

MAINE STATE LEGISLATURE

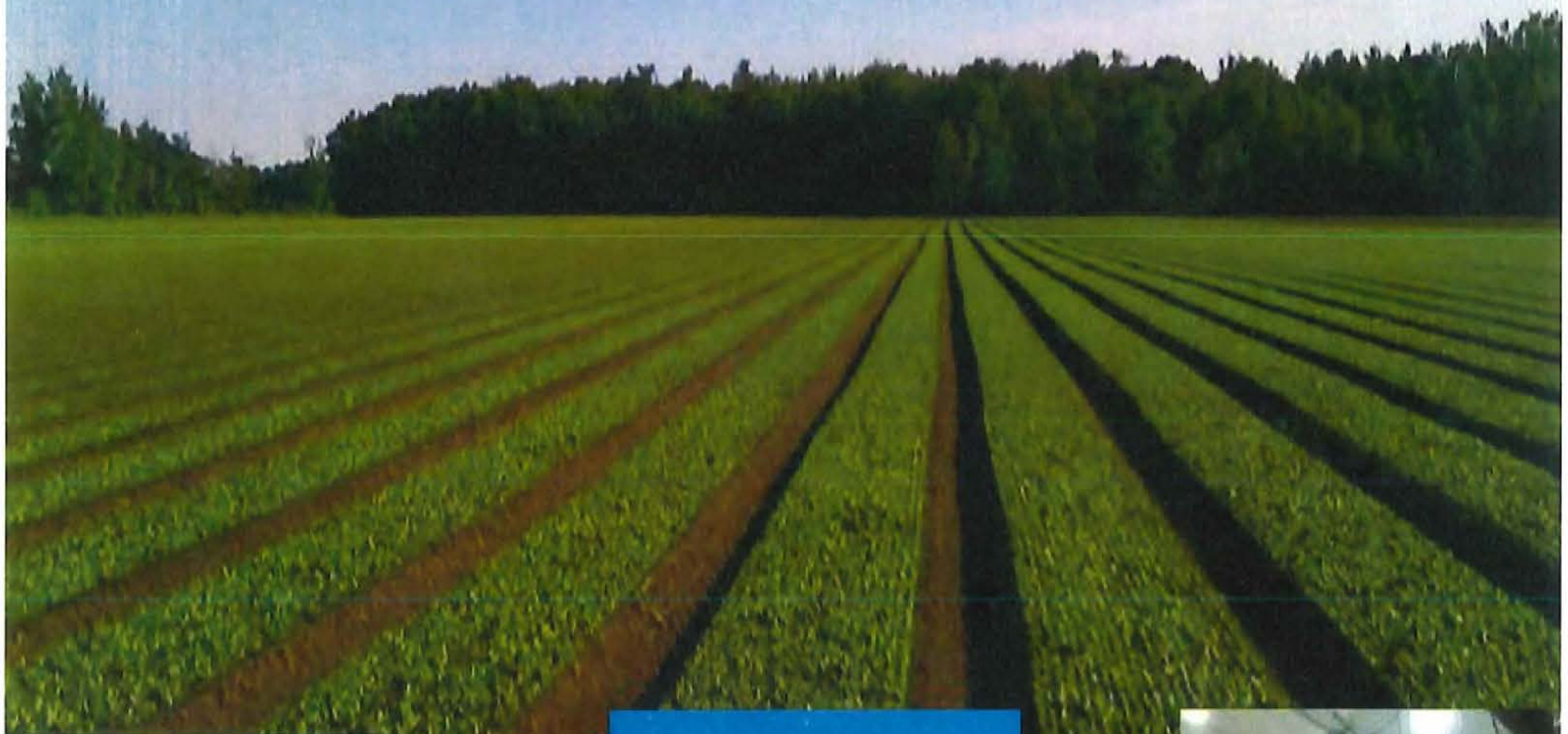
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THE AGRICULTURAL MARKETING LOAN FUND

2010/2011
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

Walter E. Whitcomb
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:

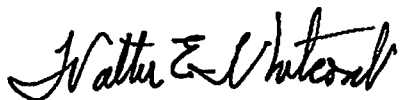
I am pleased to announce that the Agricultural Marketing Loan Fund (AMLF) was instrumental this year in meeting the capital project needs of eight farms. Over the 12-month period ending June 30, 2011, eight projects closed totaling \$945,346 in AMLF proceeds, \$604,365 in other lender financing, and owner equity of \$116,941.

