

THE AGRICULTURAL MARKETING LOAN FUND

ANNUAL REPORT FISCAL YEAR 2023



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STATE OF MAINE
DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY
OFFICE OF THE COMMISSIONER
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AUGUSTA, MAINE 04333

JANET T. MILLS
GOVERNOR

AMANDA E. BEAL
COMMISSIONER

COMMISSIONER'S LETTER

To the Honorable Janet T. Mills, Governor; the Honorable Troy Jackson, President of the Senate; the Honorable Rachel Talbot Ross, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:

The Agricultural Marketing Loan Fund (AMLF) is administered by the Bureau of Agriculture, Food and Rural Resources, Division of Agricultural Resource Development. The AMLF program 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. Farmers in commercial operation for at least two years may access AMLF financing at a reduced interest rate (2% instead of the standard 5%) if they complete the competitive Maine Farms for the Future business planning and investment support program.

Beginning with AMLF's inception in 1996, funds returned to AMLF through interest payments had been reinvested in Maine's agricultural economy through the Agricultural Development Grant (ADG), a competitive grant designed to spur innovative production strategies and marketing efforts from Maine farmers. Shortcomings of that funding mechanism became apparent in 2020 and 2021 as the statutorily defined interest rates of AMLF became uncompetitive, with lower rates available from other public and private financing sources. As participation in AMLF decreased, funding for the ADG was negatively impacted. To remedy this, the 130th Legislature adopted changes to the AMLF program via LD 219, "An Act to Improve the Agricultural Development Grant and Agricultural Marketing Loan Fund." The statutory updates made a significant adjustment to the structure and scope of both programs – expanding eligible uses of the loan fund, lowering the interest rates, and creating a standalone structure for ADG. The changes established through LD 219 did not take effect until the first quarter of FY 2023. Accordingly, this is the first annual report reflecting those changes.

As the agricultural sector evolves in response to a changing climate, market consolidation, workforce challenges, and more, the Department is confident that AMLF will continue to provide a valuable resource for Maine farmers in their efforts to seek flexible sources of capital for business investment and growth.

Respectfully submitted,

Amanda E. Beal
Commissioner

PROGRAM OVERVIEW

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 for an additional \$1 million was authorized in 2007 as a continuing show of support for the program.

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 to construct or improve storage, packing, and marketing facilities and acquire and install state-of-the-art equipment. The program collaborates with private lenders to provide customized, cost-effective financing packages for these capital projects.

Program staff are available for site visits and assistance with project planning and the AMLF loan application process. Staff contact information is listed on the final page of this report.

	FY 1998-2022	FY 2023	Total
Number of Projects	137	1	138
AMLF Financing	\$12,701,458	\$250,000	\$12,951,458
Lender Financing	\$ 12,386,101	\$42,500	\$ 12,428,601
Equity	\$ 4,891,563	\$132,500	\$ 5,024,063
Total Investments	\$29,979,122	\$425,000	\$30,404,122

Over the years, AMLF has helped finance 138 projects that have leveraged a total of \$30,404,122 in investments in Maine's agricultural infrastructure. In particular, \$12.9 million has been through AMLF-financed loans, which leveraged \$12.4 million in additional lender financing and just over \$5 million in borrower equity. These AMLF loans complement Maine's lending landscape, as AMLF has a higher risk tolerance than some traditional lenders. Between 1998 and 2011, there were nine charged-off loans totaling \$1,136,683; since 2012, all loans have been paid as agreed.

Since program inception, the agricultural industry sectors with the highest loan volumes have been dairy (\$2,138,214), potato (\$2,311,555); and other crops sectors (\$3,373,892). Also, it should be noted that the AMLF loans provided to the potato industry have been primarily used for equipment purchases and not for storage construction. The separate Potato Marketing Improvement Fund loan program has mainly satisfied this loan purpose.

