

MAINE STATE LEGISLATURE

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THE
POTATO
MARKETING
IMPROVEMENT
FUND

2016/2017
ANNUAL REPORT

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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, Governor; Walter E. Whitcomb, Commissioner, Department of Agriculture, Conservation and Forestry; and members of the Agriculture, Conservation and Forestry Committee:

From the time of initial authorization in 1981 through the 2017 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 \$28.1 million in 350 potato storage or packing and handling projects. This investment, combined with \$23.4 million in commercial lender financing and \$13.2 million in owner equity, has resulted in over \$64.7 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 E. 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 \$28,120,822 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

	1983-2016	Fiscal Year 2017	Total Program Activity
Number of Projects	349	1	350
PMIF Financing	\$27,705,822	\$415,000	\$28,120,822
Participating Lender Financing	\$22,944,853	\$500,000	\$23,444,853
Equity	\$13,077,166	\$145,000	\$13,222,166
Total Investments	\$63,727,841	\$1,060,000	\$64,787,841
Storage Capacity (cwt)	13,020,810	65,000	13,085,810

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

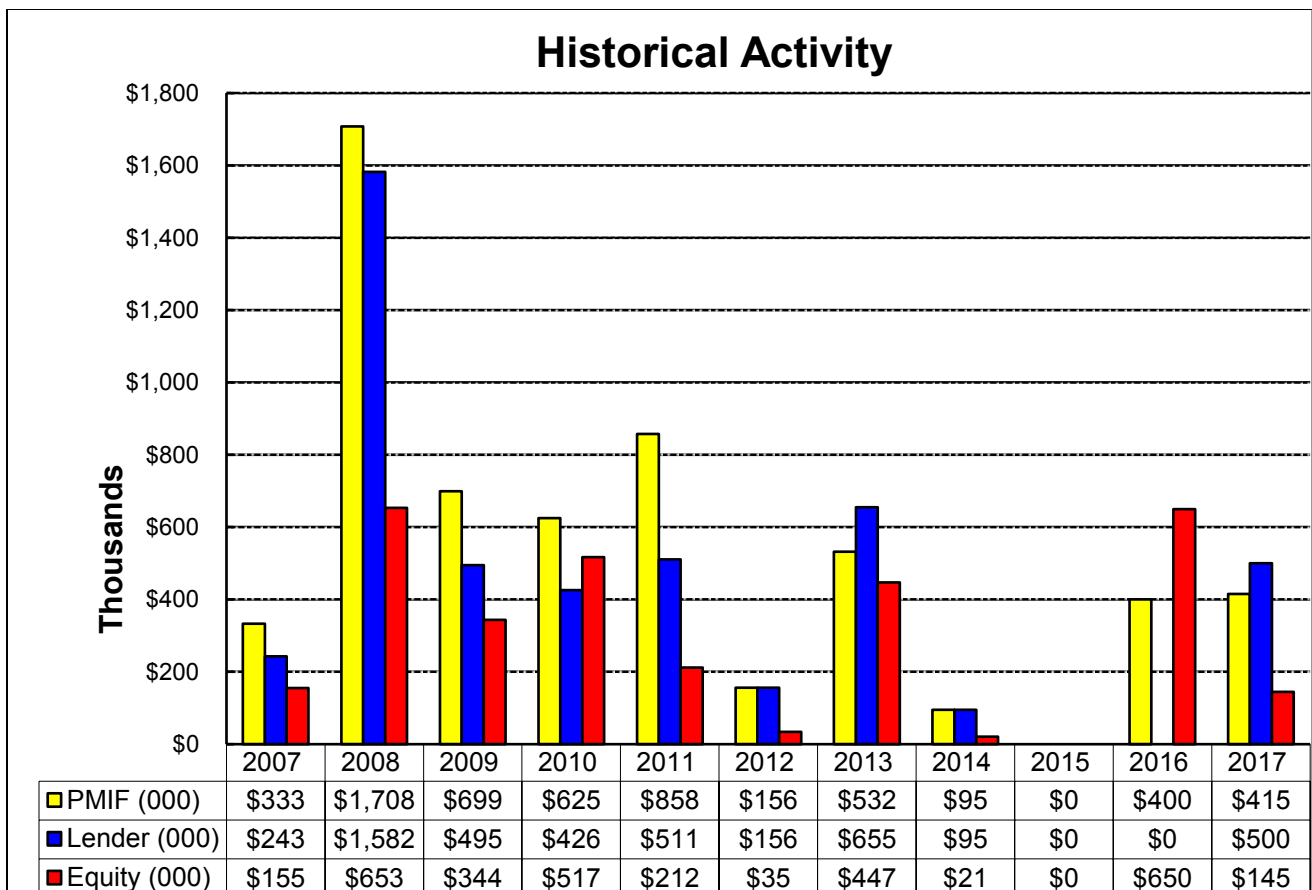
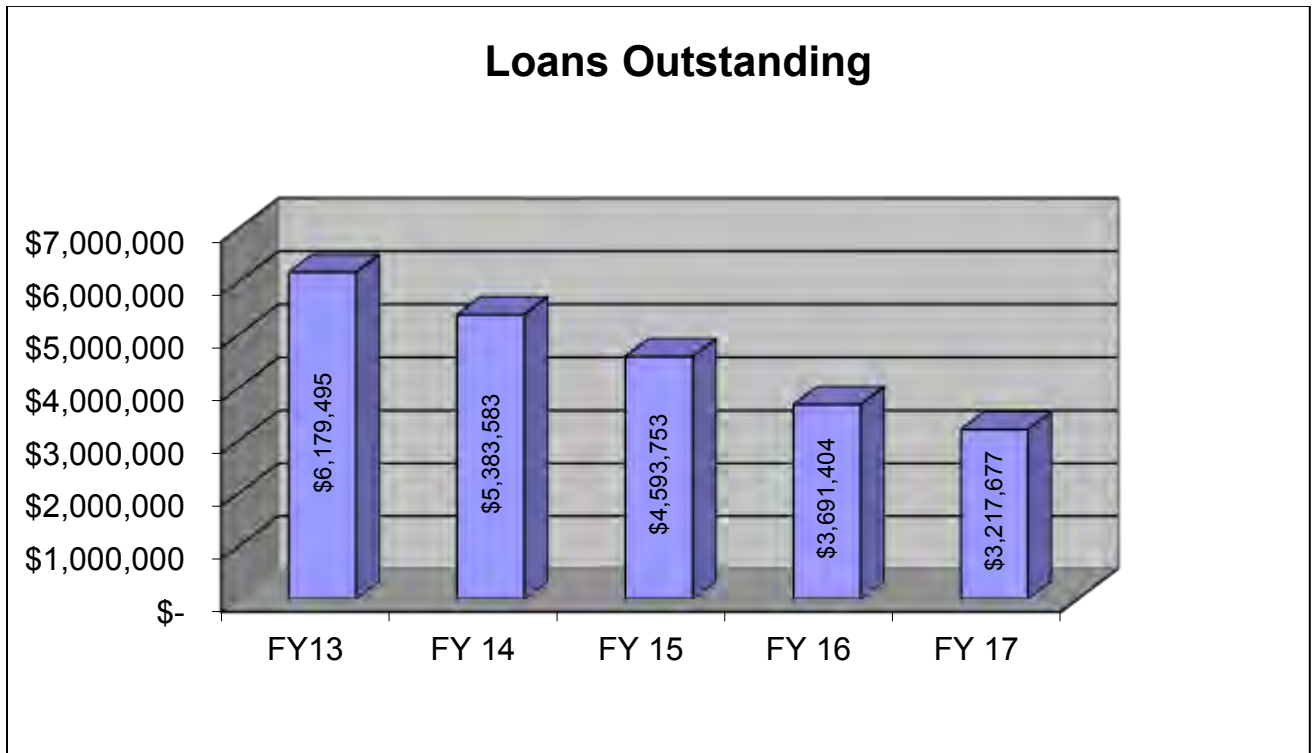
Provisions under the governing statute and program rule for the operation of the Potato Marketing Improvement Fund allow the Commissioner to make grants from interest earned on the cash balance of the Fund to individuals, firms, corporations or other organizations for research on potato storage and handling technologies and other purposes. During fiscal year 2016/2017, the Commissioner made 3 grants totaling \$110,500 to the Maine Potato Board for research and infrastructure improvements.

