

MAINE STATE LEGISLATURE

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THE
AGRICULTURAL
MARKETING
LOAN
FUND

2015/2016
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 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 Michael Thibodeau, President of the Senate; the Honorable Sara Gideon, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:

The Agricultural Marketing Loan Fund (AMLF) is administered within the Bureau of Agriculture, Food and Rural Resources by our Director of Marketing Development. In fiscal year 2016, the AMLF was instrumental in meeting the capital project needs of three farms and producers. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly administered AMLF.

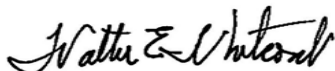
The Agricultural Marketing Loan Fund is a public and private partnership, helping small and medium-sized farms better meet their marketing and production needs. Producers invest to increase profitability, buy equipment that adds value to production and build storage that extends the season. These examples point to the wise investment of private capital partnered with the publicly administered AMLF. Beginning farmers are also accessing AMLF financing as they complete the competitive Farms for the Future training programs. The Department of Agriculture, Conservation and Forestry has a comprehensive directory of lending services to assist farmers, particularly new farmers, in accessing loan funds.

The AMLF program working with private and nonprofit lending partners must meet the changing needs of agricultural borrowers. There is potential new investment in processing and production facilities, land and building acquisitions and product distribution infrastructure that may further diversify the fund portfolio.

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. Using funds returned to AMLF as interest payments the department has instituted the Agricultural Development Grant Program to provide incentive funding for innovation production and marketing investments. Program Director, Jessica Nixon, plans to continue this grant effort with a \$250,000 annual commitment which represents a significant state investment in the future of Maine's agricultural community.

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.

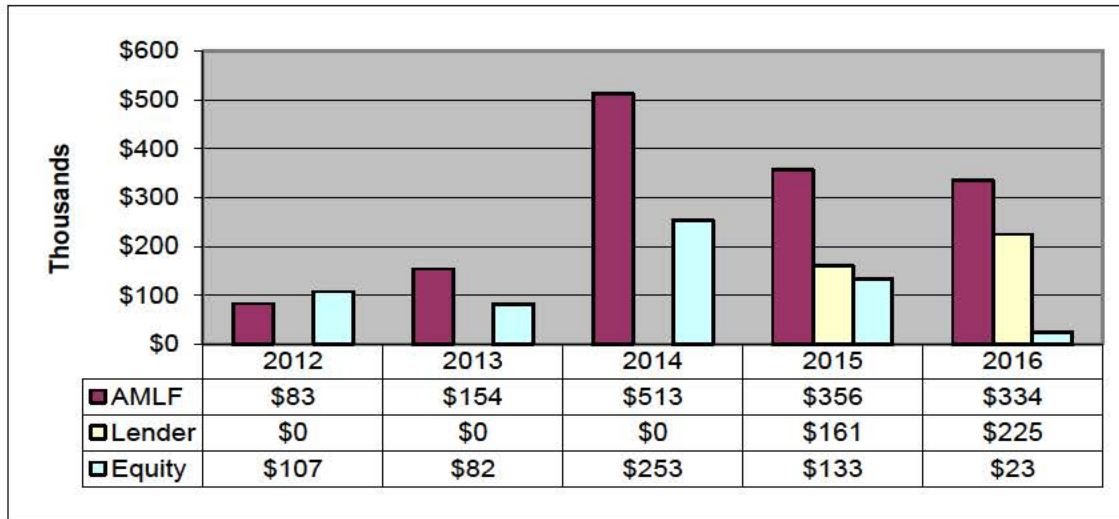
Over the years, AMLF has helped finance 124 projects that have leveraged a total of \$24,800,459 in investments in Maine's agriculture infrastructure, as depicted in the chart below:

PORTFOLIO SUMMARY

	1998-2015	2016	Total
Number of Projects	121	3	124
AMLF Financing	\$11,117,067	\$334,000	\$11,451,067
Lender Financing	\$ 8,486,376	\$225,000	\$8,711,376
Equity	\$ 4,614,779	\$23,237	\$4,638,016
Total Investments	\$24,218,222	\$582,237	\$24,800,459

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; \$2,297,322; \$ 1,798,261; and \$2,551,174 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 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:

Borrowers may 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, Conservation and Forestry 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.

