

MAINE STATE LEGISLATURE

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**THE
AGRICULTURAL
MARKETING
LOAN
FUND**

**ANNUAL REPORT
FISCAL YEAR 2019**

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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

JANET T. MILLS
GOVERNOR

AMANDA E. BEAL
COMMISSIONER

COMMISSIONER'S REPORT

To the Honorable Janet T. Mills, Governor; the Honorable Troy Jackson, 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 2019, AMLF was instrumental in meeting the capital project needs of five 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 who have been in commercial operation for at least two years are also accessing AMLF financing as they complete the competitive Maine Farms for the Future business planning and investment support program. The Department of Agriculture, Conservation and Forestry has updated its comprehensive directory of lending services to assist all farmers in accessing loan, grant, and alternative lending programs.

The AMLF program, working with private and nonprofit lending partners, must meet the changing needs of agricultural borrowers. There is potential for 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. The Department typically supports this grant effort with a \$250,000 annual commitment, which represents a significant state investment in the future of Maine's agricultural community. In 2019, however, an appeal of the Department's selection decision resulted in the voiding of awarded grants. Because funds were not expended in 2019, the Department plans on increasing the amount of Agricultural Development Grant Program support in 2020 to \$500,000.

Respectfully submitted,

Amanda E. Beal
Commissioner

HARLOW BUILDING
18 ELKINS LANE
AUGUSTA, ME 04333



PHONE: (207) 287-3419
FAX (207) 287-2400
WEB WWW.MAINE.GOV/DACF

PROGRAM OVERVIEW

The Agricultural Marketing Loan Fund (AMLF) provides direct loans to agricultural enterprises and businesses engaged in producing, processing, storing, packaging, or marketing products derived from an agricultural enterprise. These funds can be used for 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.

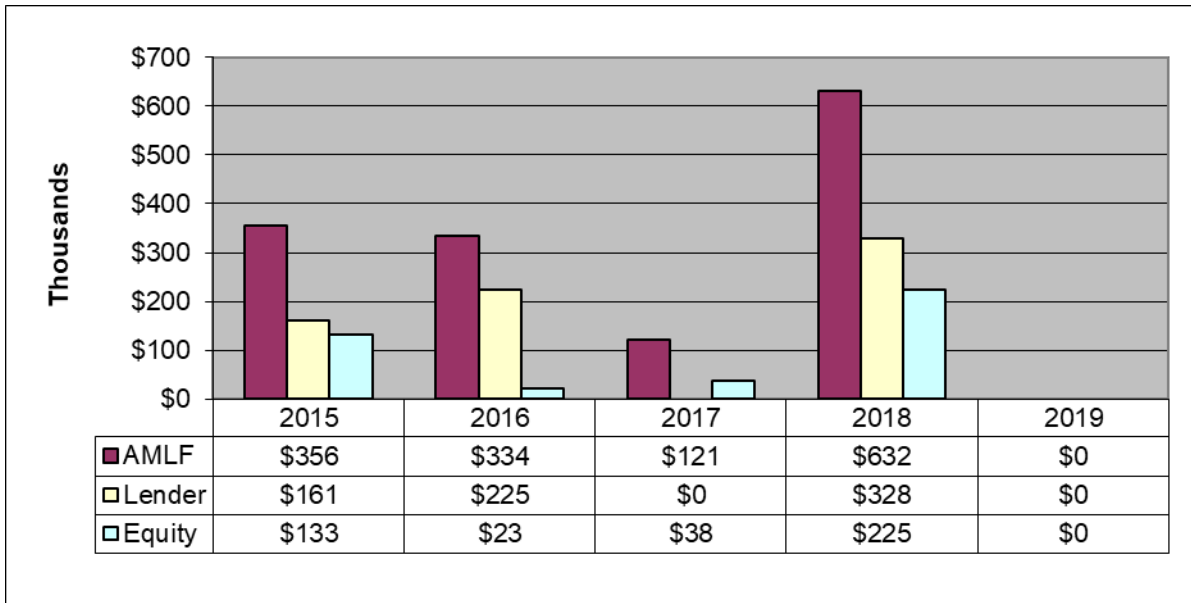
Over the years, AMLF has helped finance 131 projects that have leveraged a total of \$26,144,034 in investments in Maine's agricultural infrastructure, as depicted in the chart below:

Portfolio Summary

	1998-2018	2019	Total
Number of Projects	131	0	131
AMLF Financing	\$12,204,267	\$0	\$12,204,267
Lender Financing	\$ 9,039,376	\$0	\$9,039,376
Equity	\$ 4,900,391	\$0	\$4,900,391
Total Investments	\$26,144,034	\$0	\$26,144,034

Since program inception, the agricultural industry sectors with the highest loan volumes have been: dairy (\$2,313,124); potato (\$2,297,332); aquaculture services (\$1,798,261); and crops sectors (\$2,677,174) in loans, respectively. Also, it should be noted that the AMLF loans provided to the potato industry have been largely used 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

AMLF 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 may not be used for working capital, refinancing, or non-project related expenses. If any project costs are incurred prior to an application, the prospective borrower may request a waiver, which is then reviewed and approved or denied by the Commissioner. 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, wharves, piers, and vessels.

Application Process:

Application to the AMLF program is a two-step process. The prospective borrower must describe their project and provide information about their use of funds to request a determination of eligibility from the Department. If deemed eligible, the Commissioner issues a Letter of Eligibility to the prospective borrower providing them with three months to submit their FAME – AMLF Application and supporting financial information to the Finance Authority of Maine (FAME).

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.

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 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 FY19

Transactions Closed:

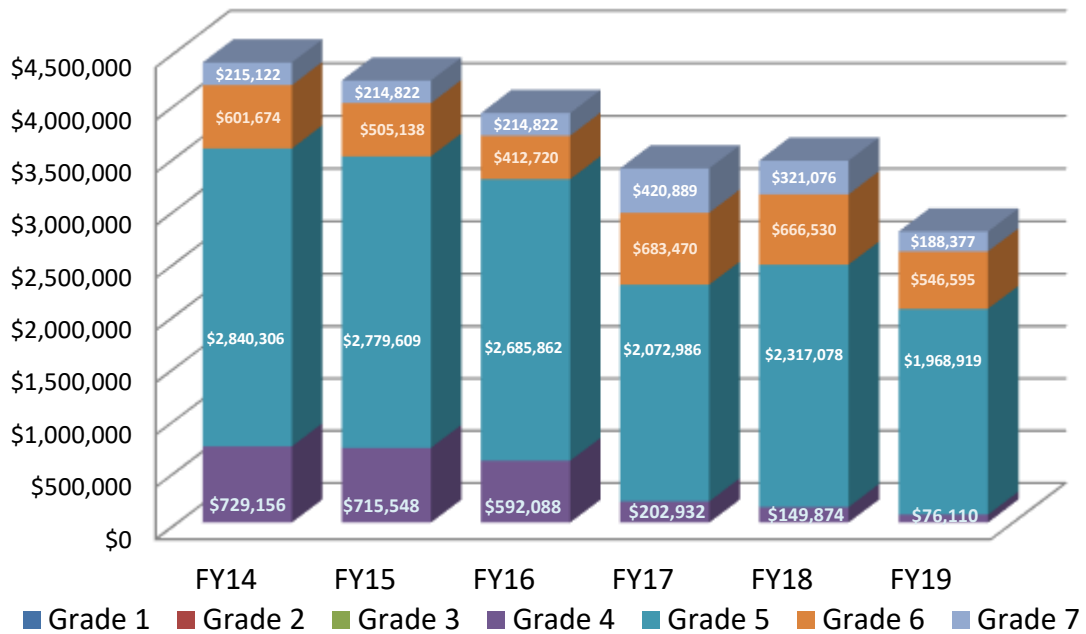
Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

