

# MAINE STATE LEGISLATURE

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**THE  
AGRICULTURAL  
MARKETING  
LOAN  
FUND**

**2016/2017  
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 & FORESTRY**  
**OFFICE OF THE COMMISSIONER**  
**22 STATE HOUSE STATION**  
**AUGUSTA, MAINE 04333**

**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 by our Director of Marketing Development. In fiscal year 2017, the AMLF was instrumental in meeting the capital project needs of two farms and producers. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly administered AMLF.

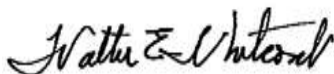
The Agricultural Marketing Loan Fund is a public and private partnership, helping small and medium-sized farms better meet their marketing and production needs. Producers invest to increase profitability, buy equipment that adds value to production and build storage that extends the season. These examples 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.

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

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## 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.

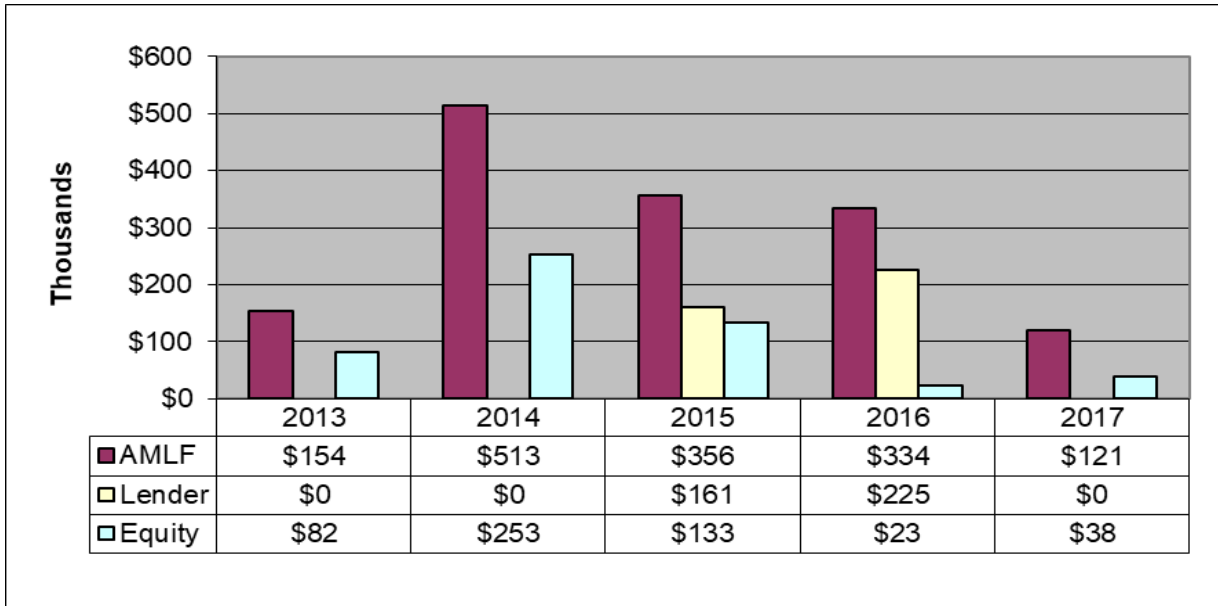
Over the years, AMLF has helped finance 126 projects that have leveraged a total of \$24,958,959 in investments in Maine's agricultural infrastructure, as depicted in the chart below:

### PORTFOLIO SUMMARY

	1998-2016	2017	Total
<b>Number of Projects</b>	124	2	126
<b>AMLF Financing</b>	\$11,451,067	\$121,000	\$11,572,067
<b>Lender Financing</b>	\$ 8,711,376	\$0	\$8,711,376
<b>Equity</b>	\$ 4,638,016	\$37,500	\$4,675,516
<b>Total Investments</b>	\$24,800,459	\$158,500	\$24,958,959

Since program inception, the agricultural industry sectors with the highest loan volumes have been dairy, potato, aquaculture services, and crops sectors, with \$2,313,124; \$2,297,322; \$ 1,798,261; and \$2,587,174 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 Agricultural Development Grant (ADG) 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 2016/2017