The use of AMLF dropped significantly prior to FY2022 due to the prevalence of low interest rates available from other lenders during that time. For instance, in FY2010, 12 AMLF loans were activated, whereas only one was activated in FY2020, none in FY2021, and two in FY2022. As a result of this stagnation, the Department examined the AMLF and solicited feedback from financial lending experts in Maine about improving the AMLF to refine its scope, maximize its impact, and complement the

current mix of agriculture-specific financial instruments in Maine. Changes developed through public feedback and internal Department analysis were incorporated in LD 219 and adopted by the 130th Legislature. The revisions adopted via LD 219 included the following:

- Setting interest rates at the lesser of the Federal Prime rate or 5% for all applicants.
- Setting interest rates at the lesser of the Federal Prime rate or 2% for all Farms for the Future business planning support grant recipients.
- Expanding the eligible uses of AMLF financing to include acquiring land and infrastructure for start up businesses, energy efficiency upgrades and investments, refinancing of existing debt used to secure eligible expenses, water source development, and climate change mitigation projects.
- Increasing the maximum loan size to \$250,000.
- Increasing the maximum loan size from 75% of the total project cost to 90% of the total project cost.
- Providing flexibility in how AMLF accrued interest can be invested and granted.

Future reports on this program will reflect the efficacy of these changes, and the Department is hopeful that participation and impact will grow in years to come.

AMLF LOAN ACTIVITY IN FY23

Transactions Closed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Bowdoinham	\$477,839	\$132,500	\$42,500	\$250,000	Purchase Real Estate

AMLF LOANS PENDING AND COMMITTED IN FY23

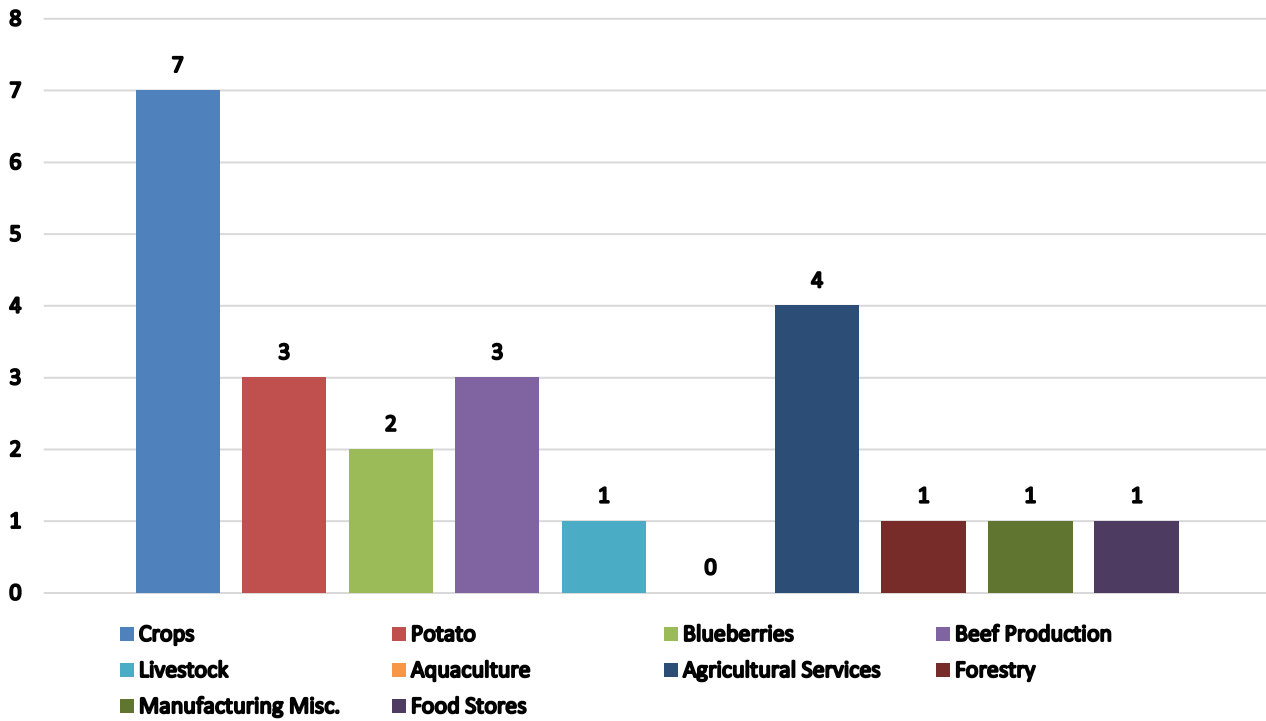
Transactions Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
West Gardiner	\$143,915	\$0	\$57,915	\$86,000	Install Solar Array