**PMIF LOAN ACTIVITY FOR THE
12- MONTH PERIOD ENDING JUNE 30, 2017**

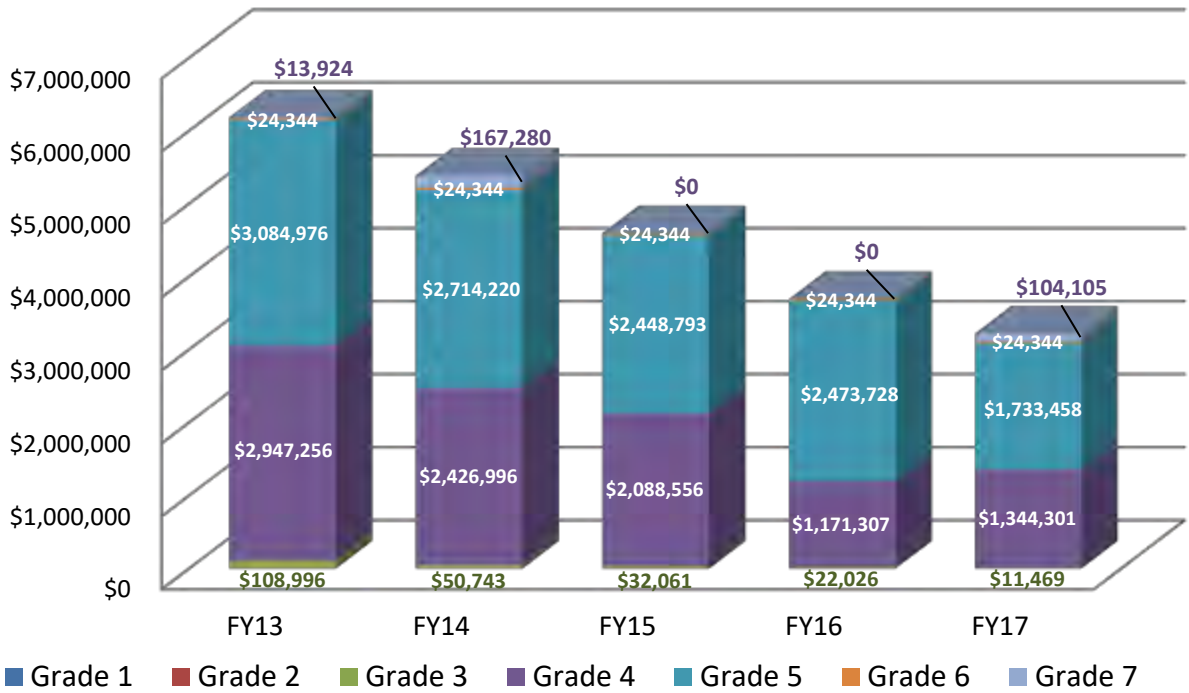
Loans Closed

Location	Project Cost	Bank	Equity	PMIF	Capacity CWT	Project	Storage Type
Mars Hill	\$1,060,000	\$500,000	\$145,000	\$415,000	65,000	Construct Potato Storage	Processing/Chips

