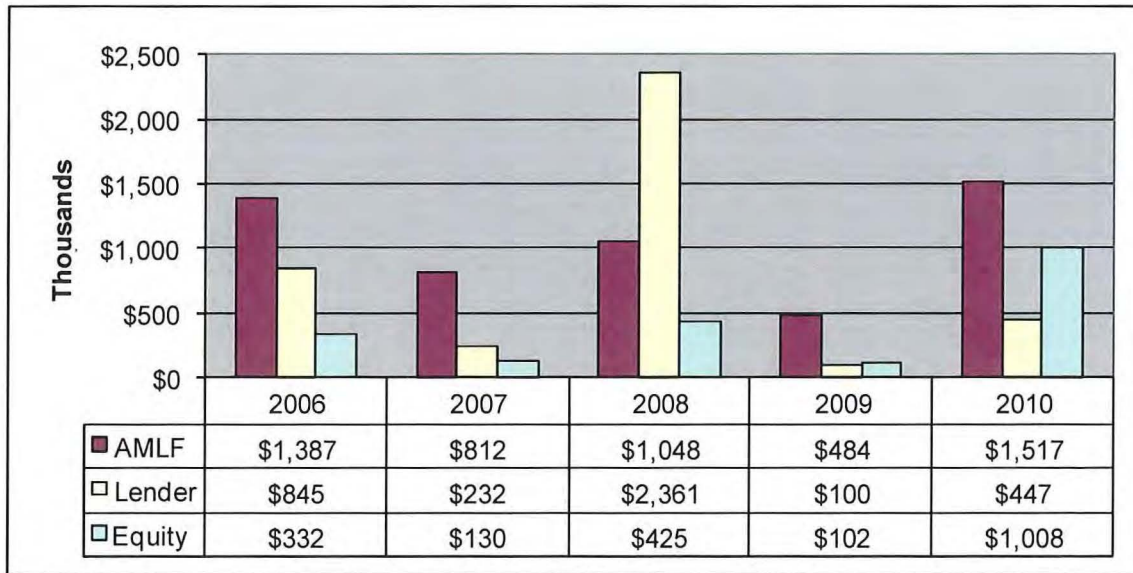
Over the years, AMLF has helped finance 98 projects that have leveraged a total of \$20,709,322 in investments into Maine's agriculture infrastructure, as depicted in the chart below:

### PORTFOLIO SUMMARY

	1998-2009	2010	Total
<b>Number of Projects</b>	87	11	98
<b>AMLF Financing</b>	\$7,548,537	\$1,517,179	\$9,065,716
<b>Lender Financing</b>	\$7,273,818	\$447,193	\$ 7,721,011
<b>Equity</b>	\$ 2,914,408	\$1,008,187	\$ 3,922,595
<b>Total Investments</b>	\$17,736,763	\$2,972,559	\$20,709,322

Since program inception, the agricultural industry sectors with the highest loan volumes have been dairy, potato, aquaculture services, and crops sectors, with \$2,228,124, \$1,980,555, \$ 1,444,404 and \$1,440,833 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 via the Department of Agriculture's 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:**

In May 2003, Governor Baldacci signed into law “An Act to Improve Participation in the Agricultural Marketing Loan Fund,” which allows for the borrower to 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 under \$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 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. No activity was reported for grants this fiscal year.



