

# MAINE STATE LEGISLATURE

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# THE POTATO MARKETING IMPROVEMENT FUND

2019/2020  
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 acquisition, 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 recapitalize the PMIF program.*



## EXECUTIVE DIRECTOR'S REPORT

**To the Honorable Janet T. Mills, Governor; Amanda E. Beal, 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 2019 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.

In 2019 the MPB and the MDACF were able to complete rule changes to the PMIF program that will benefit the potato industry in the future. The new Support Facilities Loan will help finance buildings and other structures which augment the production of potatoes and related rotation crops. The new Value-Added Loan Program is designed to help finance the acquisition, construction or improvement of facilities and equipment to add value to farm production directly related to potato production.

The infrastructure investments financed by PMIF have helped position the Maine potato industry to compete with other U.S., Canadian, 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 MPB and MDACF 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,

A handwritten signature in black ink, appearing to read "Donald E. Flannery".

Donald E. Flannery  
Executive Director



## PROGRAM OVERVIEW

The Potato Marketing Improvement Fund provides direct loans to growers and packers to help finance the acquisition, construction and retrofitting of modern storages, packing facilities and 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 in 1983, 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

	1983-2019	Fiscal Year 2020	Total Program Activity
Number of Projects	350	0	350
PMIF Financing	\$28,120,822	\$0	\$28,120,822
Participating Lender Financing	\$23,444,853	\$0	\$23,444,853
Equity	\$13,222,166	\$0	\$13,222,166
Total Investments	\$64,787,841	\$0	\$64,787,841
Storage Capacity (cwt)	13,085,810	0	13,085,810

The Potato Marketing Improvement Fund can be disbursed through any one of six mechanisms defined in its enabling legislation. These are as follows: (1) New Facilities Loan Fund, (2) Storage Retrofit Loan Program, (3) Support Facility Loan Program, (4) Value-Added Loan Program, (5) Purchase/Acquisition Fund, and (6) Grant Programs. All potatoes stored or packed in facilities financed by the Potato Marketing Improvement Fund must be produced in Maine.

## NEW FACILITIES LOAN FUND

The New Facilities Loan Fund is designed to help finance acquisition/improvement projects, or new construction of storages and/or centralized packing facilities and acquisition of packing, sizing, washing or drying equipment. Projects above \$150,000 total cost qualify for the New Facilities Loan Fund.

### **Eligible Applicant:**

Any individual or organization in the business of growing, processing or marketing of potatoes.

### **Eligible Use of Loan Proceeds:**

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities; new construction or expansion; and purchase and installation of machinery and equipment.

**Rates, Terms, Amounts, and Fees:** Please refer to Chart on Page 8.

## STORAGE RETROFIT LOAN PROGRAM

The Storage Retrofit Loan Program is designed primarily to upgrade existing storages with insulation, other energy efficiency improvements, and ventilation and other climate-control equipment in order to improve the quality of the stored potatoes and extend the shipping season.

### **Eligible Applicant:**

Any individual or organization in the business of growing, processing or marketing of potatoes.

### **Eligible Use of Loan Proceeds:**

Proceeds may be used for improvements to existing storages, provided the majority of the project cost is for expenditures to improve the energy efficiency and/or climate-control characteristics of the storage. This includes real estate improvements and acquisition and installation of machinery and equipment.

Proceeds may be used for major repairs and upgrades of existing facilities, including structural repairs and improvements. Any facility using these funds for major repairs and upgrades shall be assessed for its structural integrity and overall physical condition prior to commencement of the proposed repair or upgrade, and will be determined to be suitable or appropriate for the proposed repair or upgrade.

**Rates, Terms, Amounts, and Fees:** Please refer to Chart on Page 8.

## SUPPORT FACILITIES LOAN PROGRAM

The Support Facilities Loan Fund is designed to help finance the new construction or improvement of buildings and other structures which augment the production and/or storage of potatoes and/or potato rotation crops; or to help finance new facility construction or facility improvements required to meet food safety standards in potato storages and packing facilities.

### **Eligible Applicant:**

Any individual or organization in the business of growing, processing or marketing of potatoes.

### **Eligible Use of Loan Proceeds:**

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities, and new construction, conversion or expansion.

