

# MAINE STATE LEGISLATURE

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THE  
POTATO  
MARKETING  
IMPROVEMENT  
FUND

2014/2015  
ANNUAL REPORT

# CONTENTS

	<b>Page #</b>
Abstract .....	3
Executive Director's Report .....	4
Program Overview .....	5
Portfolio Summary .....	5
New Facilities Fund .....	5
Storage Retrofit Fund .....	6
Grant Fund .....	6
Historical Portfolio Summary .....	7
Portfolio Grade Stratification (\$) .....	7
Portfolio Grade Stratification (%) .....	7
Historical Activity .....	8
Projects by Type .....	8
Funded Storage Capacity .....	9
Financial Statements .....	10
Committees .....	11
Staff .....	12
Administrative Contractor .....	12

# ABSTRACT

## ***Potato Marketing Improvement Fund***

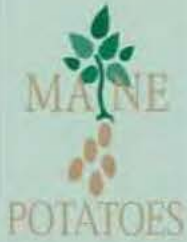
In 1981, the 110th Maine Legislature authorized the creation of the Potato Marketing Improvement Fund (PMIF) and, after approval by Maine voters in November of that same year, a \$5 million general obligation bond was issued to capitalize the new program. \*

PMIF provides direct, fixed-rate loans to growers and packers for the construction and retrofitting of modern potato storages, packing facilities, and the acquisition and installation of packing equipment.

Modern ventilated and humidified storage facilities maintain potato quality after harvest. By providing a controlled warehouse environment, growers are able to deliver field-fresh product throughout the year. This is extremely important to both processors and consumers. Modern packing sheds and state-of-the-art equipment are also used to pack potatoes according to specific customer needs and preferences.

Program staff are available for site visits, assistance with project planning, design, and the PMIF loan application process. For further information, please contact the staff listed on the final page of this report.

\*Maine voters subsequently approved \$1 million of general obligation bond proceeds in 2002 and \$500,000 in 2003 to re-capitalize the PMIF program.



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## EXECUTIVE DIRECTOR'S REPORT

**To the Honorable Paul R. LePage; the Honorable Michael Thibodeau, President of the Senate; the Honorable Mark Eves, Speaker of the House; Members of the State Legislature; and Citizens of the State of Maine:**

From the time of initial authorization in 1981 through the 2015 fiscal year, the Maine Department of Agriculture, Conservation, and Forestry and the Maine Potato Board have administered the Potato Marketing Improvement Fund (PMIF), provided PMIF staff, and coordinated loan activities with the Finance Authority of Maine.

In 2013, the Legislature transferred administration responsibility and staff to the Maine Potato Board (MPB). The MPB has continued to operate the PMIF program for the benefit and improvement of the Maine potato industry. The Commissioner of the Maine Department of Agriculture, Conservation and Forestry continues to provide final approval of all loan proposals and potato industry infrastructure improvement grants.

Since its inception in 1983, the PMIF has invested over \$27.3 million in 348 potato storage or packing and handling projects. This investment, combined with \$22.9 million in commercial lender financing and \$12.4 million in owner equity, has resulted in over \$62.6 million in investments in Maine potato industry storage and packing facilities and packing and handling equipment. The success of PMIF is a direct result of the strength of its partnerships with participating lenders, borrowers, and the agricultural community.

The infrastructure investments financed by PMIF have helped position the Maine potato industry to compete with other U.S., Canada, and international potato producing areas. Technical standards adopted for PMIF financed storage facilities help assure long term storage quality of Maine potatoes to meet customer demands. Maine produced seed potatoes are among the best in North America, and Maine-grown processing potatoes supply local, national, and multi-national processors with high-quality raw product.

The Maine Potato Board and Maine Department of Agriculture, Conservation, and Forestry continue to foster and support the on-going improvement of all sectors of the Maine potato industry infrastructure, including growers, processors, and related entities.