***Transactions Closed:***

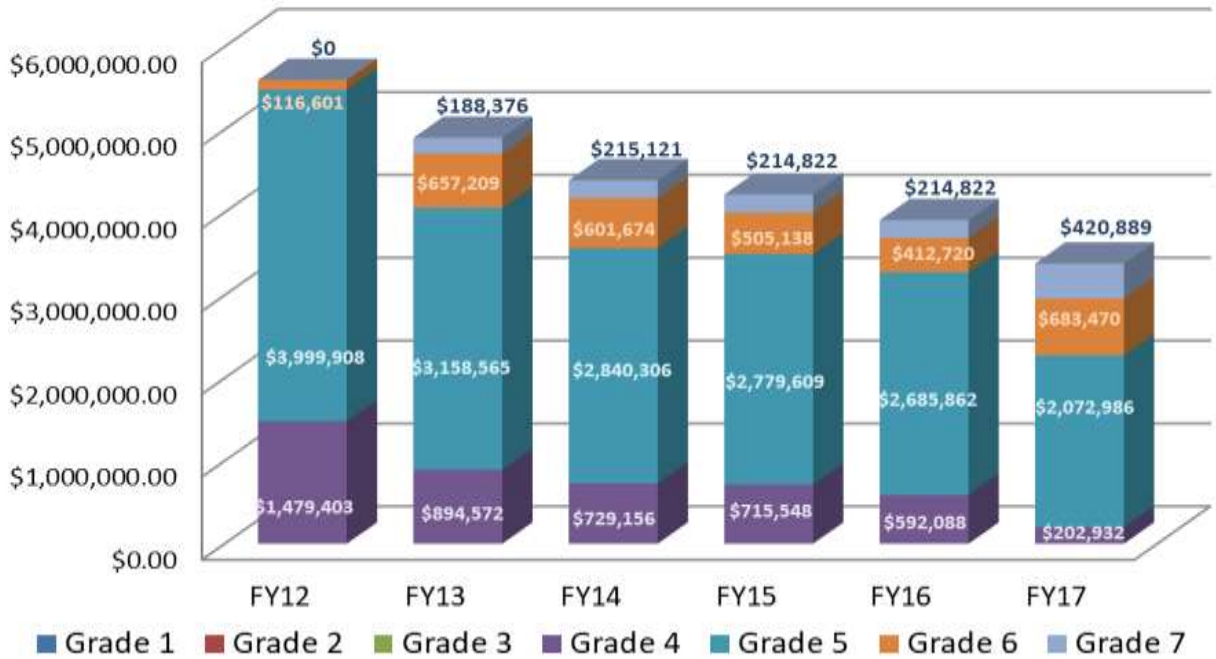
Location	Project Cost	Bank	Equity	AMLF	Project Type
Topsham	\$118,500	\$0	\$33,500	\$85,000	Purchase Greenhouse Kits
Waldoboro	\$40,000	\$0	\$4,000	\$36,000	Purchase Equipment
2 Projects	\$158,500	\$0	\$37,500	\$121,000	

## AMLF LOANS PENDING AND COMMITTED IN 2017

***Transactions Pending & Committed:***

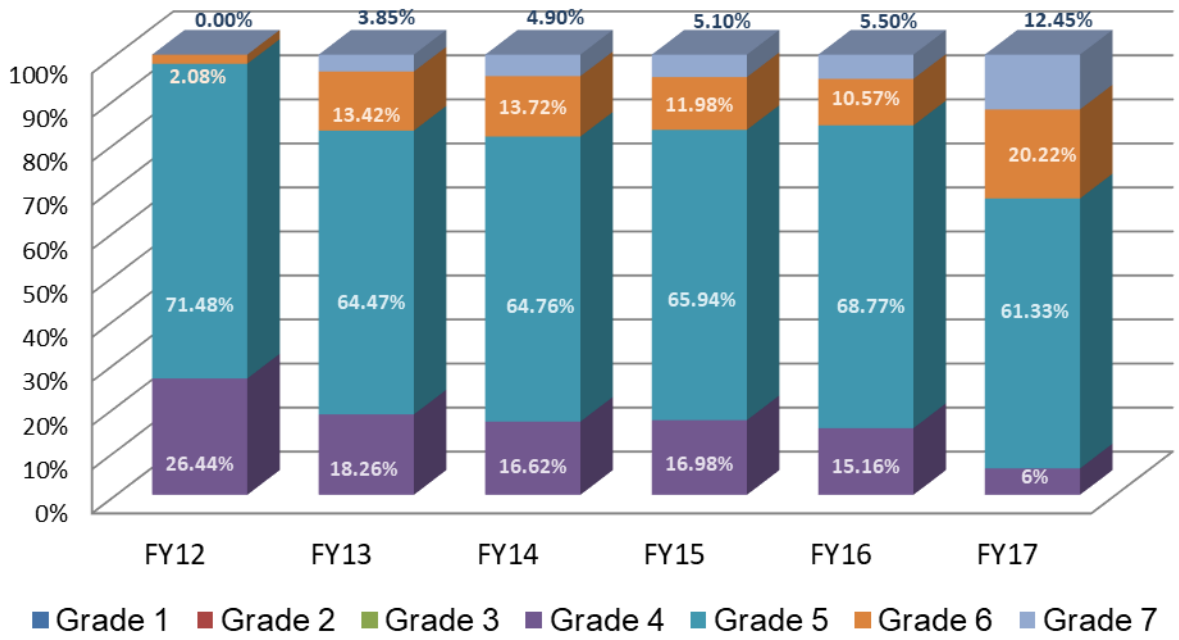
Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