**Rates, Terms, Amounts, and Fees:** Please refer to Chart on Page 8.

## VALUE-ADDED LOAN PROGRAM

The Value-Added Loan Program is designed to help finance the acquisition, construction, or improvement of facilities and equipment to add value to farm production with a direct benefit to potato production.

### **Eligible Applicant:**

Any individual or organization in the business of growing processing or marketing of potatoes.

**Eligible Use of Loan Proceeds:**

Proceeds may be used for land and building acquisition and improvements, major repairs and upgrades of existing facilities; new construction or expansion; and purchase and installation of machinery and equipment.

**Rates, Terms, Amounts, and Fees:** Please refer to Chart on Page 8.

**PURCHASE/ACQUISITION FUND**

The Purchase/Acquisition Fund is designed to help finance the purchase and acquisition together with any necessary upgrading of existing modern storage facilities. Modern potato storages that have previously been financed through a PMIF loan may be financed either by providing purchase money financing or by permitting the assumption of an existing PMIF mortgage and promissory obligation. Modern storage facilities not previously financed through a PMIF loan may be financed by providing purchase money financing.

The availability of loans from this fund is subject to the conditions set forth in *01-001 Department of Agriculture, Conservation and Forestry, Chapter 31: Rules for Operation of Potato Marketing Improvement Fund*.

**Eligible Use of Loan Proceeds:**

Proceeds may be used for, and permission for the assumption of existing financing may be given for, the acquisition of existing modern storage facilities previously financed through a PMIF loan.

**Rates, Terms, Amounts, and Fees:** Please refer to Chart on Page 8.

**GRANT PROGRAMS**

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 for research on potato storage and handling technologies and for projects for potato industry infrastructure improvements.

The Commissioner may also make grants from money received by the fund from sources other than State bonds and interest earned on the loan program cash balance or loans, for the purpose of water source development and irrigation.

During fiscal year 2019/2020 the Commissioner approved no grants; however, a \$50,000 grant that was approved in 2018/2019 was paid in 2019/2020.



## LOAN PROGRAMS

	<b>New Facilities Loan Fund</b>	<b>Storage Retrofit Fund</b>	<b>Support Facilities Loan Program</b>	<b>Value-Added Loan Program</b>
Lending Values	45% of total project costs for projects up to \$1,500,000*  Minimum project cost of over \$150,000*	55% of total project costs for projects up to \$150,000	45% of total project costs for projects up to \$300,000	45% of total project costs for projects up to \$300,000; 50% if purchase or remodel of existing buildings
Interest Rate	5%	5%	5%	5%
Term	Up to 25 years	Up to 10 years	Up to 10 years	Up to 10 years
Fees	1% Loan Origination Fee  All legal and out-of-pocket expenses of the Department related to borrower's project.	N/A	1% Loan Origination Fee  All legal and out-of-pocket expenses of the Department related to borrower's project.	1% Loan Origination Fee  All legal and out-of-pocket expenses of the Department related to borrower's project.
Borrower Commitment	10%**	N/A	5%***	5%***