AMLF LOAN ACTIVITY IN 2015/2016

Transactions Closed:

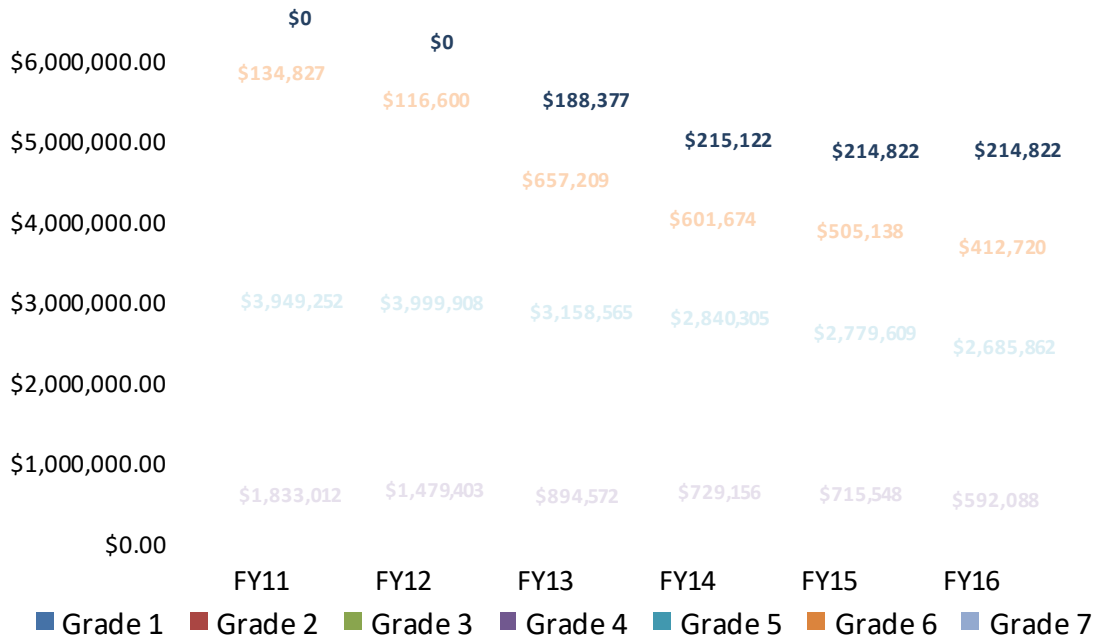
Location	Project Cost	Bank	Equity	AMLF	Project Type
Portland	\$45,000	\$0	\$6,000	\$39,000	Purchase Equipment
Greene	\$62,237	\$0	\$17,237	\$45,000	Improvements
Van Buren	\$475,000	\$225,000	\$0	\$250,000	"Take-out" Construction Financing
3 Projects	\$582,237	\$225,000	\$23,237	\$334,000	