The Agricultural Marketing Loan Fund is a valuable public private partnership, helping many small and medium sized farms better meet their marketing and productions needs. Producers are investing to increase profitability, buying equipment that adds value to production and building storage that extends the season. These examples point to the wise investment of private capital partnered with the publicly administered AMLF. We also are seeing more farmers accessing the loan program through the Farms for the Future Training Program.

We will be evaluating this, and other loan programs, to determine whether we can adjust to meet future needs of farmers and better partner with private and nonprofit loan providers. In that regard, we have just published a comprehensive directory of lending services to assist farmers in better accessing loan funds.

I look forward to increased capital investment in Maine agriculture.

Respectfully submitted,



Walter E. Whitcomb, 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.

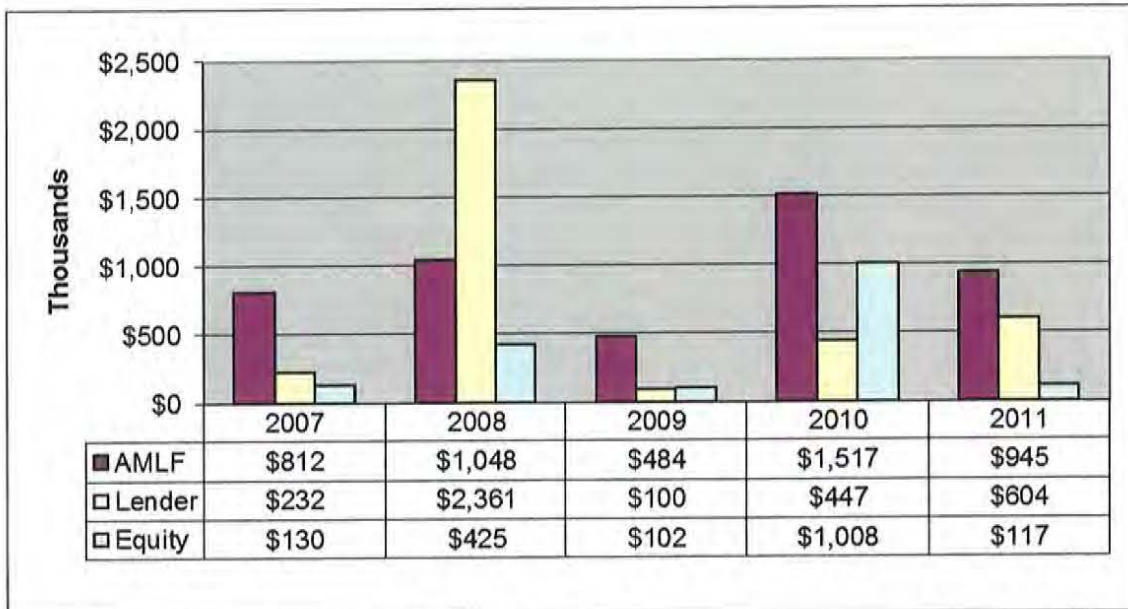
Over the years, AMLF has helped finance 106 projects that have leveraged a total of \$22,375,974 in investments into Maine's agriculture infrastructure, as depicted in the chart below:

PORTFOLIO SUMMARY

	1998-2010	2011	Total
Number of Projects	98	8	106
AMLF Financing	\$9,065,716	\$945,346	\$10,011,062
Lender Financing	\$7,721,011	\$604,365	\$ 8,325,376
Equity	\$ 3,922,595	\$116,941	\$ 4,039,536
Total Investments	\$20,709,322	\$1,666,652	\$22,375,974

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, \$2,047,322, \$ 1,798,261 and \$1,586,034 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 the Agricultural Development Grants this fiscal year and only one Technical Assistance Grant was awarded.