AMLF LOANS PENDING AND COMMITTED IN FY19

Transactions Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

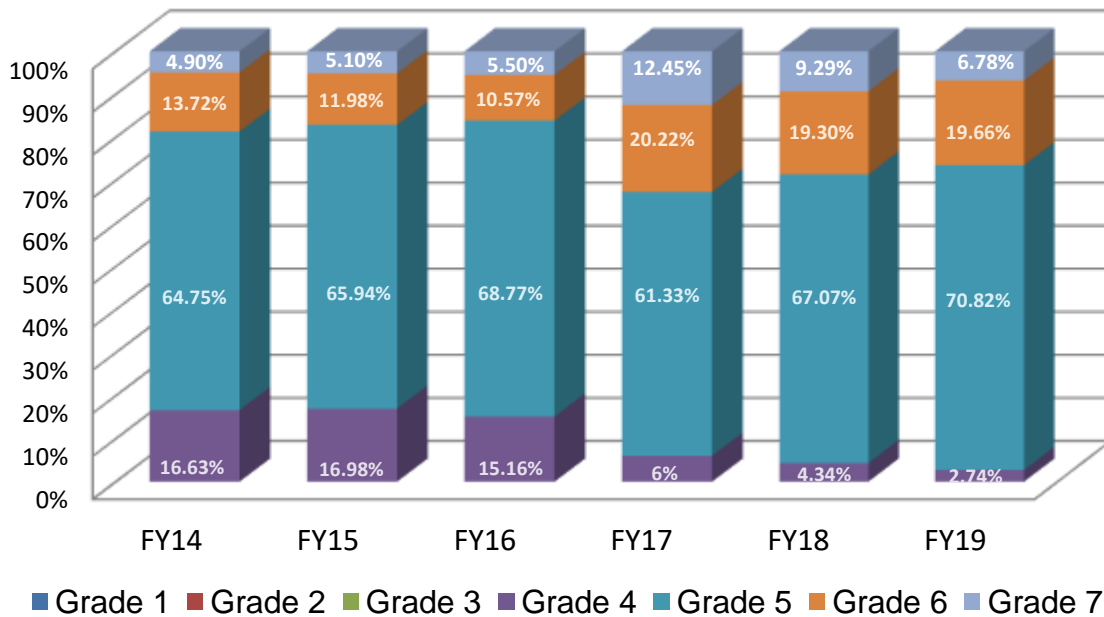
Portfolio Grade Stratification - \$



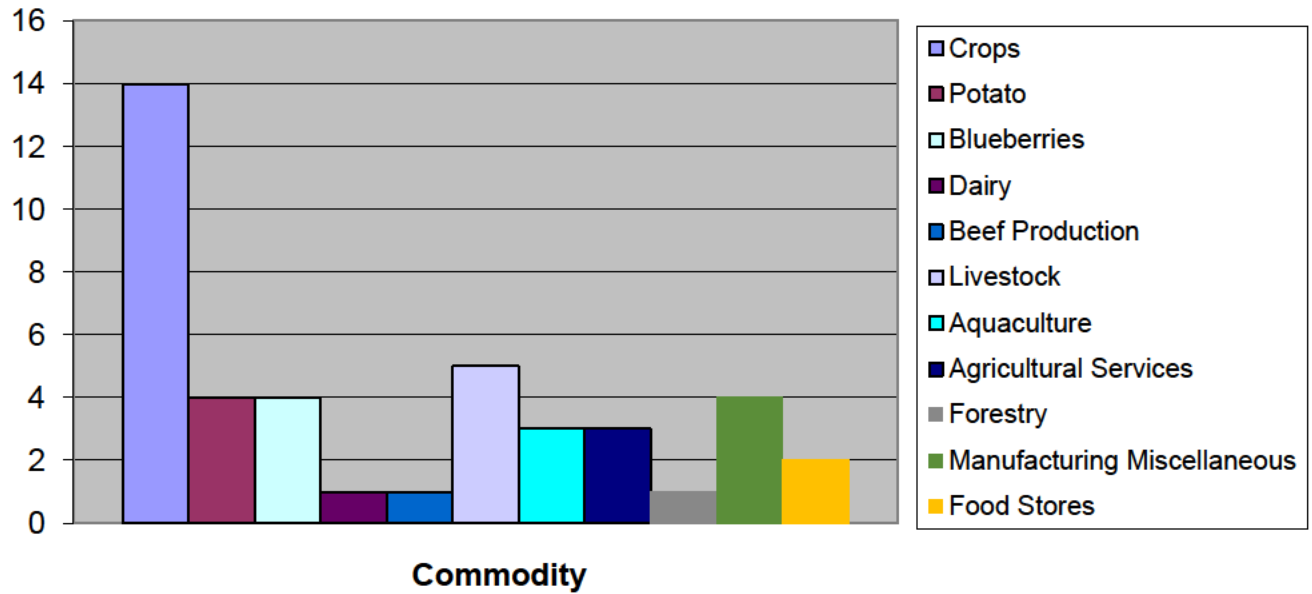
GRADE GUIDE:

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

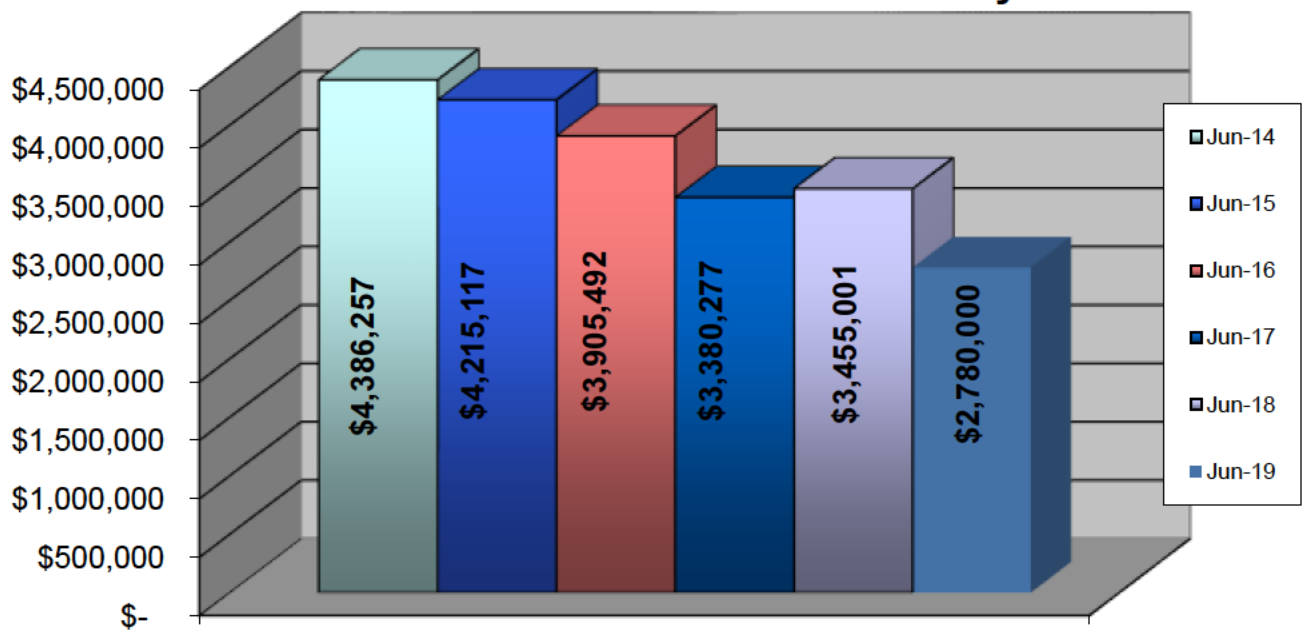
Portfolio Grade Stratification - %



AMLF Projects by Industry Type (42 Loans Outstanding)



Historical Portfolio Summary



AMLF GRANT ACTIVITY IN 2019

No **Agricultural Development Grants** were funded in FY 19. An appeal of the 2019 selection decision resulted in voiding awarded grants.