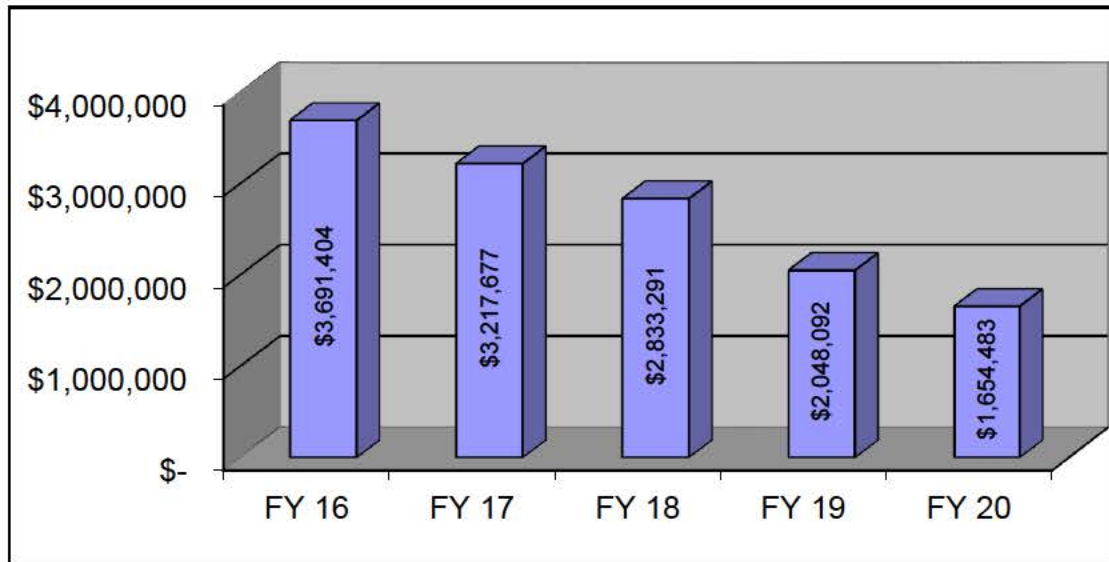
*\*For projects over \$1,500,000, 45% of first \$1,500,000 of total project costs plus 24% of costs over \$1,500,000*

*\*\*Borrower must inject at least 10% in private funds into the project except in the case of cooperative projects by two or more farmers; such demonstrated commitment of private funds shall total at least 5% of the total project.*

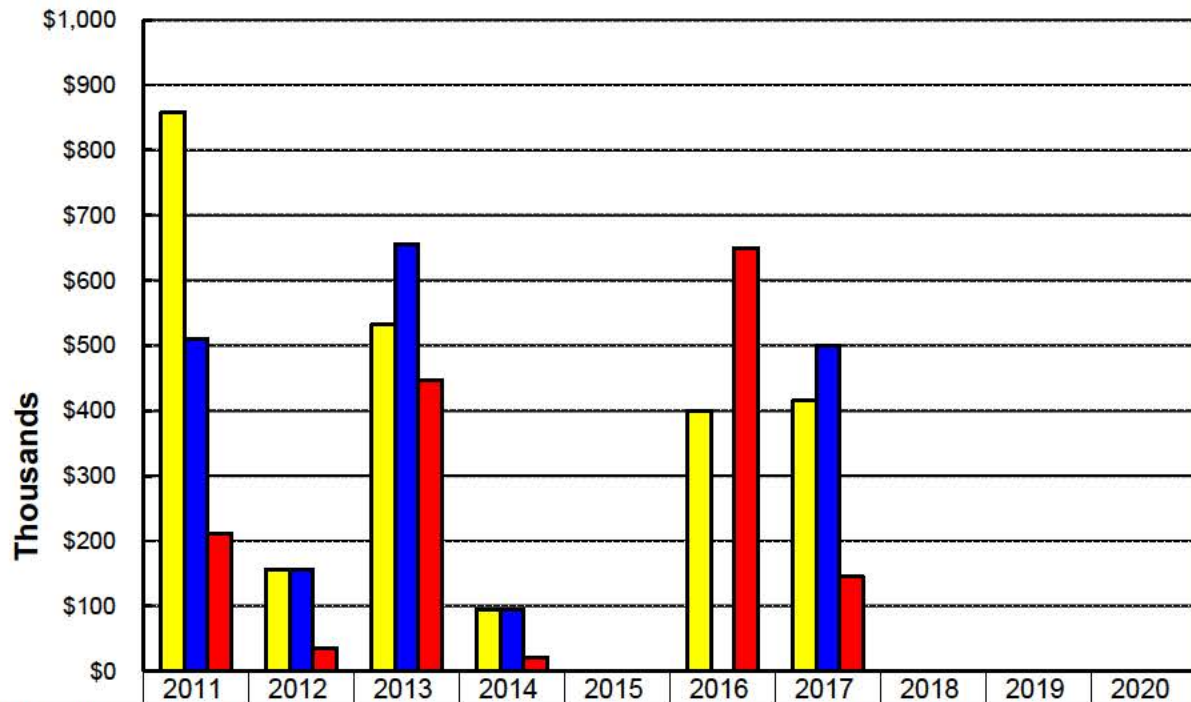
*\*\*\*Borrower must demonstrate a commitment of private funds of at least 5% of the total project cost.*