## Portfolio Grade Stratification - \$

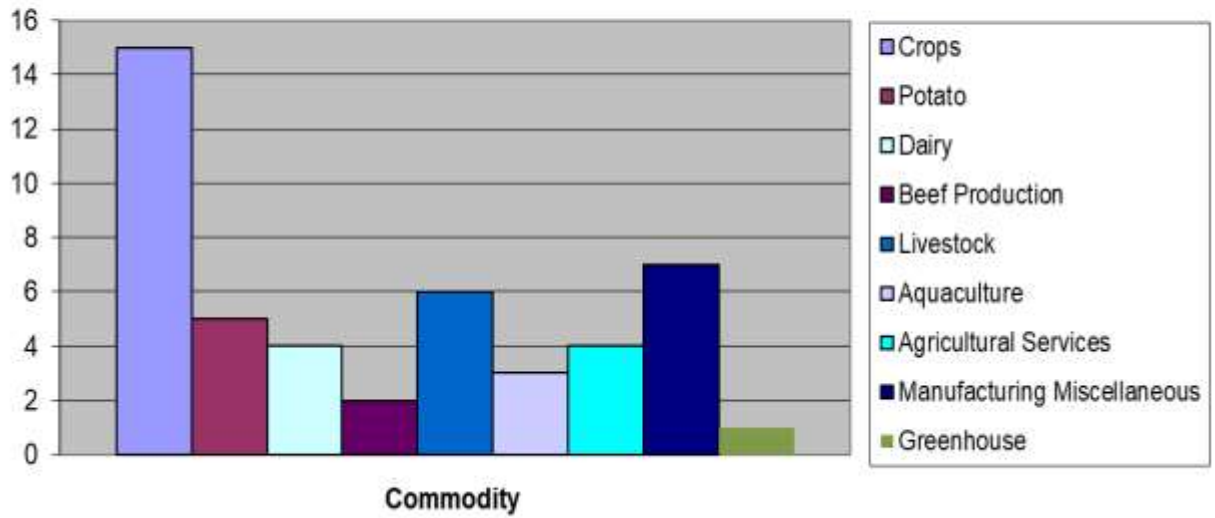


GRADE GUIDE:			
1 – Superior	2 – Excellent	3 – Good	4 – Acceptable
5 – Sub-Standard	6 – Doubtful	7 – Liquidation	