Historical Portfolio Summary



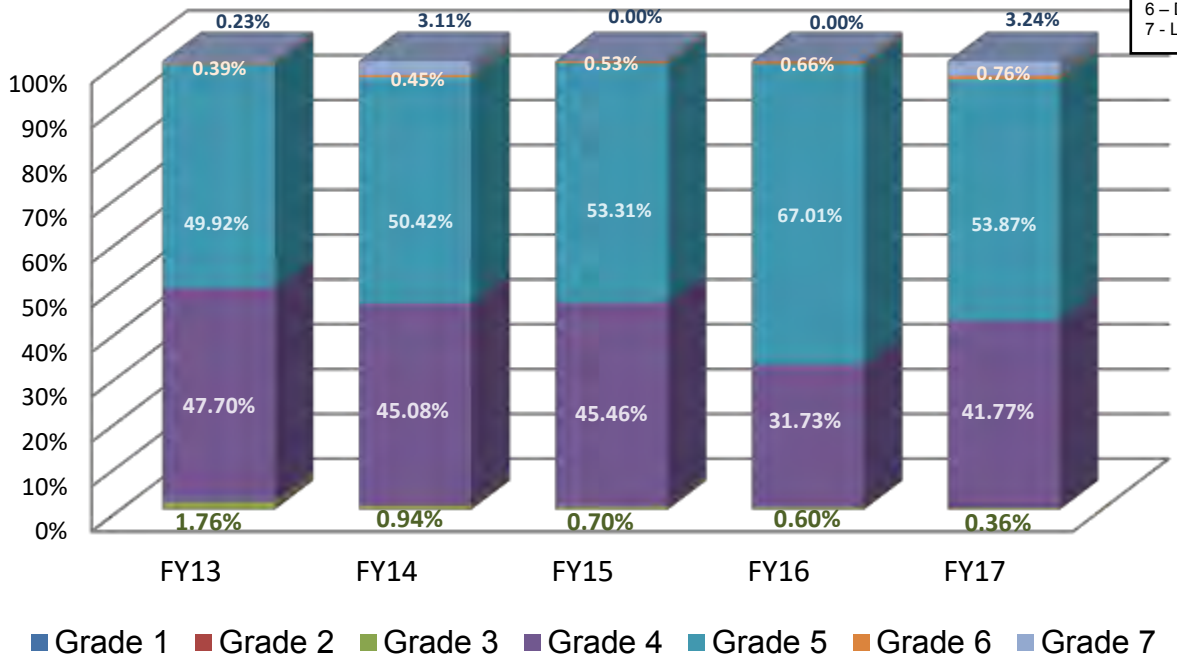
Portfolio Grade Stratification - \$

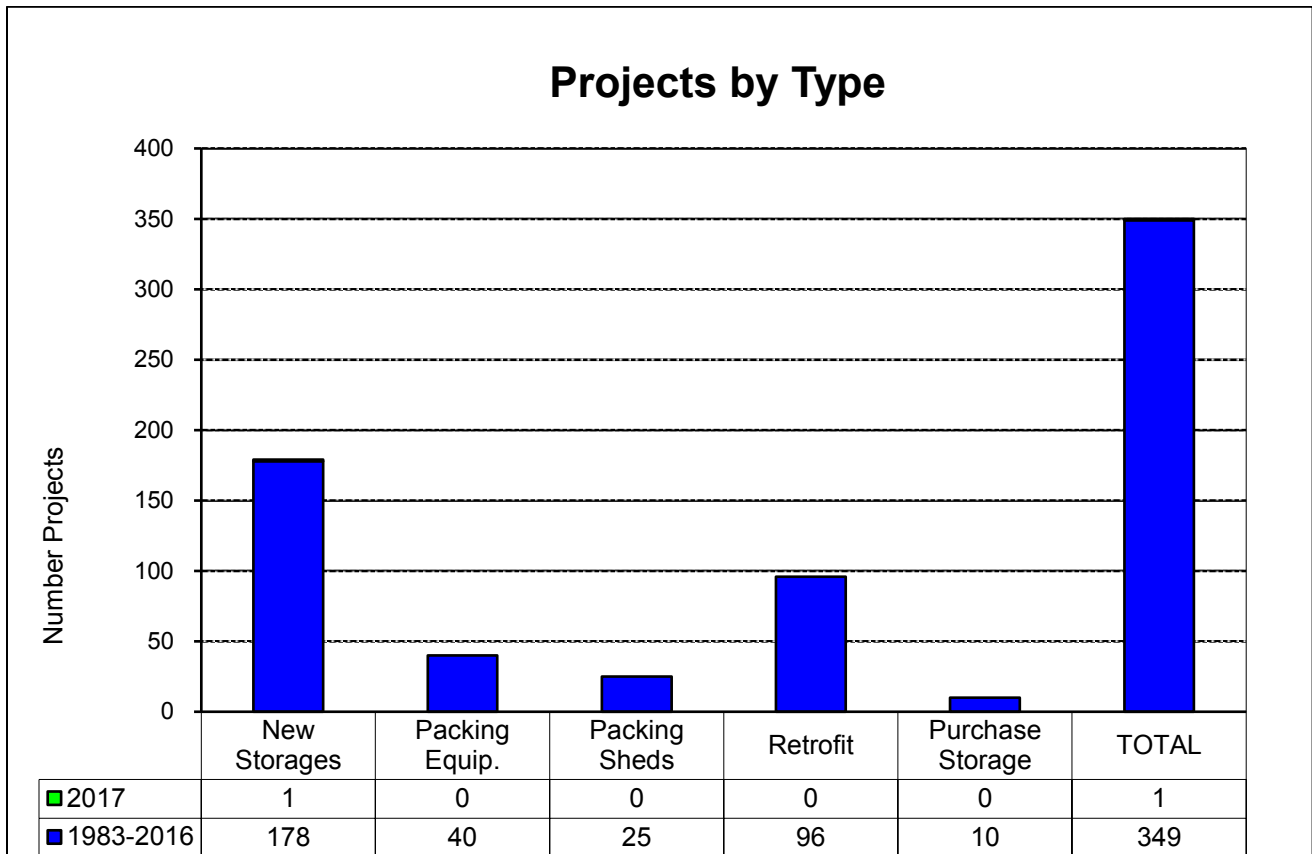


GRADE GUIDE:

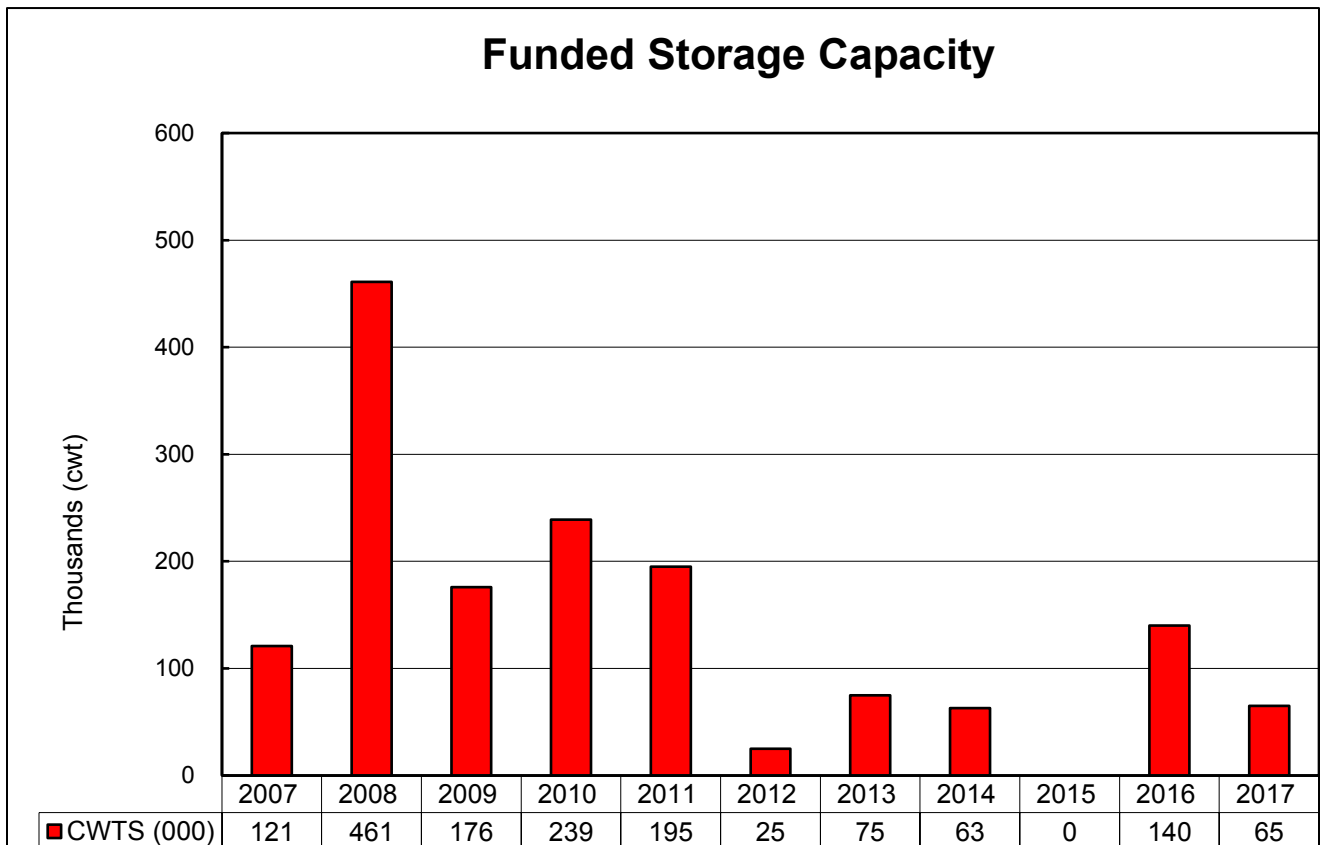
- 1 - Superior
- 2 - Excellent
- 3 - Good
- 4 - Acceptable
- 5 - Sub-Standard
- 6 - Doubtful
- 7 - Liquidation