Respectfully submitted,

Donald Flannery  
Executive Director

## PROGRAM OVERVIEW

The Potato Marketing Improvement Fund provides direct loans to growers and packers to help finance the construction and retrofitting of modern storages, packing facilities and the acquisition and installation of state-of-the-art packing equipment. The program participates with private lenders to provide customized, cost-effective financing packages for these capital projects.

Since the program's inception, PMIF has invested a total of \$27,305,822 in support of Maine's potato industry. This investment continues to help finance projects and assist farmers in storage, as well as overall capacity.

## PORTFOLIO SUMMARY

	1983-2014	Fiscal Year 2015	Total Program Activity
Number of Projects	348	0	348
PMIF Financing	\$27,305,822	\$0	\$27,305,822
Participating Lender Financing	\$22,944,853	\$0	\$22,944,853
Equity	\$12,427,166	\$0	\$12,427,166
Total Investments	\$62,677,841	\$0	62,677,841
Storage Capacity (cwt)	12,880,810	0	12,880,810

The Potato Marketing Improvement Fund can be disbursed through any one of three mechanisms defined in its enabling legislation. These are (1) the New Facilities Fund, (2) the Storage Retrofit Fund, and (3) the Grant Fund.

## NEW FACILITIES FUND

The New Facilities Fund may be used to finance the construction of storages, packing facilities and packing equipment with total project cost exceeding \$50,000. It may also be used for the acquisition of an existing storage when the project includes renovation of the storage to meet PMIF technical standards. Loans made under this fund may be assumed by subsequent eligible purchasers.

**Eligible Applicant:** Any individual or entity storing or packing Maine potatoes.

**Use of Loan Proceeds:** Building acquisition and improvements, new construction or expansion, and purchase and installation of equipment.

**PMIF Financing:** For projects with a total cost up to \$750,000, PMIF proceeds may be used to fund 45% of the total project expenses. However, PMIF may finance 50% of the project costs in cases where two or more growers own the project. On any portion of total project costs above \$750,000, PMIF may only finance 25% of those costs.

**Interest Rate:** Fixed at 5% for the term of loan.

**Term:** Typically 15-20 years.

**Fees:** Origination fee of 1% of the PMIF loan amount is due upon closing. The borrower is also responsible for all legal costs associated with loan closing.

## **STORAGE RETROFIT FUND**

The Storage Retrofit Fund is used to finance the renovation of existing storage facilities. Renovations may include new insulation, ventilation and other energy efficient and climate control equipment. The intent is to upgrade existing storage units to modern technical standards. This fund may also be used to finance improvements to packing facilities and the acquisition of packing equipment.