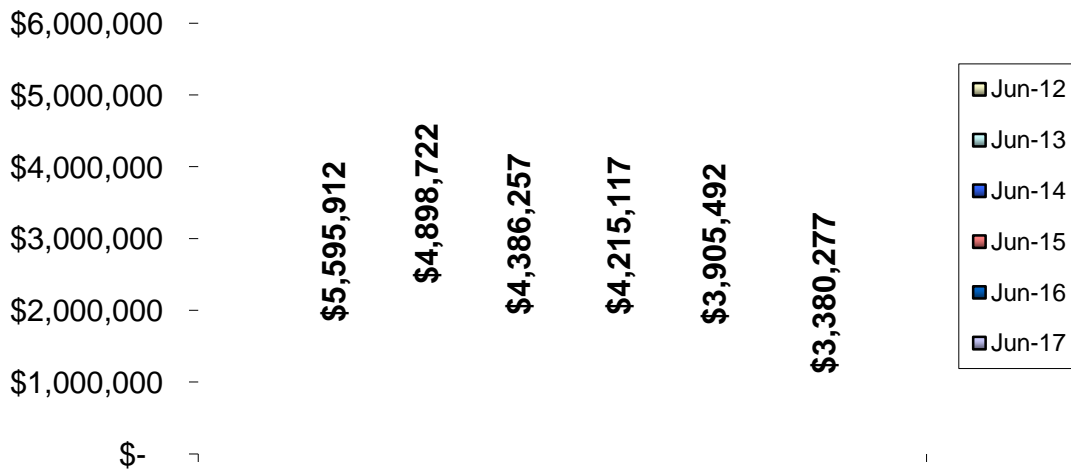
## Portfolio Grade Stratification - %



### AMLF Projects by Industry Type (51 Loans Outstanding)



### Historical Portfolio Summary



## **AMLF GRANT ACTIVITY IN 2017**

### **Agricultural Development Grant Awards**

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

**Project 2017-1:**

Grantee: Maine Aquaculture Co-Op

Amount Awarded: \$46,000

Summary of Project: To develop ear-hung scallop aquaculture infrastructure.

**Project 2017-2:**

Grantee: Maine Cap N Stem, LLC

Amount Awarded: \$32,600

Summary of Project: To increase production capacity for mushroom farming.

**Project 2017-3:**

Grantee: Maine Landscape and Nursery Association

Amount Awarded: \$50,000

Summary of Project: To promote planting pollinator gardens to support Maine's nursery industry and encourage pollinators.

**Project 2017-4:**

Grantee: The Hop Yard, LLC

Amount Awarded: \$19,775

Summary of Project: To create viable commercial hop bales.

**Project 2017-5:**

Grantee: Undine Marine, LLC

Amount Awarded: \$50,000

Summary of Project: To construct a submersible mussel raft.

**Project 2017-6:**

Grantee: Wild Blueberry Commission

Amount Awarded: \$50,000

Summary of Project: To establish a wild blueberry school food service program.

## FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/17

Balance Sheet		
	FY16	FY17
	June 30, 2016	June 30, 2017
<b><u>ASSETS</u></b>		
Investments - Custody Account	\$2,346,692	\$3,116,166
Investments - Market Value Adjustment	\$23,990	(\$13,314)
Investments - State Treasury Cash Pool	\$1,126,801	\$569,424
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$85,001	\$33,853
Notes Receivable	<u>\$3,905,492</u>	<u>\$3,380,277</u>
<b>Total Assets</b>	<b>\$7,487,976</b>	<b>\$7,086,405</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$9,239	\$25,459
Loan Funds Disbursed	\$4,340,534	\$3,815,319
Unrecoverable Loan Principal	(\$435,042)	(\$435,042)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$2,235,990	\$2,632,788
Undisbursed Investment Income	\$35,561	\$45,797
Undisbursed Market Value Adjustment	\$23,991	(\$13,314)
Undisbursed Note Interest	\$227,214	\$135,632
Undisbursed Grant Funds	<u>\$1,050,489</u>	<u>\$879,767</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$7,487,976</b>	<b>\$7,086,405</b>
<b>Statement of Revenues and Expenses</b>		
	June 30, 2016	June 30, 2017
<b><u>Revenue</u></b>		
Origination Fees	\$2,500	\$0
Investment Income	\$54,013	\$8,493
Loan Interest Income	\$191,053	\$50,631
Grant Revenue	<u>\$237,556</u>	<u>\$348,497</u>
<b>Total Revenue</b>	<b>\$485,122</b>	<b>\$407,620</b>
<b><u>Expenses</u></b>		
Misc. Expense	\$8,387	\$9,015
Insurance Expense	\$0	\$626
Advertising	\$0	\$0
Postage	\$0	\$0
Printing	\$0	\$0
Conferences/Meetings	\$760	\$609
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$87,652	\$100,286
Travel	\$639	\$11
Telephone	\$0	\$20
Grant Expense	\$237,556	\$348,497
Legal	<u>\$6,551</u>	<u>\$18,945</u>
<b>Total Expenses</b>	<b>\$341,545</b>	<b>\$478,010</b>
<b>Net Income</b>	<b>\$1,923</b>	<b>(\$70,390)</b>

# COMMITTEES

## ***AMLF Eligibility Review Committee***

**Jessica Nixon, Chair**  
Maine Department of Agriculture,  
Conservation and Forestry

**Steve Belyea, Engineer**  
Potato Specialist

**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

**Greg Fuller**  
Machias Savings Bank, Bangor

**Sean Cameron**  
Bangor Savings Bank, Rumford

**Scott Peasley**  
Machias Savings Bank, Machias

**Lucia A. Brown**  
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  
**Ron Dyer**, 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**, Director of Commercial Lending  
**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  
**Matthew Lindquist**, Commercial Loan Officer  
**Kathy Clary**, Commercial Loan Assistant  
**Michelle MacKenzie**, Commercial Loan Assistant