

MAINE STATE LEGISLATURE

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THE
AGRICULTURAL
MARKETING
LOAN
FUND

2012/2013
ANNUAL REPORT

CONTENTS

	Page #
Abstract.....	3
Commissioner's Report.....	4
Program Overview.....	5
AMLF Fund	6-7
Development Grant Program	7
Activity in 2012/2013	8-10
Grant Activity in 2013	10
Financial Statements.....	11
Committees	12
Participating Lenders.....	13
Staff.....	13
Administrative Contractor	13

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 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 Justin Alford, President of the Senate; the Honorable Mark Eves, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:

The Agricultural Marketing Loan Fund (AMLF) was instrumental this year in meeting the capital project needs of four farms. Over the 12-month period ending June 30, 2013, four projects closed totaling \$154,054 in AMLF proceeds and owner equity of \$82,438.

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 are accessing AMLF financing as they complete the Farms for the Future Training Program.

We continually evaluate the AMLF program to determine what can better meet needs of farmers and better partner with private and nonprofit loan providers. The Department of Agriculture, Conservation and Forestry has a comprehensive directory of lending services to assist farmers, particularly new farmers, in accessing loan funds.

Increased capital investment in Maine agriculture is a critical element for the growth of the Maine economy.

Respectfully submitted,

Walter E. Whitcomb
Commissioner

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.

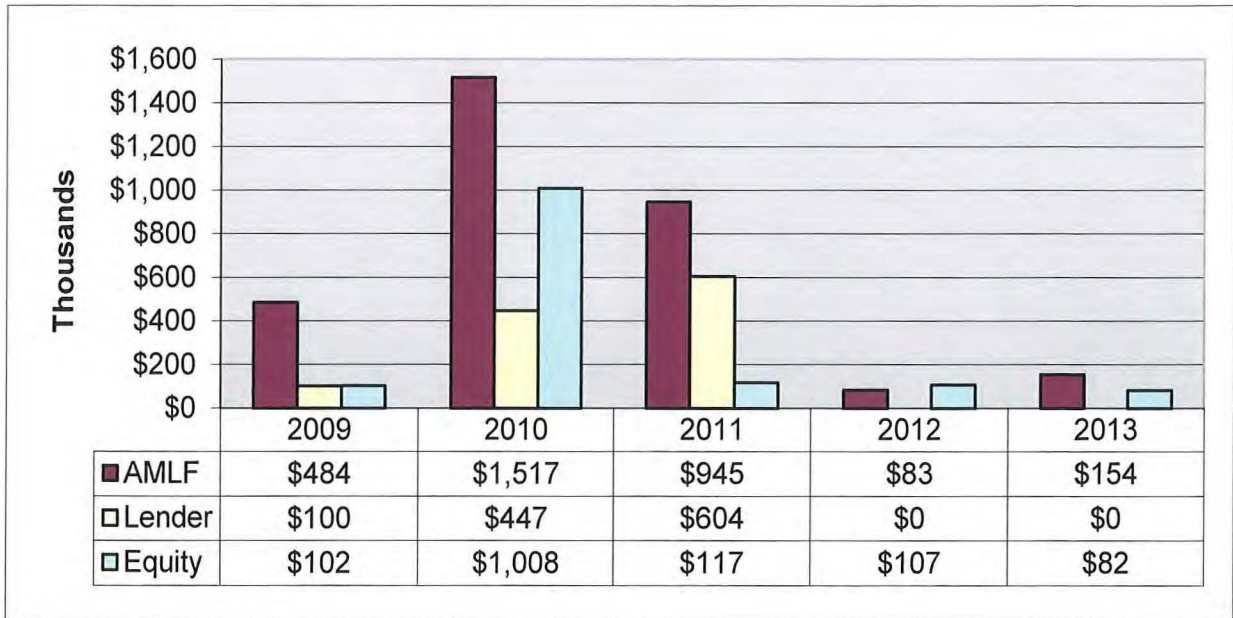
Over the years, AMLF has helped finance 111 projects that have leveraged a total of \$22,802,090 in investments in Maine's agriculture infrastructure, as depicted in the chart below:

PORTFOLIO SUMMARY

	1998-2012	2013	Total
Number of Projects	107	4	111
AMLF Financing	\$10,093,928	\$154,054	\$10,247,982
Lender Financing	\$ 8,325,376	\$0	\$8,325,376
Equity	\$ 4,146,294	\$82,438	\$4,228,732
Total Investments	\$22,565,598	\$236,492	\$22,802,090

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 \$1,770,659 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 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 less than \$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 2012/2013

Transactions Closed:

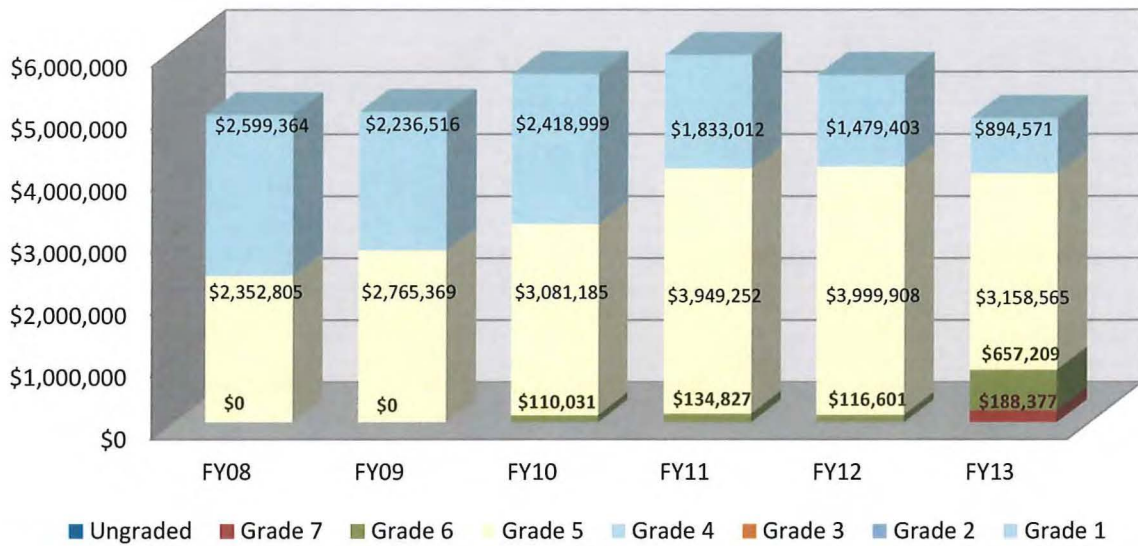
Location	Project Cost	Bank	Equity	AMLF	Project Type
Rockport	\$42,615	\$0	\$0	\$42,615	Cost over-runs existing AMLF loan
Sangerville	\$90,667	\$0	\$41,000	\$49,667	Expansion
Brownfield	\$92,347	\$0	\$40,255	\$52,092	New equipment & build greenhouse
New Sharon	\$10,863	\$0	\$1,183	\$9,680	Purchase equipment
4 Projects	\$236,492	\$0	\$82,438	\$154,054	

AMLF LOANS PENDING AND COMMITTED IN 2013

Transactions Pending & Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Vassalboro	\$339,035	\$0	\$89,035	\$250,000	Purchase equipment
Belmont	\$73,917	\$0	\$25,000	\$48,917	Construct 4 season processing building
2 Projects	\$412,952	\$0	\$114,035	\$298,917	