**Eligible Applicant:** Any grower or other entity storing or packing Maine potatoes.

**Use of Loan Proceeds:** Real estate improvements, purchases, and installation of machinery and equipment.

**PMIF Financing:** For projects with total cost of \$50,000 or less, 55% of total project costs.

**Interest Rate:** Fixed at 5% for the term of loan.

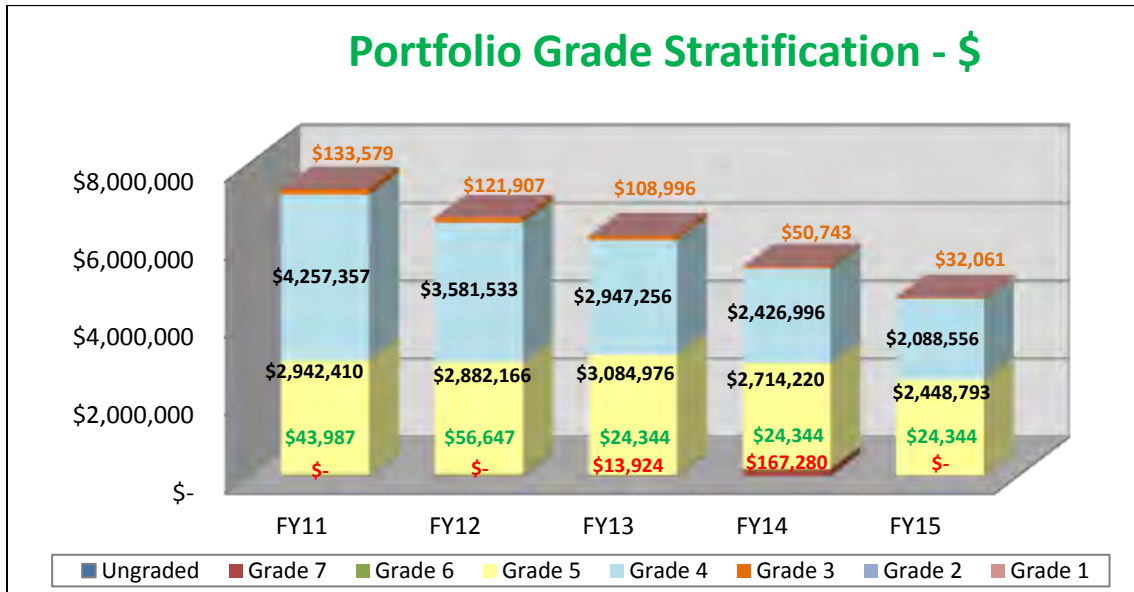
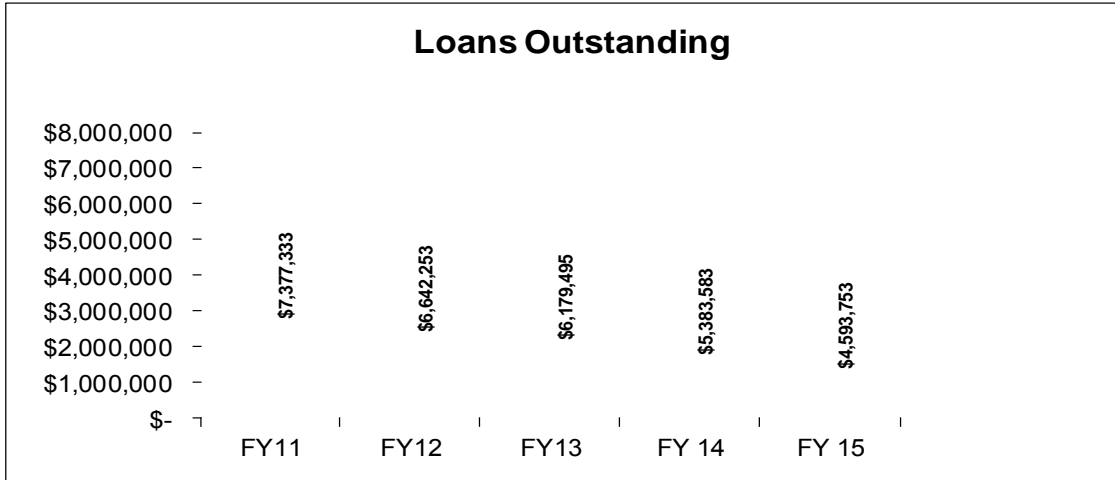
**Term:** Up to 10 years.