## Historical Portfolio Summary

### Loans Outstanding

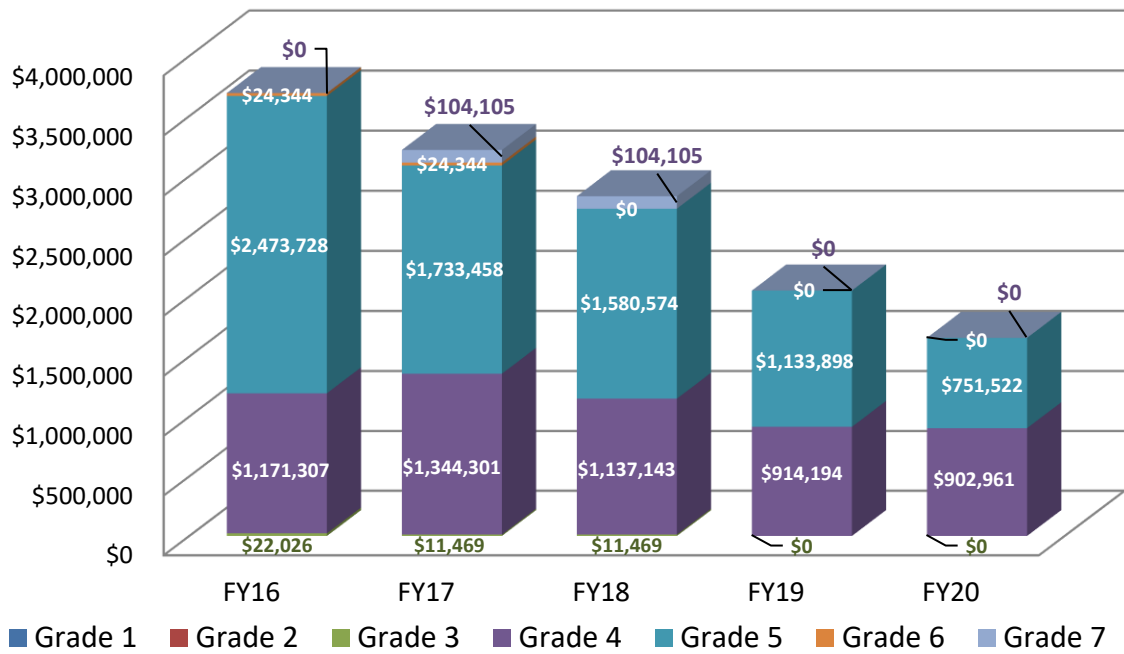


### Historical Activity



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PMIF (000)	\$858	\$156	\$532	\$95	\$0	\$400	\$415	\$0	\$0	\$0
Lender (000)	\$511	\$156	\$655	\$95	\$0	\$0	\$500	\$0	\$0	\$0
Equity (000)	\$212	\$35	\$447	\$21	\$0	\$650	\$145	\$0	\$0	\$0