## AMLF LOAN ACTIVITY IN 2009/2010

***Transactions Closed:***

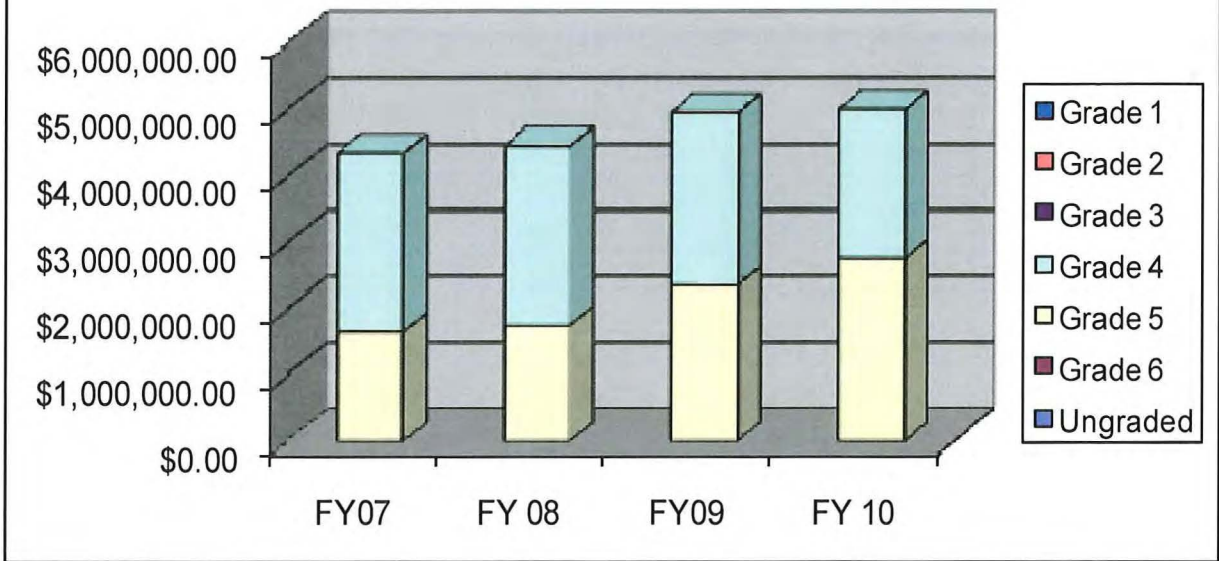
Location	Project Cost	Bank	Equity	AMLF	Project Type
Cape Elizabeth	\$28,333	\$0	\$2,500	\$25,833	Expand Existing Farm Stand
Monticello	\$866,000	\$183,000	\$433,000	\$250,000	Purchase Farm Equipment
Eustis	\$244,177	\$105,155	\$12,670	\$126,352	Construct Greenhouse & Equipment
Durham	\$132,850	\$17,212	\$16,000	\$99,638	New Farm Purchase
Sidney	\$325,527	\$0	\$82,827	\$242,700	Purchase Land/Construct Auction Building
Clinton	\$67,433	\$0	\$6,774	\$60,659	Replace Equipment
Sumner	\$174,314	\$76,826	\$24,500	\$72,988	Pole Barn/Workshop
Farmington	\$400,941	\$0	\$175,941	\$225,000	Construct Farm Stand
Lewiston	\$197,746	\$40,000	\$9,437	\$148,309	Distribution Facility
Houlton	\$435,138	\$0	\$185,138	\$250,000	Building & Equipment Repairs
Stockholm	\$100,100	\$25,000	\$59,400	\$15,700	Potato Storage Warehouse
11 Projects	\$2,972,559	\$447,193	\$1,008,187	\$1,517,179	

## AMLF LOANS PENDING AND COMMITTED IN 2010

*Transactions Pending & Committed:*

Location	Project Cost	Bank	Equity	AMLF	Project Type
Presque Isle	\$85,000	\$0	\$10,000	\$75,000	Oil Processing Facility
Westbrook	\$147,051	\$0	\$36,763	\$110,288	Purchase Equipment
West Paris	\$89,112	\$0	\$8,911	\$80,201	Build Greenhouse/Kitchen
Fort Fairfield	\$262,973	\$141,115	\$18,001	\$103,857	Equipment Upgrades
Minot	\$467,000	\$195,000	\$22,000	\$250,000	Purchase Equipment
5 Projects	\$1,051,136	\$336,115	\$95,675	\$619,346	