AMLF LOAN ACTIVITY IN 2010/2011

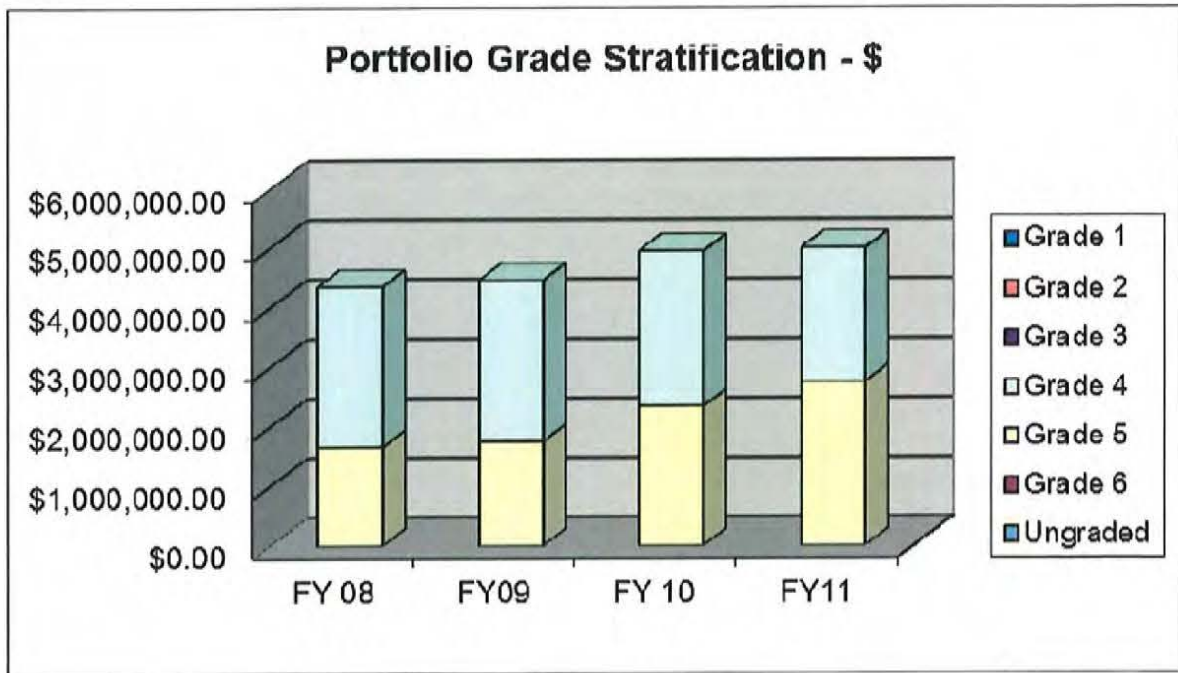
Transactions Closed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Westbrook	\$147,051	\$0	\$36,763	\$110,288	Purchase Equipment
West Paris	\$89,112	\$0	\$8,911	\$80,201	Build Greenhouse/Kitchen
Minot	\$467,000	\$195,000	\$22,000	\$250,000	Purchase Equipment
Fort Fairfield	\$262,973	\$141,115	\$18,001	\$103,857	Equipment Upgrades
Rockport	\$395,000	\$185,000	\$0	\$210,000	Construct Building & Purchase Equipment
Van Buren	\$185,000	\$83,250	\$20,750	\$81,000	Purchase Storage
Bangor	\$40,000	\$0	\$2,000	\$38,000	Purchase Equipment
Corinth	\$80,516	\$0	\$8,516	\$72,000	Upgrades/Purchase Equipment
8 Projects	\$1,666,652	\$604,365	\$116,941	\$945,346	