Portfolio Grade Stratification - %





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



FINANCIAL STATEMENTS

Balance Sheet

	FY16 June 30, 2016	FY17 June 30, 2017
<u>ASSETS</u>		
Investments - Cash & Investments	\$10,854,839	\$11,239,871
Notes Receivable	\$3,691,405	\$3,217,677
Reserves for Losses	(\$269,305)	(\$145,215)
Accrued Interest	<u>\$104,629</u>	<u>\$62,654</u>
Total Assets	\$14,381,568	\$14,374,987
<u>Liabilities</u>		
Accounts Payable	\$17,543	\$69,103
Donated Surplus (Original Bond Issue)	\$6,500,000	\$6,500,000
Unappropriated Surplus	<u>\$7,864,025</u>	<u>\$7,805,884</u>
Total Liabilities & Fund Balance	\$14,381,568	\$14,374,987

Income Statement

	June 30, 2016	June 30, 2017
<u>Revenue</u>		
Investment Income	\$179,461	\$93,259
Note Interest Income	\$201,894	\$167,146
Fees	<u>\$8,678</u>	<u>\$5,884</u>
Total Revenue	\$390,033	\$266,289
<u>Expense</u>		
Salaries & Benefits	\$180,175	\$191,143
Administrative Contracts	\$49,600	\$45,000
Postage	\$80	(\$23)
Printing	\$0	\$0
Conferences/Meetings	\$0	\$0
Training & Seminars	\$1,090	\$475
General Operating Expenses	\$1,399	\$2,908
Rent	\$0	\$0
Utilities	\$505	\$505
Travel	\$17,424	\$16,206
Telephone	\$1,741	\$1,794
Legal Expense	\$321	\$6,640
Miscellaneous Expense	\$3,645	\$900
Grant Expense	<u>\$284,550</u>	<u>\$110,500</u>
Total Expenses	\$540,530	\$376,048

Provisions for losses on notes receivable	(\$30,774)	(\$124,090)
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Surplus (Deficiency)	(\$119,747.00)	\$14,325.00
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COMMITTEES

2016/2017 Potato Marketing Improvement Committee: *Overall Program Evaluation*

Scott Ayotte
Hamlin

Keith Labrie
St. Agatha

Dan Blackstone
Caribou

Nick McCrum
Mars Hill

Bart Bradbury
Bridgewater

Gerald Miller
Houlton

Brent Buck
Mapleton

Brianne O'Leary
Bridgewater

Gregg Garrison
Blaine

Adam Paradis
Frenchville

Robbie Irving
Caribou

2016/2017 Credit Review Committee: *Reviews Financial Feasibility*

Al Butler
Camden National Bank, Gardiner

Ghent Holdsworth
Farm Credit East, Presque Isle

Brian Flewelling
KeyBank National Association, Presque Isle

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

Ryan Ellsworth
The County Federal Credit Union, Presque Isle

Jeff Pangburn
TD Bank, Presque Isle

2016/2017 Project Review Committee: *Reviews Technical Feasibility*

Scott Ayotte
Ayotte Farms, Van Buren

Nick McCrum
County Super Spuds, Inc., Mars Hill

Brent Buck
Buck Farms, Mapleton

James Park
Farm Credit East, Presque Isle

Greg Garrison
Borderview Farms, Mars Hill

Erica Fitzpatrick Peabody
McCain Foods, Easton

Michael Mathers
Farm Service Agency – USDA
Presque Isle

Matthew Porter
Porter Farms, Inc., Mapleton

STAFF

Department of Agriculture, Conservation and Forestry

Walter E. Whitcomb
Commissioner

Ron Dyer
Acting Bureau Director

Jessica Nixon
Director, Market Development

Maine Potato Board

Donald Flannery
Executive Director

George McLaughlin
Program Manager & Storage Specialist

Jeannie Tapley
Office Manager

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

Bruce E. Wagner
Chief Executive Officer

Ellen Curtis
Credit Analyst

Carlos R. Mello
Chief Risk Officer

Sally A. Garand
Commercial Loan Officer

Jennifer Cummings
Senior Workout Officer

Roxanne Broughton
Commercial Loan Officer

Charles C. Emmons, Jr.
Director of Commercial Lending

Matthew Lindquist
Commercial Loan Officer

Scott Weber
Senior Credit Officer

Kathy Clary
Commercial Loan Assistant

Jeff Murch
Credit Analyst

Michelle MacKenzie
Commercial Loan Assistant