**Fees:** The borrower is responsible for all legal costs associated with the loan.

## **GRANT FUND**

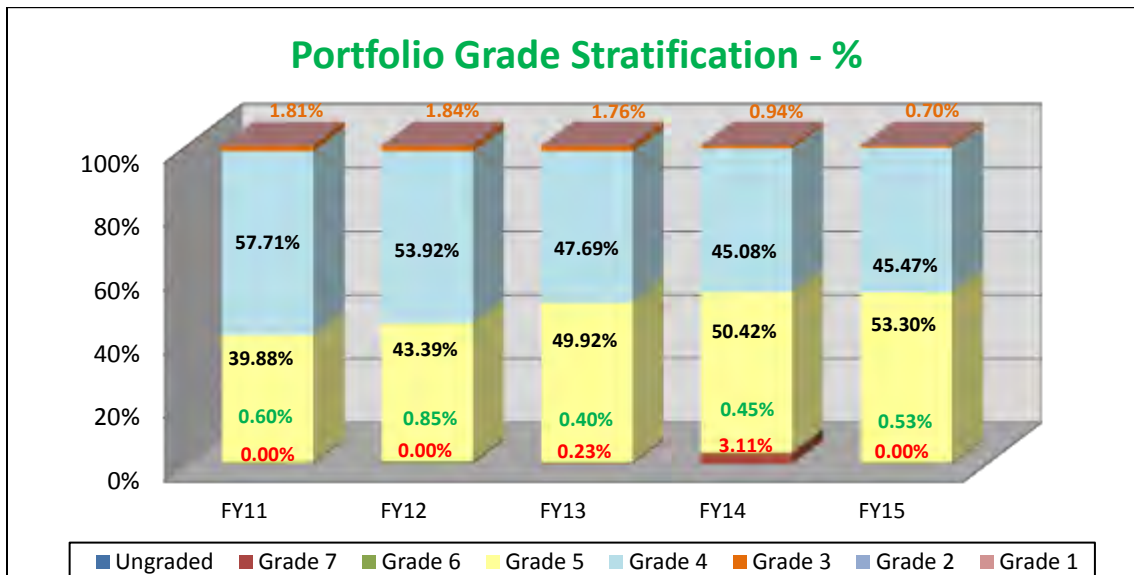
Provisions under the governing statute and program rule for the operation of the Potato Marketing Improvement Fund allow the Commissioner to make grants from interest earned on the cash balance of the Fund to individuals, firms, corporations or other organizations for research on potato storage and handling technologies and other purposes. During fiscal year 2014/2015, the Commissioner made 4 grants totaling \$164,350 to the Maine Potato Board for research and infrastructure improvements.