AMLF LOANS PENDING AND COMMITTED IN 2016

Transactions Pending & Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

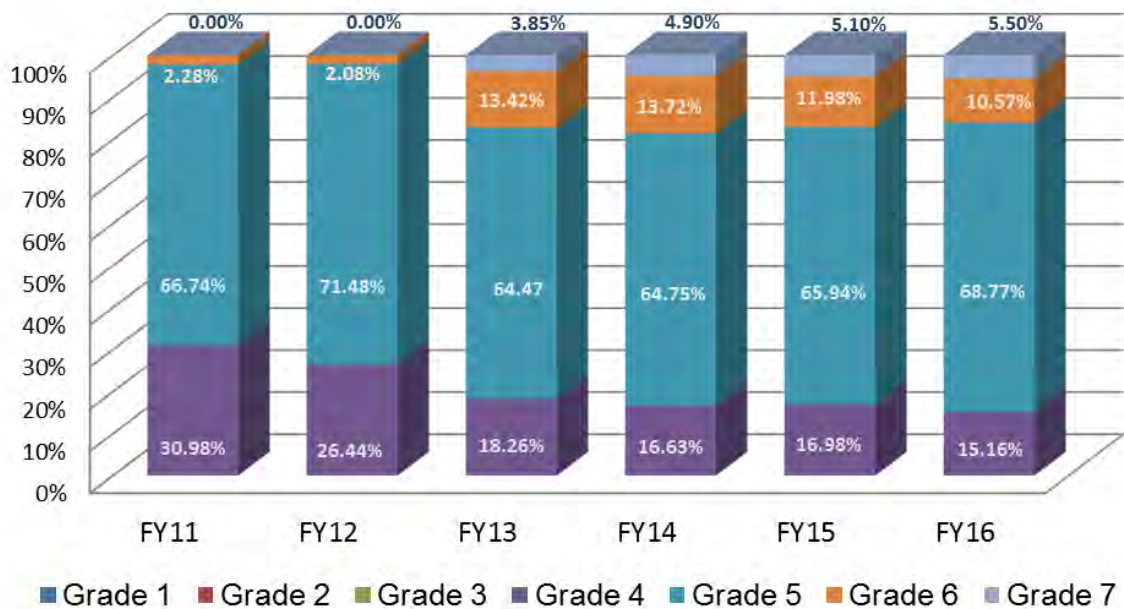
Portfolio Grade Stratification - \$



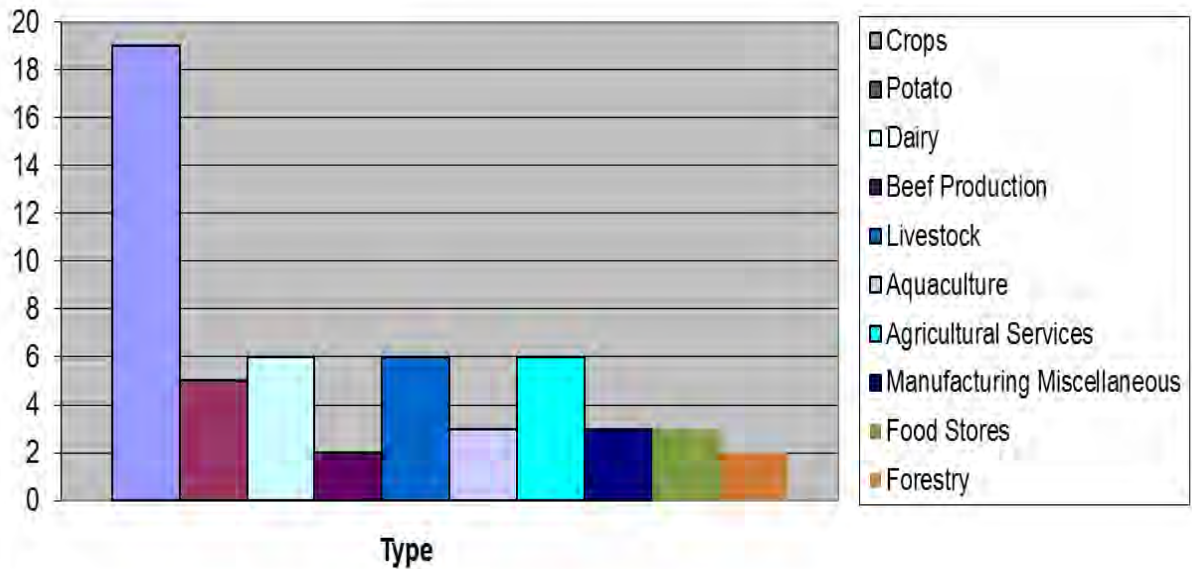
GRADE GUIDE:

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

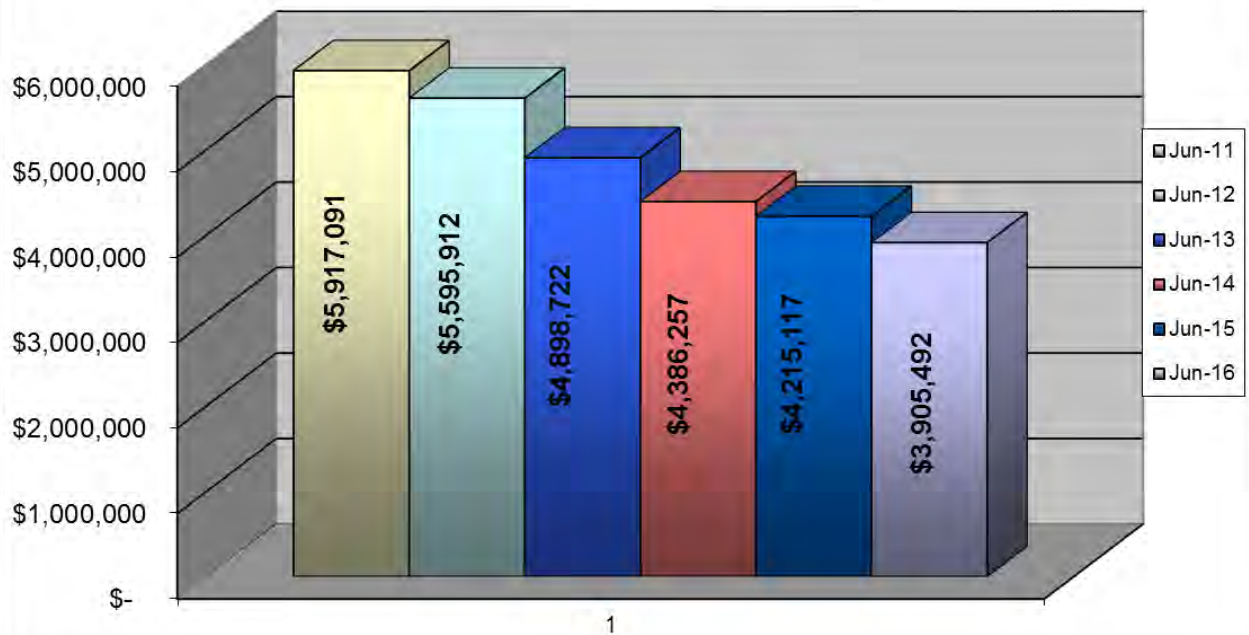
Portfolio Grade Stratification - %



AMLF Projects by Industry Type (55 Loans Outstanding)



Historical Portfolio Summary



AMLF GRANT ACTIVITY IN 2016

Agricultural Development Grant Awards

The following grants were approved for funding this past fiscal year.

Project 2016-1: New Technology Vinegar Acetator

Grantee: Apple Ridge Farms, Inc.

Amount Awarded: \$50,000

Summary of Project: Increased Production, Dependability, and Efficiency in Natural Vinegar Production.

Project 2016-2: Appleton Cheese Trail

Grantee: Appleton Creamery

Amount Awarded: \$19,540

Summary of Project: Development of Cheese Trail in Appleton, Maine.

Project 2016-3: Creating a hop pelletizing facility to produce Maine-grown and pelletized hops

Grantee: Aroostook Hops, LLC

Amount Awarded: \$37,573

Summary of Project: Creating a hop pelletizing facility to produce Maine-grown and pelletized hops.

Project 2016-4: Commercial Wool Baler

Grantee: Bartlettyarns, Inc.

Amount Awarded: \$17,250

Summary of Project: Technology Improvement purchase to increase efficiency and safety of operations.

Project 2016-5: Ethnic Produce: Crop Diversification for Maine Farmers to Reach New Markets

Grantee: Coastal Enterprises, Inc.

Amount Awarded: \$36,068

Summary of Project: Market research to increase demand for locally produced ethnic produce in the local marketplace.

Project 2016-6: Diversifying Farm Products with Cold Storage Capacity

Grantee: LaJoie Growers, LLC

Amount Awarded: \$50,000

Summary of Project: Implementation of refrigeration to expand market season.

Project 2016-7: Farm-to-Workplace: Bringing More Maine Food to Maine People

Grantee: Lakeside Family Farm

Amount Awarded: \$27,106

Summary of Project: Design and implement Farm to Workplace Program.