AMLF LOANS PENDING AND COMMITTED IN 2011

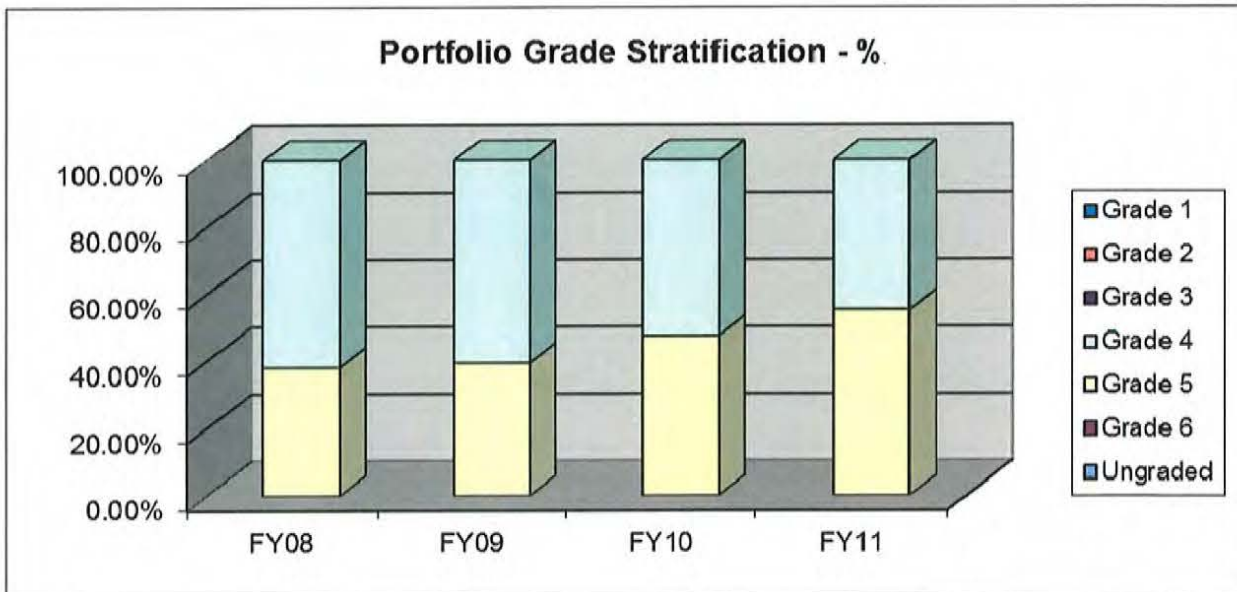
Transactions Pending & Committed:

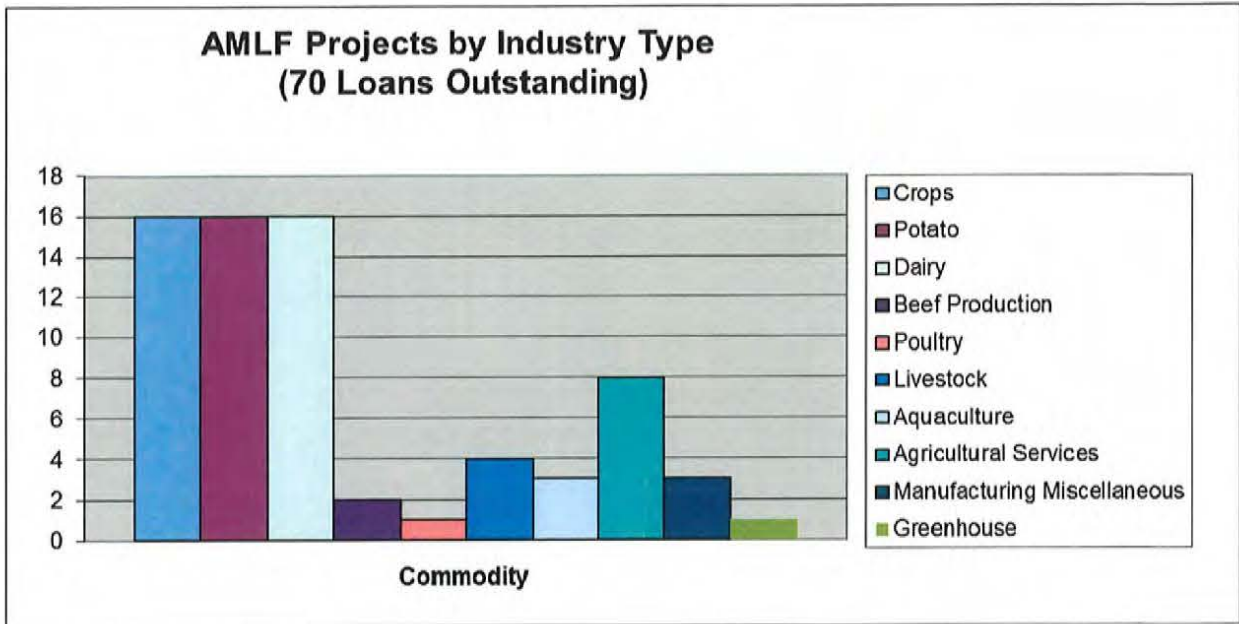
Location	Project Cost	Bank	Equity	AMLF	Project Type
Peru	\$85,000	\$0	\$10,000	\$75,000	Purchase Equipment
Dresden	\$142,836	\$0	\$52,836	\$90,400	Purchase Land/ Equipment & Construct Building
2 Projects	\$227,836	\$0	\$62,836	\$228,000	