# Historical Portfolio Summary



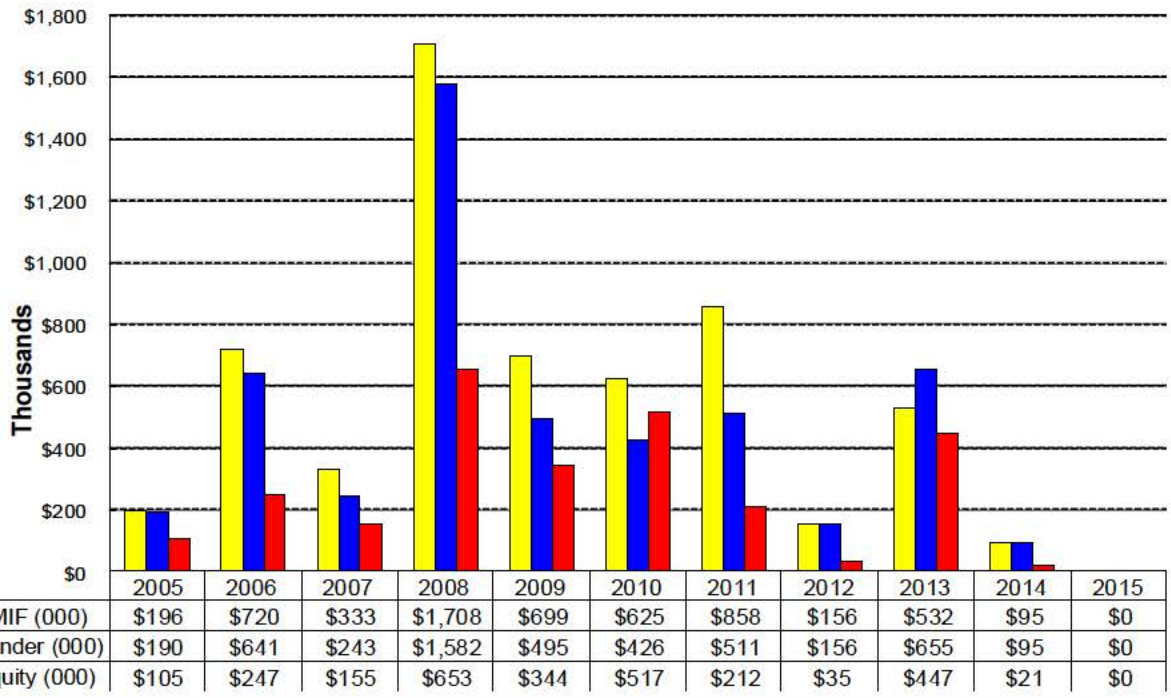
**GRADE GUIDE:**

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

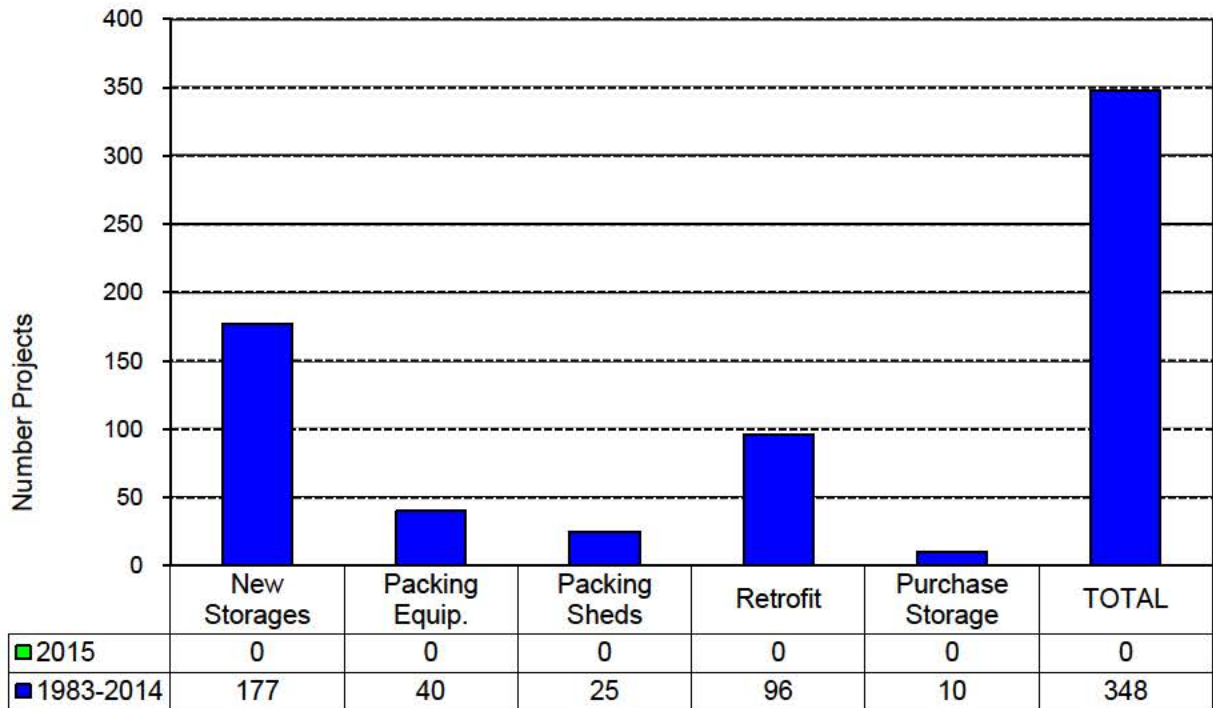




### Historical Activity

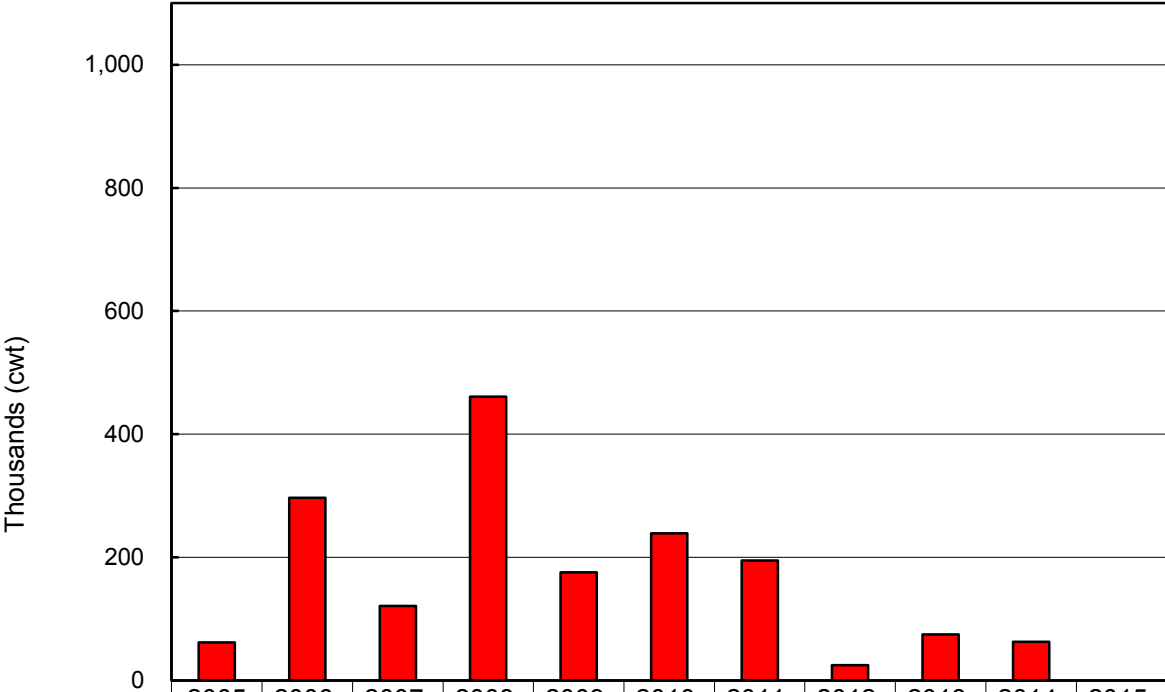


### Projects by Type



\* Reporting prior to 1999 was based on a calendar year; 1999 and after are based on fiscal years

# Funded Storage Capacity



■ CWTS (000)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
62	297	121	461	176	239	195	25	75	63	0

# FINANCIAL STATEMENTS

<b>Balance Sheet</b>	<b>FY14 June 30, 2014</b>	<b>FY15 June 30, 2015</b>
<b>ASSETS</b>		
Cash & Investments	\$9,404,666	\$10,115,543
Loans Receivable	\$5,383,583	\$4,593,753
Reserve for Losses	(\$576,697)	(\$300,079)
Prepaid Expenses	\$0	\$0
Accrued Interest	<u>\$96,179</u>	<u>\$98,614</u>
<b>Total Assets</b>	<b>\$14,307,731</b>	<b>\$14,507,831</b>
<b>Liabilities and Fund Balance</b>		
Accounts Payable	\$14,870	\$16,460
Bond Proceeds	\$6,500,000	\$6,500,000
