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Report to the Joint Standing Committees on Natural Resources; Agriculture, Food and
Rural Resources; and Business and Economic Development

Agricultural Products Utilization Commission
and the
Agriculturally Derived Fuel Fund

Submitted by the Finance Authority of Maine on behalf of the Agricultural Products
Utilization Commission

December 1, 2005



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Business & Education
at Work for Maine

December 7, 2005

Senator Lynn Bromley, Chair
Business, Research and Economic Development
Joint Standing Committee
Cross State Office Building, Room 208
Augusta, ME 04333

Representative Nancy E. Smith, Chair
Business and Economic Development
Joint Standing Committee
Cross State Office Building, Room 208
Augusta, ME 04333

Dear Senator Bromley and Representative Smith:

I am pleased to present the Joint Standing Committee on Business, Research, and Economic Development with the Agricultural Products Utilization Commission and the Agriculturally Derived Fuel Fund Annual Report.

Sincerely,

A handwritten signature in cursive script that reads "Charles C. Emmons, Jr." followed by a small flourish.

Charles C. Emmons, Jr.
Senior Commercial Loan Officer

cc: Secretary of State

This report is in fulfillment of 10 MRSA Section 997-B(2) which requires the Agricultural Products Utilization Commission to report (annually) to the Legislature on the Commission's activities and deposits and expenditures from the Agriculturally Derived Fuel Fund.

The Agricultural Products Utilization Commission was established by the Legislature in 1999 in 5 MRSA Section 12004-I(6-F) and 10 MRSA Section 997-B(1). The purpose of the Commission was to advise the Finance Authority of Maine as to carrying out the purposes for which the Agriculturally Derived Fuel Fund was established. The Fund was established for the purpose of providing financial assistance to promote the production and use of agriculturally derived fuels. 10 MRSA Section 997-A. An agricultural derived fuel means methanol or ethanol produced from organic matter that is available on a renewable basis, including agricultural crops and agricultural wastes and residues. Initially, the Commission was to work with various State departments and agencies to identify issues related to the development of agriculturally derived fuel industries in the State. However, the Fund was never allocated any funds.

The Commission consisted of 12 members, including 5 appointed by the Governor, two of whom were engaged in business in the State and 3 of whom were engaged in farming in the State. The Commissioner of the Department of Environmental Protection appointed one member and the Commissioner of the Department of Agriculture, Food and Rural Resources appointed one member who was engaged in farming in the State. Another 5 members included the Chief Executive Officer of the Finance Authority of Maine, the President of the University of Maine System, and the Commissioners of Departments of Agriculture, Food and Rural Resources, Economic and community Development, and Environmental Protection, or the designees of those 5 members.

Though never receiving State funding, the Commission obtained a grant from a private, non-profit entity to fund a feasibility study. In October 2002, the Commission published the "State of Maine Ethanol Pre-feasibility Study" which explored the feasibility of a biomass- to- ethanol plant in northern Maine. The study explored the production of ethanol from agricultural feedstocks (grain) using traditional starch base production technology (Phase I) as well as the eventual conversion to emerging cellulosic technology and cellulosic feedstocks over time (Phase II). The study concluded that a barley to ethanol process lacked profitability at that time due to a lack of volume and that a cellulosic ethanol plant was also not feasible at that time due to the lack of technology for conversion. However, the report recommended that the State of Maine study the feasibility of contractually grown triticale and/or barley in order create the volume necessary to increase profitability, and therefore feasibility, of a Phase I process.

The cost of the study was funded entirely through the private grant, and the grant funds were completely exhausted by the cost of the study. The Agriculturally Derived Fuel Fund was never funded. There have never been any deposits to or expenditures from the Fund.

The members of the Commission last met in January 2003, following publication of the study. All of their terms have since expired.