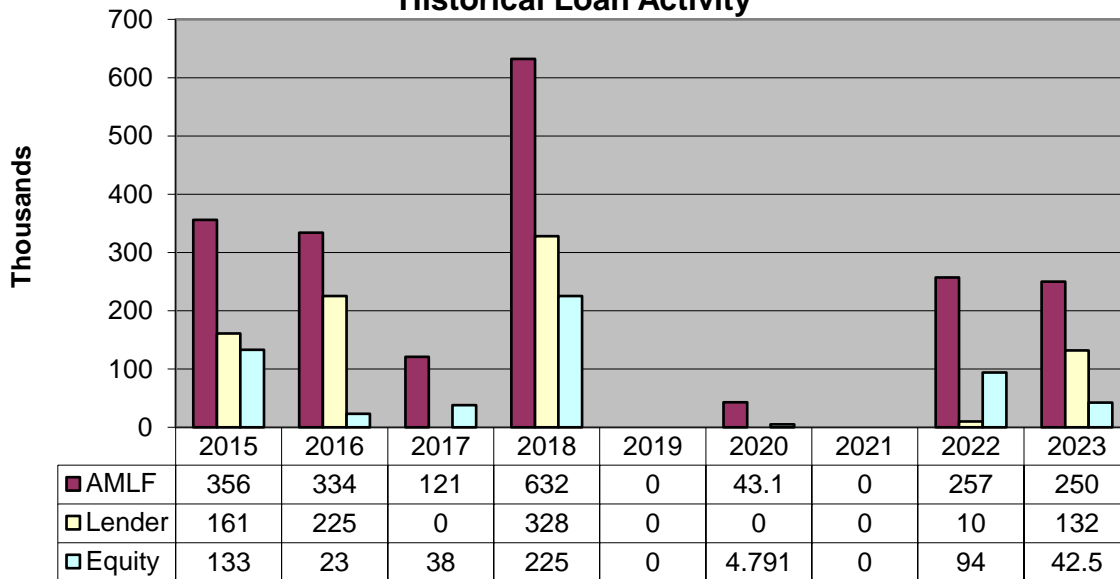
Transactions Pending:

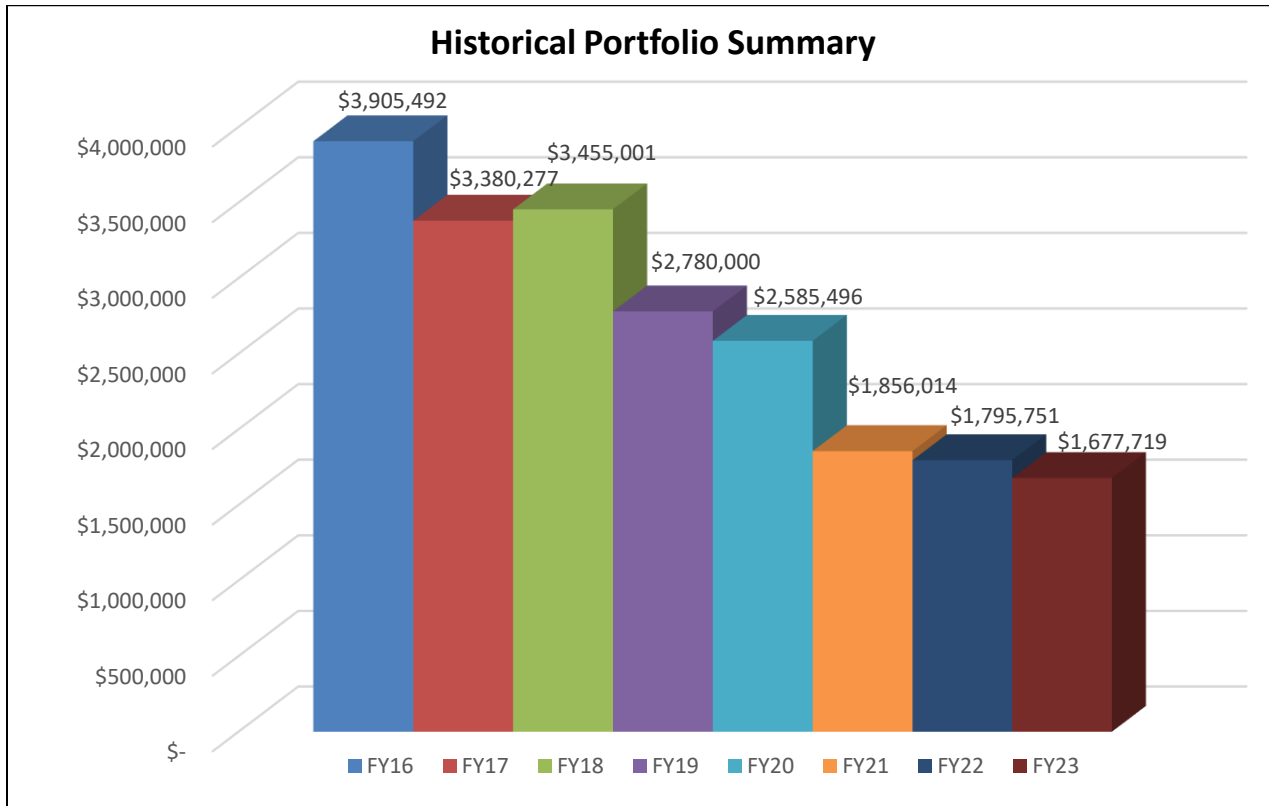
Location	Project Cost	Bank	Equity	AMLF	Project Type
Topsham	\$1,060,000	\$627,300	\$210,000	\$222,700	Purchase Equipment
Pownal	\$150,000	\$0	\$0	\$150,000	Purchase Equipment
Lebanon	\$250,000	\$0	\$0	\$250,000	Establish Apple Orchard
Washington	\$110,000	\$0	\$0	\$110,000	Construction Refinance
Gardiner	\$250,000	\$0	\$0	\$250,000	Real Estate Improvements
Chelsea	\$305,415	\$0	\$145,415	\$160,000	Install Solar Array
Lisbon Falls	\$250,000	\$0	\$0	\$250,000	Construction
Washington	\$110,381	\$0	\$0	\$110,381	Equipment & Improvements
Bowdoinham	\$429,396	\$0	\$277,396	\$152,000	Construction Refinance

AMLF Projects by Industry Type (23 Loans Outstanding)



Historical Loan Activity





AGRICULTURAL DEVELOPMENT GRANT PROGRAM

The Agricultural Development Grant (ADG) Program provides cost-share grants to conduct market promotion, market research and development, value-added processing, and new technology demonstration projects. It was created in 1999 and originally capitalized by the interest earned by the AMLF. Since 1999, 174 grants have awarded a total of \$3.5M to recipients.

AMLF GRANT ACTIVITY IN FY23

The Department did not offer Agricultural Development Grants in FY2023. LD 219 bifurcated the ADG from the AMLF program. In doing so, a new ADG fund was created, and the legislature provided one-time funding. The existing ADG balance with the AMLF program was also transferred to the ADG fund (housed at the Department), and earned interest from AMLF can be moved to the ADG fund if sufficiently accrued. The Department will be updating its ADG rules to reflect the changes created by LD 219, after which it will publish the schedule for issuing grants on an ongoing basis, as long as funds are available.

FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING 6/30/23

Balance Sheet

	FY22 June 30, 2022	FY23 June 30, 2023
ASSETS		
Investments - Custody Account	\$3,118,372	\$3,910,471
Investments - Market Value Gain/(Loss)	(\$24,638)	\$240,879
Investments - State Treasury Cash Pool	\$1,760,582	\$17,083
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$41,621	\$36,455
Notes Receivable	\$1,580,929	\$1,675,462
Total Assets	\$6,476,866	\$5,880,350
Liabilities		
Accounts Payable and Suspense	\$6,498	\$206
Loan Funds Disbursed	\$2,356,775	\$2,454,220
Unrecoverable Loan Principal	(\$775,846)	(\$777,945)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$4,037,363	\$4,203,869
Undisbursed Investment Income	\$0	\$0
Undisbursed Market Value Adjustment	\$0	\$0
Undisbursed Note Interest	\$0	\$0
Undisbursed Grant Funds	\$852,076	\$0
Total Liabilities & Fund Balance	\$6,476,866	\$5,880,350

Statement of Revenues and Expenses

	June 30, 2021	June 30, 2022
Revenue		
Fees	\$1,720	\$0
Investment Income	\$74,937	\$109,293
MV Adjustment *	(\$613,293)	\$199,358
Loan Interest Income	\$53,503	\$38,322
Accrued Interest	\$0	\$0
Other Income	\$3,817	\$1,782
Total Revenue	(\$479,316)	\$348,755
Expenses		
Misc. Expense	\$0	\$0
Advertising	\$0	\$0
Promotion	\$0	\$0
Postage	\$7	\$0
Printing	\$0	\$0
Insurance Expense	\$0	\$0
Conferences/Meetings	\$0	\$140
Contributions, Membership Expenses	\$0	\$0
Professional Fees	\$42,512	\$63,212
Travel	\$0	\$0
Telephone	\$0	\$0
Grant Expense	\$108,726	\$0
Legal Expenses – Projects	\$307	(\$9)
Interfund Transfer	\$0	\$0
Total Expenses	\$151,545	\$63,343
Net Surplus (Deficit) before Provision for Loan Losses	(\$630,861)	\$63,343
Notes written off	\$0	\$2,098
Net Income Surplus / (Deficit)	(\$680,861)	\$283,314

COMMITTEES

AMLF Eligibility Review Committee

Craig Lapine

Director, Maine Bureau of Agriculture,
Food, and Rural Resources

Maine Department of Agriculture,
Conservation & Forestry

Claire Hawkins

Director, Natural Resource Markets &
Economic Development

Maine Department of Agriculture,
Conservation & Forestry

Michelle Webb

Director, Agricultural Resource
Development Division

Maine Department of Agriculture,
Conservation & Forestry

Mariam Taleb

AMLF Program Administrator, Farm
Viability and Farmland Protection
Specialist

Maine Department of Agriculture,
Conservation & Forestry

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

Molly Comerford Gerencer

Coastal Enterprises, Inc. (CEI)

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
Bar Harbor Bank & Trust
Bath Savings Institution
Eastern Maine Development
Corporation
Farm Credit East, ACA
Finance Authority of Maine
First Citizens Bank

First National Bank of Bar Harbor
Katahdin Trust Company
Key Bank National Association
Kennebunk Savings Bank
Kingfield Savings Bank
Lewiston Economic Growth Council
Maine Rural Development Authority
Norway Savings Bank
TD Bank

STAFF

Department of Agriculture, Conservation and Forestry

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Maine 04333-0028
(207) 287-3871

Amanda E. Beal, Commissioner
Randy Charette, Deputy Commissioner
Nancy McBrady, Deputy Commissioner
Craig Lapine, Director, Bureau of Agriculture, Food and Rural Resources (BAFRR)
Michelle Webb, Director, BAFRR Agricultural Resource Development Division
Mariam Taleb, Program Administrator, Farm Viability and Farmland Protection Specialist,
BAFRR Agricultural Resource Development

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

5 Community Drive, P. O. Box 949 Augusta,
Maine 04332-0949
(207) 623-3263

Carlos Mello, Chief Executive Officer
Jennifer Cummings, Director of Business
Kim Getchell, Senior Commercial Loan
Officer
Jay Beck, Program Manager, Commercial
Loan Officer
Matthew Lindquist, Commercial Loan
Officer
Karen Kunesh, Commercial Workout Officer
Abel Auclair, Collections Coordinator

Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Ellen Curtiss, Credit Analyst
Commercial Loan Assistants
Kathy Clary
Laurie Garrison
Nicholle Morse
Danielle Otis
Michelle MacKenzie