Unappropriated Surplus	<u>\$7,792,861</u>	<u>\$7,991,371</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$14,307,731</b>	<b>\$14,507,831</b>
<b>Income Statement</b>		
	<b>June 30, 2014</b>	<b>June 30, 2015</b>
<b>Revenue</b>		
Investment Income	\$103,525	121,515
Interest on Loans	\$288,624	\$249,473
Loan Fees	<u>\$1,270</u>	<u>\$6,475</u>
<b>Total Revenue</b>	<b>\$393,419</b>	<b>\$377,463</b>
<b>Expense</b>		
Salaries & Benefits	\$105,541	\$168,491
Administrative Contracts	\$51,900	\$47,300
Promotion	\$0	\$0
Postage	\$9	\$72
Printing	\$281	\$0
Conferences & Meetings	\$0	\$0
Subscriptions & Dues	\$0	\$0
Training & Seminars	\$0	\$398
Insurance	\$0	\$0
General Operating Expenses	\$41,619	\$648
Rent	\$0	\$4,513
Utilities	\$0	\$505
Travel	\$18,795	\$16,974
Telephone	\$0	\$1,429
Legal Expense	\$1,685	\$343
Misc. Expenses	\$4,537	\$2,108
Grants	<u>\$115,550</u>	<u>\$164,350</u>
<b>Total Expenses</b>	<b>\$339,917</b>	<b>\$407,131</b>
Provisions for losses on notes receivable	(\$44,858)	(\$276,618)
<b>Surplus (Deficiency)</b>	<b>\$100,526</b>	<b>\$246,950</b>