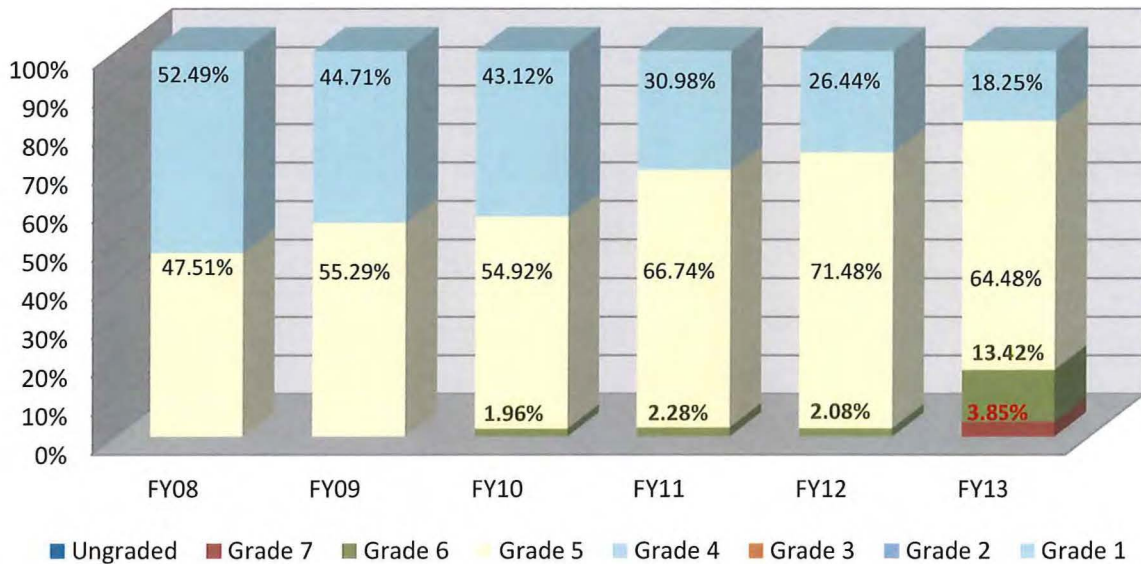
Portfolio Grade Stratification - \$



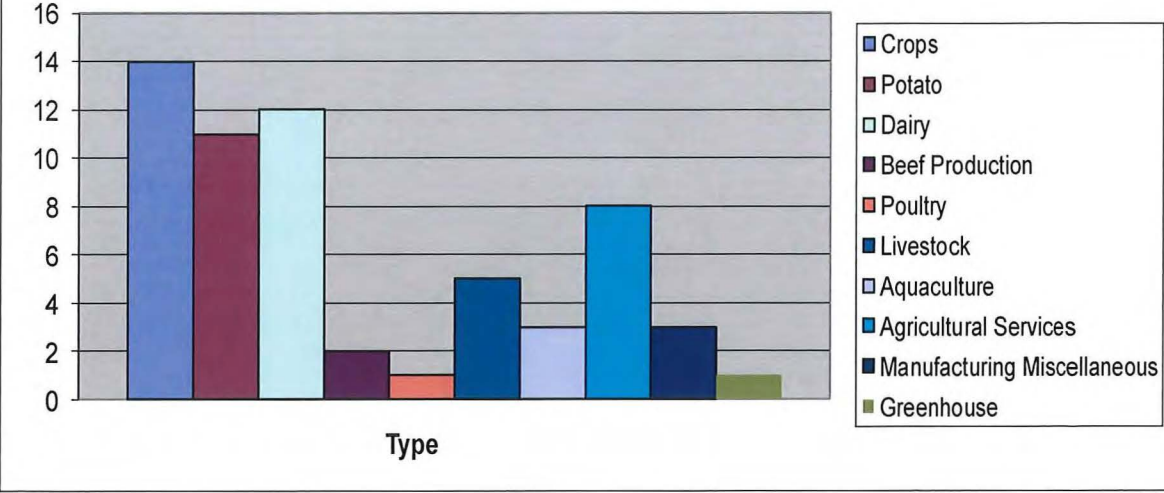
GRADE GUIDE:

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

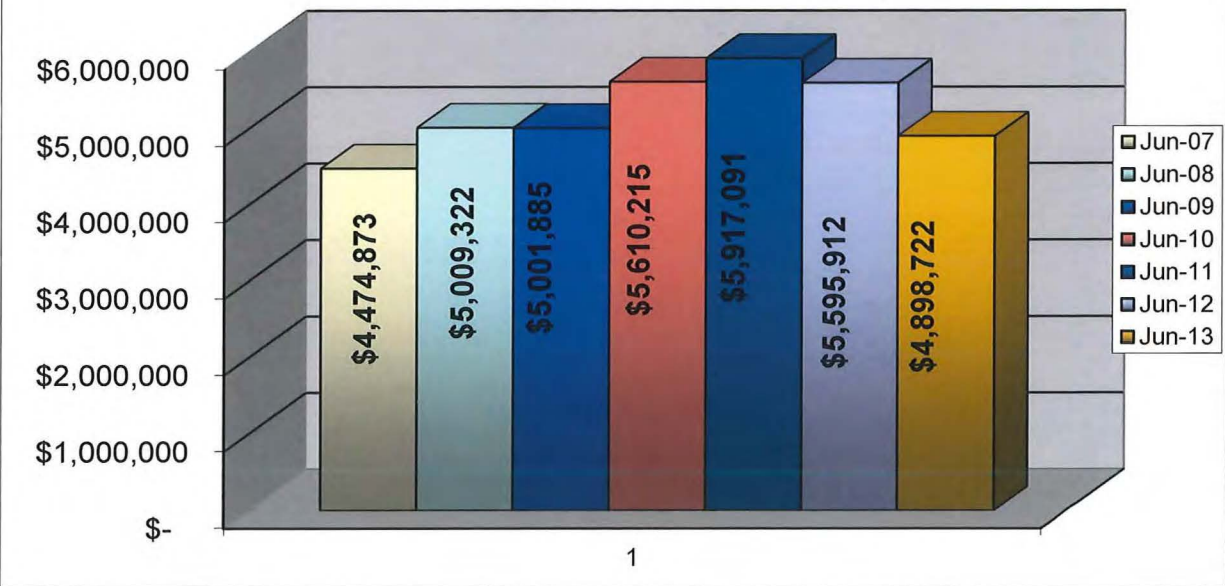
Portfolio Grade Stratification - %



AMLF Projects by Industry Type (64 Loans Outstanding)



Historical Portfolio Summary



AMLF GRANT ACTIVITY IN 2013

No Activity

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/13

Balance Sheet

	FY12 June 30, 2012	FY13 June 30, 2013
<u>Assets</u>		
Investments - Custody Account	\$1,410,492	\$1,832,715
Investments - Market Value Adjustment	\$39,731	\$16,768
Investments - State Treasury Cash Pool	\$578,638	\$892,107
Notes Receivable	<u>\$5,595,912</u>	<u>\$4,898,293</u>
Total Assets	\$7,624,773	\$7,639,883
<u>Liabilities</u>		
Accounts Payable	\$4,873	\$5,344
Loan funds Disbursed	\$5,788,382	\$5,191,681
Unrecoverable Loan Principal	(\$192,470)	(\$293,388)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$1,209,373	\$1,705,058
Undisbursed Investment Income	\$33,604	\$27,141
Undisbursed Market Value Adjustment	\$39,731	\$16,768
Undisbursed Note Interest	\$232,281	\$228,279
Undisbursed Grant Funds	<u>\$508,999</u>	<u>\$759,000</u>
Total Liabilities	\$7,624,773	\$7,639,883

Statement of Revenues and Expenses

	June 30, 2012	June 30, 2013
<u>Revenue</u>		
Origination Fees	\$0	\$2,500
Other Income	\$144,761	\$118,451
Grant Revenue	* <u>\$35,000</u>	<u>\$0</u>
Total Revenue	\$179,761	\$120,951
<u>Expenses</u>		
Misc. Expense	\$21,238	\$14,586
Insurance Expense	\$36	\$0
Advertising	\$0	\$0
Postage	\$0	\$20
Printing	\$798	\$353
Conferences/Meetings	\$528	\$576
Contributions, Membership Expense	\$0	\$200
Professional Fees	\$120,762	\$102,828
Travel	\$0	\$1,323
Telephone	\$10	\$23
Grant Expense	* \$35,000	\$0
Legal	<u>\$1,389</u>	<u>\$1,042</u>
Total Expenses	\$179,761	\$120,951

* Adjustments for past funding of grants
per Department of Agriculture

COMMITTEES

AMLF Eligibility Review Committee

John Harker, Chair

Maine Department of Agriculture,
Conservation and Forestry

Steve Belyea, Engineer

Maine Potato Board

Judy Dimock, Specialist

Northstar Orchards

Stewart Smith, Prof. of Agriculture

University of Maine

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

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
Finance Authority of Maine
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, Conservation and Forestry
State House Station 28
Augusta, Maine 04333-0028
(207) 287-3871

Walter E. Whitcomb, Commissioner
David Lavway, Deputy Commissioner
Ellis Additon, Bureau Director
John Harker, Director, Market Development

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
Carlos Mello, Director of Finance and Lending
Robert Corey, Senior Credit Officer
Charlie Emmons, Senior Commercial Loan Officer
Scott Bursey, Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Jeff Murch, Credit Analyst
Scott Weber, Credit Analyst
Kathy Clary, Commercial Loan Assistant
Tammy Holman, Commercial Loan Assistant