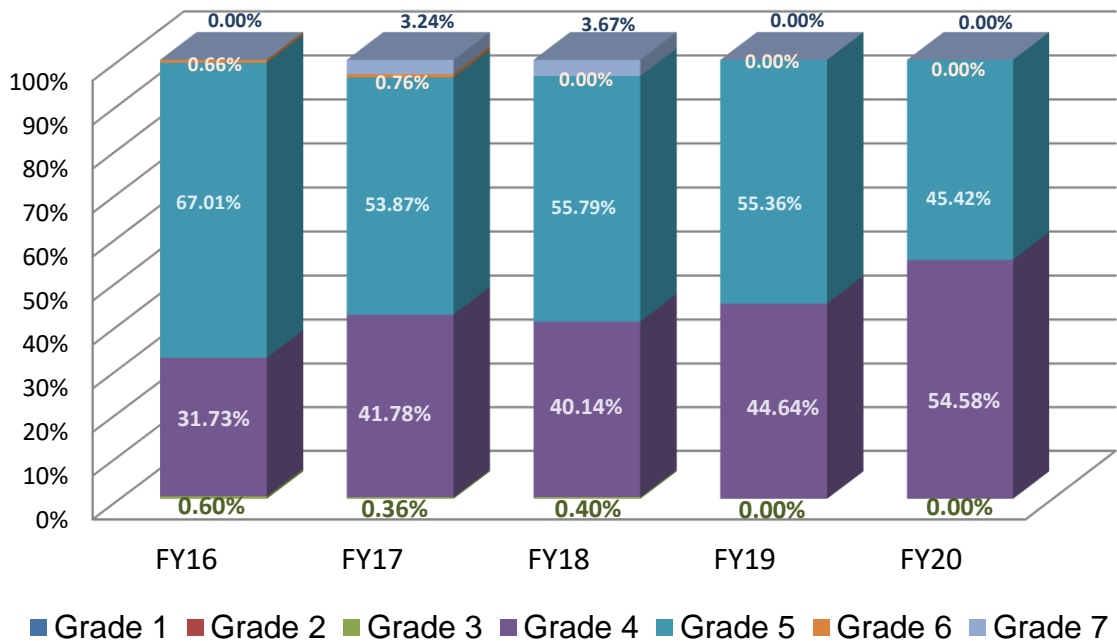
## Portfolio Grade Stratification - \$

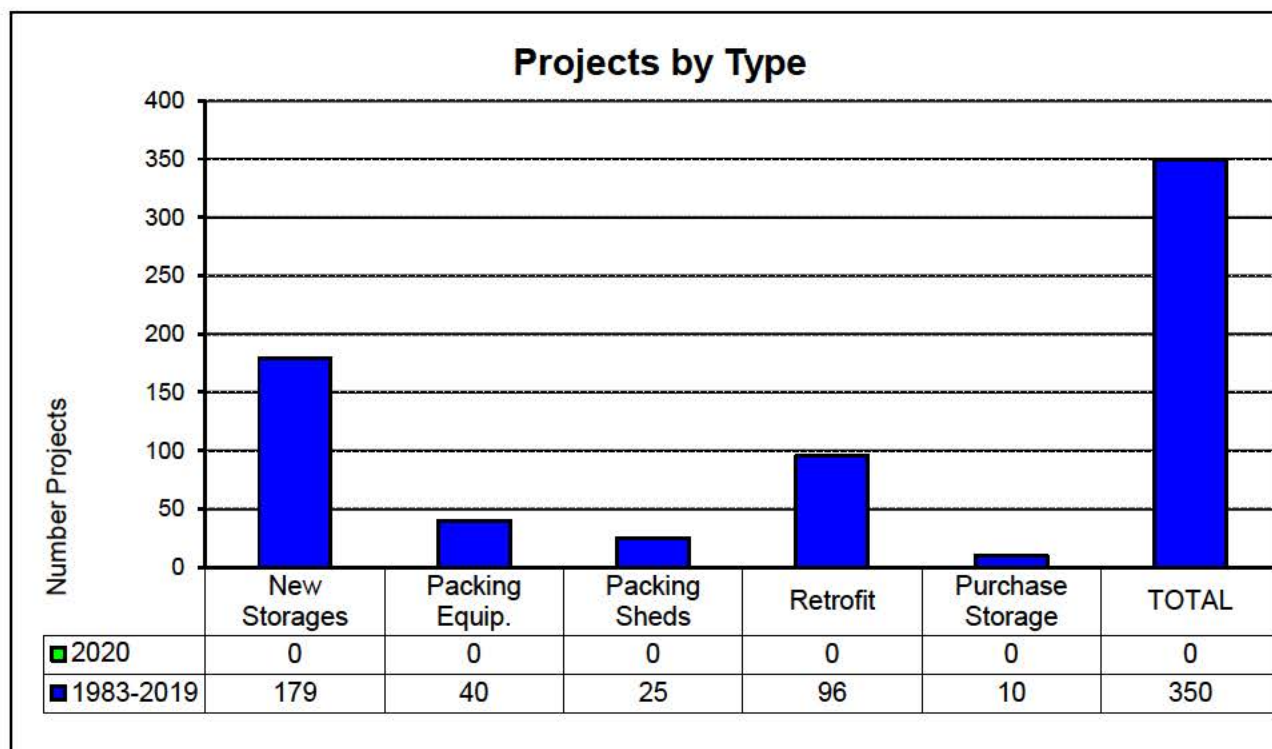


### GRADE GUIDE:

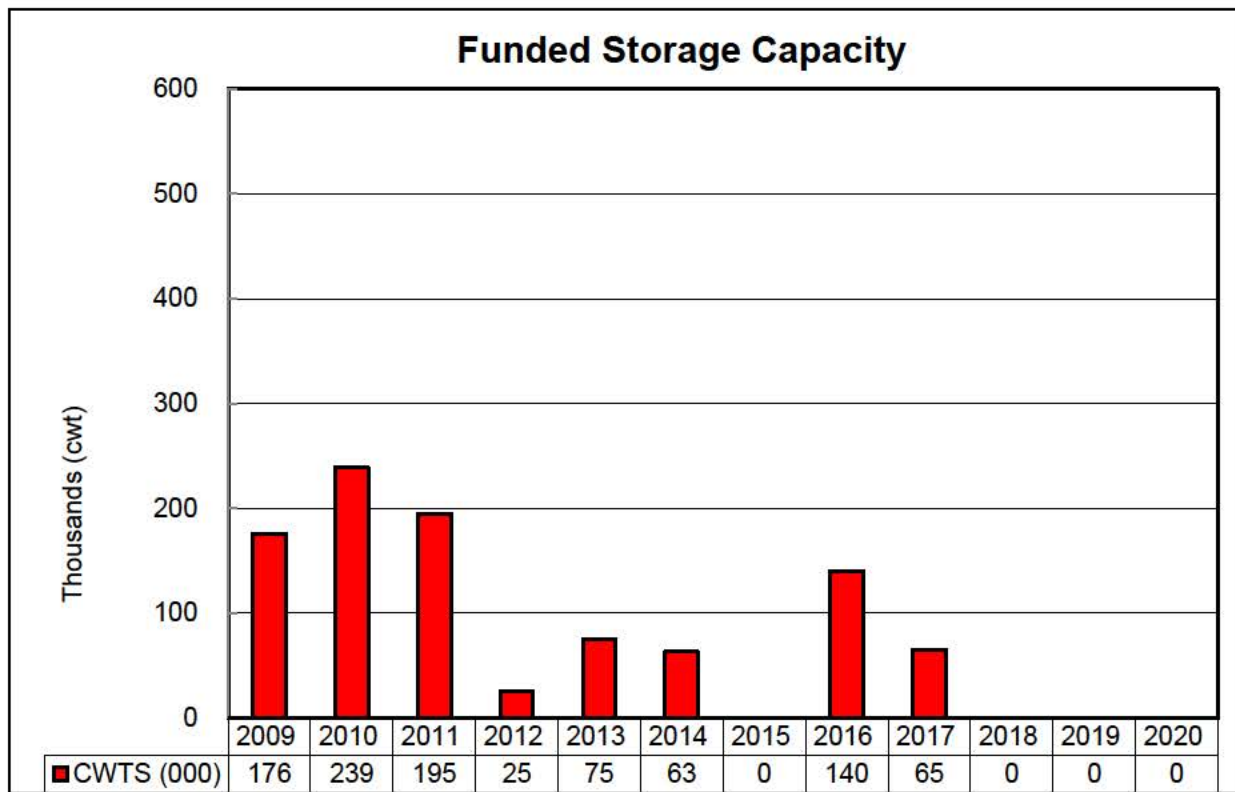
1 – Superior      2 – Excellent      3 – Good      4 – Acceptable  
 5 – Sub-Standard      6 – Doubtful      7 – Liquidation

## 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

	FY19 June 30, 2019	FY20 June 30, 2020
<b><u>Assets</u></b>		
Investments - Custody Account	\$12,445,889	\$13,018,058
Notes Receivable	\$2,048,092	\$1,654,483
Reserves for Losses	(\$26,548)	\$0
Accrued Interest	<u>\$59,282</u>	\$45,783
<b>Total Assets</b>	<b>\$14,526,715</b>	<b>\$14,718,324</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$16,031	\$16,787
Donated Surplus (Original Bond Issue)	\$6,500,000	\$6,500,000
Unappropriated Surplus	\$8,010,685	\$8,201,537
<b>Total Liabilities</b>	<b>\$14,526,716</b>	<b>\$14,718,324</b>