# COMMITTEES

## ***2014/2015 Potato Marketing Improvement Committee: Overall Program Evaluation***

**Kramer Bell**  
Mars Hill

**Dan Blackstone**  
Caribou

**Bart Bradbury**  
Bridgewater

**Seth Bradstreet**  
Newport

**Brent Buck**  
Mapleton

**Gregg Garrison**  
Mars Hill

**Keith Labrie**  
St. Agatha

**Greg McCrum**  
Mars Hill

**Nick McCrum**  
Mars Hill

**Adam Paradis**  
Frenchville

**Mark Tarr**  
Washburn

## ***2014/2015 Credit Review Committee: Reviews Financial Feasibility***

**Al Butler**  
The Bank of Maine, Gardiner

**Brian Flewelling**  
KeyBank National Association, Presque Isle

**Ryan Ellsworth**  
The County Federal Credit Union, Caribou

**Ghent Holdsworth**  
Farm Credit of Maine, Presque Isle

**Michael Mathers**  
Farm Service Agency - USDA  
Presque Isle

**Jeff Pangburn**  
TD Bank, Presque Isle

## ***2014/2015 Project Review Committee: Reviews Technical Feasibility***

**Scott Ayotte**  
Ayotte Farms, Van Buren

**Brent Buck**  
Buck Farms, Mapleton

**Greg Garrison**  
Borderview Farms, Mars Hill

**Michael Mathers**  
Farm Service Agency – USDA  
Presque Isle

**Nick McCrum**  
County Super Spuds, Inc., Mars Hill

**James Park**  
Farm Credit of Maine, Presque Isle

**Erica Fitzpatrick Peabody**  
McCain Foods, Easton

**Matthew Porter**  
Porter Farms, Inc., Mapleton

# STAFF

## Department of Agriculture, Conservation and Forestry

**Walter E. Whitcomb**  
Commissioner

**Ellis Additon**  
Director, Bureau of Agriculture,  
Food and Rural Resources

**Jessica Nixon**  
Director, Market Development

## Maine Potato Board

**Donald Flannery**  
Executive Director

**Stephen Belyea**  
Program Manager & Storage Specialist

# ADMINISTRATIVE CONTRACTOR

## Finance Authority of Maine

**Bruce E. Wagner**  
Chief Executive Officer

**Sally A. Garand**  
Commercial Loan Officer

**Carlos R. Mello**  
Director of Business and Finance

**Roxanne Broughton**  
Commercial Loan Officer

**Jennifer Cummings**  
Senior Workout Officer

**John Endicott**  
Commercial Loan Officer

**Charles C. Emmons, Jr.**  
Senior Commercial Loan Officer

**Kathy Clary**  
Commercial Loan Assistant

**Scott Weber**  
Senior Credit Officer

**Michelle MacKenzie**  
Commercial Loan Assistant

**Jeff Murch**  
Credit Analyst