Project 2016-8: 2016 Wild Blueberry Metro Marketing Program

Grantee: Wild Blueberry Commission of Maine

Amount Awarded: \$50,000

Summary of Project: Targeted market promotion to bring Wild Blueberries to New York City.

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/16

Balance Sheet

	FY15 June 30, 2015	FY16 June 30, 2016
<u>ASSETS</u>		
Investments - Custody Account	\$1,913,763	\$2,346,692
Investments - Market Value Adjustment	\$5,538	\$23,990
Investments - State Treasury Cash Pool	\$1,519,611	\$1,126,801
Accounts Receivable	\$24,312	\$0
Accrued Interest - Direct Notes	\$36,162	\$85,001
Notes Receivable	<u>\$4,215,117</u>	<u>\$3,905,492</u>
Total Assets	\$7,714,503	\$7,487,976
<u>Liabilities</u>		
Accounts Payable	\$4,225	\$9,239
Loan Funds Disbursed	\$4,508,505	\$4,340,534
Unrecoverable Loan Principal	(\$293,388)	(\$435,042)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$2,165,416	\$2,235,990
Undisbursed Investment Income	\$37,217	\$35,561
Undisbursed Market Value Adjustment	\$5,538	\$23,991
Undisbursed Note Interest	\$235,271	\$227,214
Undisbursed Grant Funds	<u>\$1,051,719</u>	<u>\$1,050,489</u>
Total Liabilities & Fund Balance	\$7,714,503	\$7,487,976

Statement of Revenues and Expenses

	June 30, 2015	June 30, 2016
<u>Revenue</u>		
Origination Fees	\$2,512	\$2,500
Investment Income	\$26,038	\$54,013
Loan Interest Income	\$167,036	\$191,053
Grant Revenue	<u>\$192,655</u>	<u>\$237,556</u>
Total Revenue	\$388,241	\$485,122
<u>Expenses</u>		
Misc. Expense	\$9,746	\$8,387
Insurance Expense	\$0	\$0
Advertising	\$0	\$0
Postage	\$9	\$0
Printing	\$0	\$0
Conferences/Meetings	\$700	\$760
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$88,167	\$87,652
Travel	\$1,754	\$639
Telephone	\$1	\$0
Grant Expense	\$192,656	\$237,556
Legal	<u>\$12,103</u>	<u>\$6,551</u>
Total Expenses	\$305,136	\$341,545
Net Income	\$83,105	\$1,923

COMMITTEES

AMLF Eligibility Review Committee

Jessica Nixon, Chair

Maine Department of Agriculture,
Conservation and Forestry

Steve Belyea, Engineer

Maine Potato Board

Ellis Additon, Bureau Director

Maine Department of Agriculture,
Conservation and Forestry

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

Credit Review Committee: Reviews Project Financial Feasibility

Brian Flewelling

KeyBank National Association,
Presque Isle

Matthew Senter

Farm Credit East, 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 Council of Governments	KeyBank National Association
Bar Harbor Bank & Trust	Kennebunk Savings Bank
Bath Savings Institution	Kingfield Savings Bank
Eastern Maine Development Corporation	Lewiston Economic Growth Council
Farm Credit East, ACA	Maine Rural Development Authority
Finance Authority of Maine	Norway Savings Bank
First Citizens Bank	TD Bank
First National Bank of Bar Harbor	
Katahdin Trust Company	

STAFF

Department of Agriculture, Conservation and Forestry

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

Walter E. Whitcomb, Commissioner
Ellis Additon, Bureau Director
Jessica Nixon, Director, Market Development

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

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

Bruce E. Wagner, Chief Executive Officer
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Chief Risk Officer
Jennifer Cummings, Senior Workout Officer
Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Ellen Curtiss, Credit Analyst
Charlie Emmons, Senior Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
John Endicott, Commercial Loan Officer
Matthew Lindquist, Commercial Loan Officer
Kathy Clary, Commercial Loan Assistant
Michelle MacKenzie, Commercial Loan Assistant