GRADE GUIDE:

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





AMLF GRANT ACTIVITY IN 2011

Technical Assistance Grant

Barker Farms \$5,000 Development and Testing of a Corn Stalk Furnace

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/11

Balance Sheet

	FY10 June 30, 2010	FY11 June 30, 2011
<u>Assets</u>		
Investments - Custody Account	\$1,607,399	\$1,057,098
Investments - Market Value Adjustment	\$74,215	\$37,716
Investments - State Treasury Cash Pool	\$568,290	\$504,577
Notes Receivable	<u>\$5,610,246</u>	<u>\$5,926,829</u>
Total Assets	<u>\$7,860,150</u>	<u>\$7,526,220</u>
<u>Liabilities</u>		
Accounts Payable	\$66	\$18
Loan funds Disbursed	\$5,692,685	\$6,119,299
Unrecoverable Loan Principal	(\$82,439)	(\$192,470)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$1,337,119	\$984,986
Undisbursed Investment Income	\$68,995	\$40,992
Undisbursed Market Value Adjustment	\$74,215	\$37,716
Undisbursed Note Interest	\$209,206	\$241,680
Undisbursed Grant Funds	<u>\$560,303</u>	<u>\$293,999</u>
Total Liabilities	<u>\$7,860,150</u>	<u>\$7,526,220</u>

Statement of Revenues and Expenses

	June 30, 2010	June 30, 2011
<u>Revenue</u>		
Origination Fees	\$12,673	\$6,742
Other Income	\$61,581	\$50,483
Grant Revenue	<u>\$0</u>	<u>\$0</u>
Total Revenue	<u>\$74,254</u>	<u>\$57,225</u>
<u>Expenses</u>		
Advertising	\$0	\$0
Postage	\$43	\$22
Printing	\$635	\$815
Conferences/Meetings	\$656	\$600
Office Supplies	\$0	\$0
Professional Fees	\$72,412	\$54,012
Travel	\$18	\$157
Telephone	\$162	\$36
Grant Expense	\$0	\$0
Legal	<u>(\$328)</u>	<u>\$1,583</u>
Total Expenses	<u>\$74,254</u>	<u>\$57,225</u>

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
Maine Rural Development Authority
Norway Savings Bank
TD Bank

STAFF

Department of Agriculture, Food & Rural Resources

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

Walter E. Whitcomb, Commissioner
Caldwell Jackson, 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
Michael Jutras, Commercial Loan Officer
Jeff Murch, Credit Analyst
Scott Weber, Credit Analyst
Kathy Clary, Commercial Loan Assistant
Tammy Holman, Commercial Loan Assistant