### Income Statement

	FY19 June 30, 2019	FY20 June 30, 2020
<b><u>Revenue</u></b>		
Investment Income	\$395,393	\$375,754
Note Interest Income	\$115,459	\$92,984
Fees	<u>\$2,723</u>	<u>\$2,562</u>
<b>Total Revenue</b>	<b>\$513,575</b>	<b>\$471,300</b>

### Expenses

Salaries & Benefits	\$175,148	\$185,832
Administrative Contracts	\$47,300	\$47,300
Postage	\$0	\$0
Printing	\$0	\$0
Conferences/Meetings	\$0	\$0
Training & Seminars	\$202	\$25
General Operating Expenses	\$671	\$977
Utilities	\$505	\$505
Travel	\$17,534	\$13,959
Telephone	\$1,790	\$1,790
Legal Expense	\$381	\$70
Miscellaneous Expense	\$2,491	\$27,497
Grant Expense	\$0	\$50,000
<b>Total Expenses</b>	<b>\$246,022</b>	<b>\$327,955</b>
Provisions for losses on notes receivable	(\$83,827)	(\$26,548)
Notes Written Off	\$94,803	\$26

<b>Surplus (Deficiency)</b>	<b>\$256,577</b>	<b>\$169,867</b>
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## COMMITTEES

### ***2019/2020 Potato Marketing Improvement Committee: Overall Program Evaluation***

**Scott Ayotte**  
Hamlin

**Todd Bradley**  
Easton

**Dan Blackstone**  
Caribou

**Fredrick Whited**  
Bridgewater

**Bart Bradbury**  
Bridgewater

**Gerald Miller**  
Houlton

**Brent Buck**  
Mapleton

**Brianne O'Leary**  
Bridgewater

**Matt Porter**  
Mapleton

**Adam Paradis**  
Frenchville

**Robbie Irving**  
Caribou

### ***2019/2020 Credit Review Committee: Reviews Financial Feasibility***

**Al Butler**  
Camden National Bank, Gardiner

**Ghent Holdsworth**  
Farm Credit East, Presque Isle

**Ryan Ellsworth**  
The County Federal Credit Union, Presque Isle

**Chris Fitzpatrick**  
Machias Savings Bank, Houlton

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

**Jeff Pangburn**  
TD Bank, Bangor

### ***2019/2020 Project Review Committee: Reviews Technical Feasibility***

**Scott Ayotte**  
Ayotte Farms, Van Buren

**James Park**  
Farm Credit East, Presque Isle

**Brent Buck**  
Buck Farms, Mapleton

**Erica Fitzpatrick Peabody**  
McCain Foods, Easton

**Greg Garrison**  
Borderview Farms, Mars Hill

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

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

## **STAFF**

### **Department of Agriculture, Conservation and Forestry**

**Amanda E. Beal**  
Commissioner

**Nancy McBrady**  
Bureau Director

**Leigh Hallett**  
Director, Agricultural Resource Development

### **Maine Potato Board**

**Donald E. Flannery**  
Executive Director

**George F. McLaughlin**  
Program Manager & Storage Specialist

**Jeannie M. Tapley**  
Director of Operations

## **ADMINISTRATIVE CONTRACTOR**

### **Finance Authority of Maine**

**Bruce E. Wagner**  
Chief Executive Officer

**Roxanne Broughton**  
Commercial Loan Officer

**Carlos R. Mello**  
Chief Risk Officer

**Matthew Lindquist**  
Commercial Loan Officer

**Jennifer Cummings**  
Director of Business Programs

**Karen Kunesh**  
Commercial Loan and Workout Officer

**Scott Weber**  
Senior Credit Officer

**Kim Getchell**  
Commercial Loan Officer

**Jeff Murch**  
Credit Analyst

**Kathy Clary**  
Commercial Loan Assistant

**Ellen Curtiss**  
Credit Analyst

**Michelle MacKenzie**  
Commercial Loan Assistant

**Laurie Garrison**  
Commercial Loan Assistant

**Abel Auclair**  
Commercial Loan Assistant