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/19

Balance Sheet

	FY18 June 30, 2018	FY19 June 30, 2019
<u>ASSETS</u>		
Investments - Custody Account	\$2,791,434	\$3,000,745
Investments - Market Value Adjustment	(\$53,837)	\$2,439.16
Investments - State Treasury Cash Pool	\$669,736	\$1,000,782
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$37,666	\$37,279
Notes Receivable	<u>\$3,455,000</u>	<u>\$2,780,000</u>
Total Assets	\$6,899,999	\$6,821,246

Liabilities

Accounts Payable	\$51,746	\$2,191
Loan Funds Disbursed	\$3,890,043	\$3,367,470
Unrecoverable Loan Principal	(\$435,042)	(\$587,469)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$2,504,492	\$3,010,338
Undisbursed Investment Income	\$50,204	\$70,909
Undisbursed Market Value Adjustment	(\$53,837)	\$2,439.16
Undisbursed Note Interest	\$146,118	\$157,439
Undisbursed Grant Funds	<u>\$746,276</u>	<u>\$797,930</u>
Total Liabilities & Fund Balance	\$6,899,999	\$6,821,246

Statement of Revenues and Expenses

	June 30, 2018	June 30, 2019
<u>Revenue</u>		
Origination Fees	\$4,222	\$6,694
Investment Income*	\$9,681	\$127,185
Loan Interest Income	\$108,452	\$120,161
Accrued Interest	\$3,813	(\$387)
Total Revenue	\$126,168	\$253,652

Expenses

Misc. Expense	\$1,046	\$101
Advertising	\$0	\$253
Promotion	\$0	\$335
Postage	\$11	\$0
Insurance Expense	\$0	\$0
Conferences/Meetings	\$0	\$0
Contributions, Membership Expense	\$251	\$0
Professional Fees	\$46,745	\$42,512
Travel	\$268	\$82
Telephone	\$15	\$13
Grant Expense	\$281,067	\$107,002
Legal	<u>\$15,721</u>	<u>(\$19,875)</u>
Total Expenses	\$345,124	\$130,423
Provisions for Loans Written Off	\$0	\$0
Loans Written Off	\$0	\$152,427
Net Income	(218,956)	(\$29,198)

*In FY18, the AMLF recorded unrealized losses on investments of \$40,522.76. This was due to investments in the pooled account having lower coupon rates than current market rates. In FY19, the fund recorded unrealized gains on investments of \$56,276.41. This represents the recovery of previous unrealized losses as investments with lower coupon rates either matured or became closer to the maturity date. Since the bonds are redeemed at par value, any unrealized losses are reversed at maturity.

COMMITTEES

AMLF Eligibility Review Committee

Leigh Hallett, Chair
Maine Department of Agriculture,
Conservation and Forestry

Steve Belyea, Engineer
Potato Specialist

Nancy McBrady, 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

**Alex Fouliard, Farming for
Wholesale Project Manager**
Maine Farmland Trust

Credit Review Committee: Reviews Project Financial Feasibility

Brian Flewelling
KeyBank National Association,
Presque Isle

Chad Place
Camden National Bank, Camden

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

Amanda E. Beal, Commissioner
Nancy McBrady, Bureau Director
Leigh Hallett, Director, Agricultural Resource 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, Director of Business Programs
Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Ellen Curtiss, Credit Analyst
Roxanne Broughton, Commercial Loan Officer
Matthew Lindquist, Commercial Loan Officer
Karen Kunesh, Commercial Loan and Workout Officer
Kim Getchell, Commercial Loan Officer
Kathy Clary, Commercial Loan Assistant
Michelle MacKenzie, Commercial Loan Assistant
Laurie Garrison, Commercial Loan Assistant
Abel Auclair, Commercial Loan Assistant