### Portfolio Grade Stratification - \$



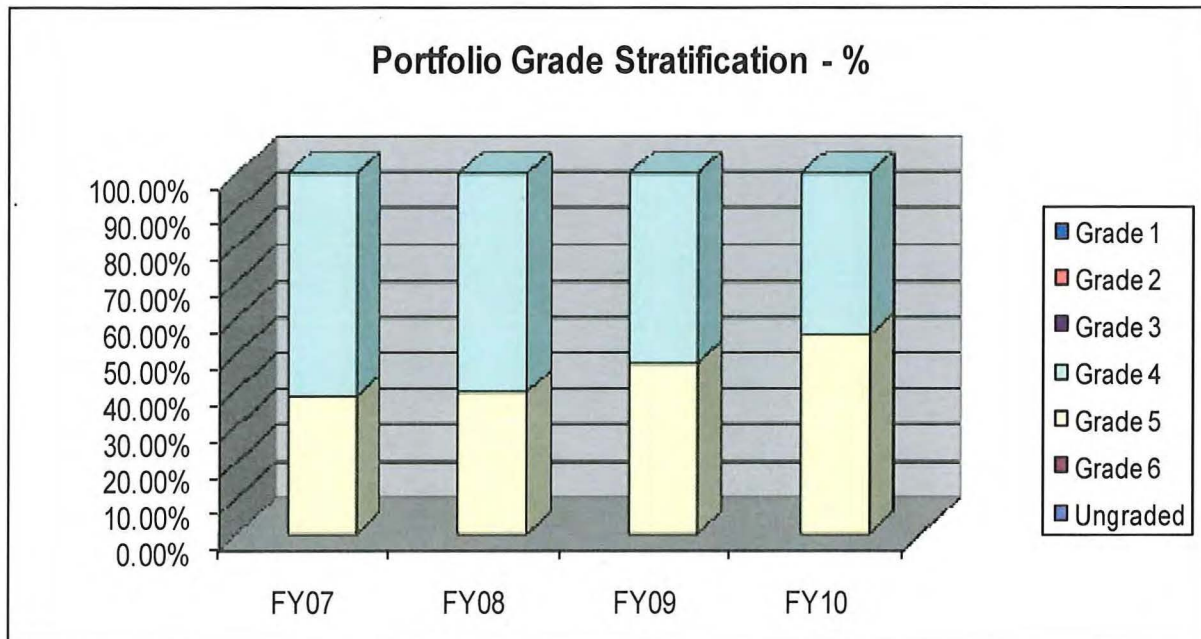
#### GRADE GUIDE:

1 – Superior  
2 – Excellent

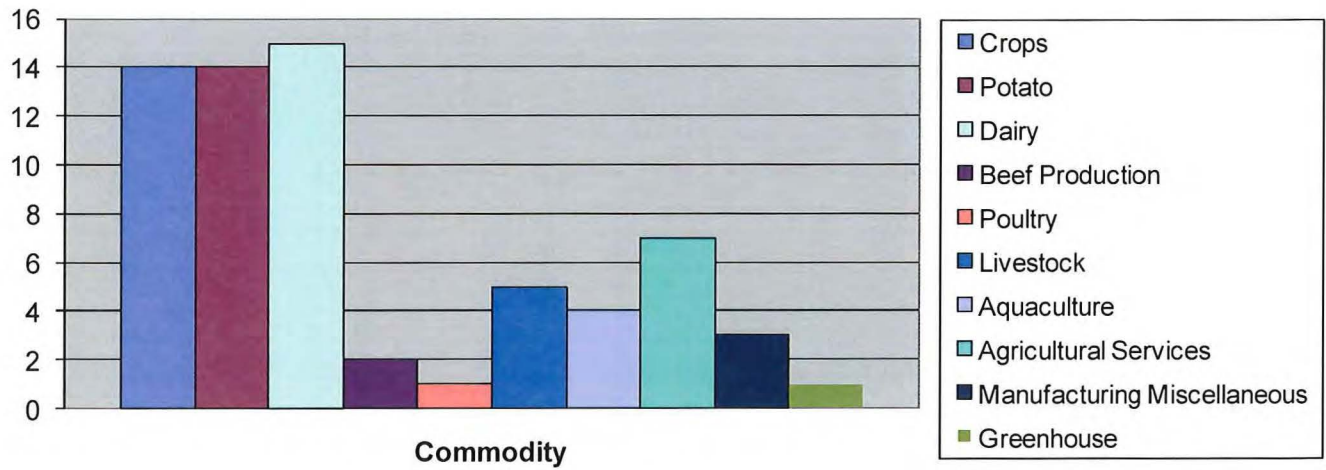
3 – Good  
4 – Acceptable

5 – Sub-Standard  
6 – Liquidation

### Portfolio Grade Stratification - %



### AMLF Projects by Industry Type (66 Loans Outstanding)



### AMLF GRANT ACTIVITY IN 2010

No activity for this fiscal year.

# FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/10

## Balance Sheet

	FY09 June 30, 2009	FY10 June 30, 2010
<b><u>Assets</u></b>		
Investments - Custody Account	\$0	\$1,607,399
Investments - Market Value Adjustment	\$57,482	\$74,215
Investments - State Treasury Cash Pool	\$2,562,432	\$568,290
Notes Receivable	<u>\$5,001,898</u>	<u>\$5,610,246</u>
<b>Total Assets</b>	<b>\$7,621,812</b>	<b>\$7,860,150</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$104	\$66
Loan funds Disbursed	\$5,084,308	\$5,692,685
Unrecoverable Loan Principal	(\$82,410)	(\$82,439)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$2,011,375	\$1,337,119
Undisbursed Investment Income	\$83,250	\$68,995
Undisbursed Market Value Adjustment	\$57,482	\$74,215
Undisbursed Note Interest	\$212,735	\$209,206
Undisbursed Grant Funds	<u>\$254,968</u>	<u>\$560,303</u>
<b>Total Liabilities</b>	<b>\$7,621,812</b>	<b>\$7,860,150</b>

## Statement of Revenues and Expenses

	June 30, 2009	June 30, 2010
<b><u>Revenue</u></b>		
Origination Fees	\$2,200	\$12,673
Other Income	\$59,440	\$61,581
Grant Revenue	<u>\$31,000</u>	<u>\$0</u>
<b>Total Revenue</b>	<b>\$92,640</b>	<b>\$74,254</b>
<b><u>Expenses</u></b>		
Advertising	\$0	\$0
Postage	\$0	\$43
Printing	\$618	\$635
Conferences/Meetings	\$437	\$656
Office Supplies	\$0	\$0
Professional Fees	\$60,613	\$72,412
Travel	\$0	\$18
Telephone	\$85	\$162
Grant Expense	\$31,000	\$0
Legal	<u>(\$113)</u>	<u>\$328</u>
<b>Total Expenses</b>	<b>\$92,640</b>	<b>\$74,254</b>

## COMMITTEES

### *AMLF Eligibility Review Committee*

**John Harker, Chair**  
Maine Department of Agriculture

**Steve Belyea, Engineer**  
Maine Department of Agriculture

**Judy Dimock, Specialist**  
Northstar Orchards

**Stewart Smith, Prof. of Agriculture**  
University of Maine

**Ann Gibbs, State Horticulturist**  
Maine Department of Agriculture

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

**David Yarborough, Ext. Blueberry**  
University of Maine

**Erick Swanson**  
Trumpet Island Salmon Farm, Inc

### *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  
Bar Harbor Bank & Trust  
Bath Savings Institution  
Eastern Maine Development Corporation  
Farm Credit of Maine, ACA  
First Citizens Bank  
First National Bank of Bar Harbor

KeyBank National Association  
Kennebunk Savings Bank  
Kingfield Savings Bank  
Lewiston Economic Growth  
Council  
Norway Savings Bank  
TD Bank

## **STAFF**

### **Department of Agriculture, Food & Rural Resources**

State House Station 28  
Augusta, Maine 04333-0028  
(207) 287-3871

**Seth H. Bradstreet, III**, Commissioner  
**Ned Porter**, Deputy Commissioner  
**John Harker**, Development Project Officer

## **ADMINISTRATIVE CONTRACTOR**

### **Finance Authority of Maine**

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

**Elizabeth Bordowitz**, Chief Executive Officer  
**Charlie Emmons**, Senior Commercial Loan Officer  
**Robert Corey**, Senior Credit Officer  
**Deb Cole**, Commercial Loan Officer  
**Robert Small**, Commercial Loan Officer  
**Jeff Murch**, Credit Analyst  
**Scott Weber**, Credit Analyst  
**Kathy Clary**, Commercial Loan Assistant  
**Tammy Holman**, Commercial Loan Assistant