

THE AGRICULTURAL MARKETING LOAN FUND

ANNUAL REPORT FISCAL YEAR 2020



Amanda E. Beal
Commissioner

Randy Charette
Deputy Commissioner

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JANET T. MILLS
GOVERNOR

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

AMANDA E. BEAL
COMMISSIONER

COMMISSIONER'S LETTER

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

The Agricultural Marketing Loan Fund (AMLF) is administered within the Bureau of Agriculture by our Director of the 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. Beginning farmers who have been in commercial operation for at least two years may access AMLF financing at a reduced interest rate (2% instead of the standard 5%) as they complete the competitive Maine Farms for the Future business planning and investment support program.

Increased capital investment in Maine agriculture is a critical element for the growth of the Maine economy. Using funds returned to AMLF as interest payments, the department has instituted the Agricultural Development Grant Program to provide incentive funding for innovation production and marketing investments. The Department has historically supported this grant effort with a \$250,000 annual commitment, which represents a significant state investment in the future of Maine's agricultural community. In 2019, however, an appeal of the Department's selection decision resulted in the voiding of awarded grants. Because funds were not expended in 2019, the Department rolled the 2019 allocation over to 2020 to award \$500,000 in grants that benefited 11 agricultural entities.

During the 2020 fiscal year, the AMLF loan fund was instrumental in meeting the capital project needs of one farm. Utilization of the loan component of this program has been waning for the past decade, which may be attributed to access to lower interest rate loans elsewhere. One possible means of improving loan utilization could be adjustment of the standard 5% interest rate in an effort to provide a more desirable offering that is competitive with currently low commercial rates. Further analysis of the potential impact of lowering the AMLF interest rate on the portfolio, as well as overall fund sustainability, is required.

It is the goal of the Department to refine its strategy for sustaining and promoting these important programs in 2021.

Respectfully submitted,

Amanda E. Beal

Amanda E. Beal
Commissioner

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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 was authorized in 2007 for an additional \$1 million 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 for the construction or improvement of commodity and storage, packing and marketing facilities, along with the acquisition and installation of state-of-the-art equipment. The program participates 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.

Over the years, AMLF has helped finance 132 projects that have leveraged a total of \$26,191,940 in investments in Maine's agricultural infrastructure. In particular, \$12.2 million has been through AMLF-financed loans, which leveraged \$9.0 million in additional lender financing and nearly \$5.0 million in borrower equity. These AMLF loans are complementary to the lending landscape in Maine, as AMLF has a higher risk tolerance than some traditional lenders.

Since program inception, the agricultural industry sectors with the highest loan volumes have been dairy (\$2,138,214); potato (\$2,311,555); agricultural services (\$1,726,261); and crops sectors (\$2,951,892). Also, it should be noted that the AMLF loans provided to the potato industry have been largely used for equipment purchases and not for storage construction, a loan purpose that has primarily been satisfied through the separate Potato Marketing Improvement Fund loan program.

AMLF's decreased loan activity has led the Department to begin reviewing the scope and impact of the program. For instance, in 2010, 12 AMLF loans were activated, whereas only one was activated in 2020. DACF is currently moving through a process of evaluation regarding the sustainability and impact of the AMLF program. We look forward to reporting back to the Legislature on this effort and any proposed changes in the coming year.

AMLF FUND

AMLF provides a low-cost source of financing to assist Maine-based companies involved in aquaculture and agricultural enterprises to employ new technologies and innovative processes. Financing from this fund may be used for new or existing facilities, improvements to land, buildings, vessels, as well as to purchase or retrofit machinery and equipment that help to improve the quality and marketability of Maine produced, processed, and marketed products. Financing by the AMLF may not be used for working capital, refinancing, or non-project related expenses. If any project costs are incurred prior to an application, the prospective borrower may request a waiver, which is then reviewed and approved or denied by the Commissioner. Funds are minimally available during the construction phase of the project. Typically, they are committed before construction begins and used for permanent take-out financing after the construction phase of the project is complete.

Eligible Applicant:

Any individual or entity engaged in an agricultural or aquaculture enterprise based in Maine is eligible to apply for financing under the Agricultural Marketing Loan Fund.

Use of Proceeds:

Building or land acquisition and improvements, construction or expansion, and the purchase and installation of equipment, docks, wharves, piers, and vessels.

Application Process:

Application to the AMLF program is a two-step process. The prospective borrower must describe their project and provide information about their use of funds to request a determination of eligibility from the Department. If deemed eligible, the Commissioner issues a Letter of Eligibility to the prospective borrower providing them with three months to submit their application and supporting financial information to the Finance Authority of Maine (FAME).

Loan Size:

Borrowers may apply for up to 75% of the project cost if the project exceeds \$100,000, and up to 90% of the project cost if the project is less than \$100,000. The maximum loan under the AMLF is \$250,000.

Interest Rates:

Loans from AMLF will be made at an interest rate of 5% fixed; however, participants who successfully complete the Maine Farms for the Future Program may apply for a reduced interest rate of 2%.

Fees & Other Expenses:

A 1% origination fee will be charged on AMLF loans of \$100,000 or more. The borrower is responsible for all closing costs, including legal expenses.

Repayment Terms:

Loan repayment terms will vary to reflect the useful life of the assets being financed.

AMLF LOAN ACTIVITY IN FY20

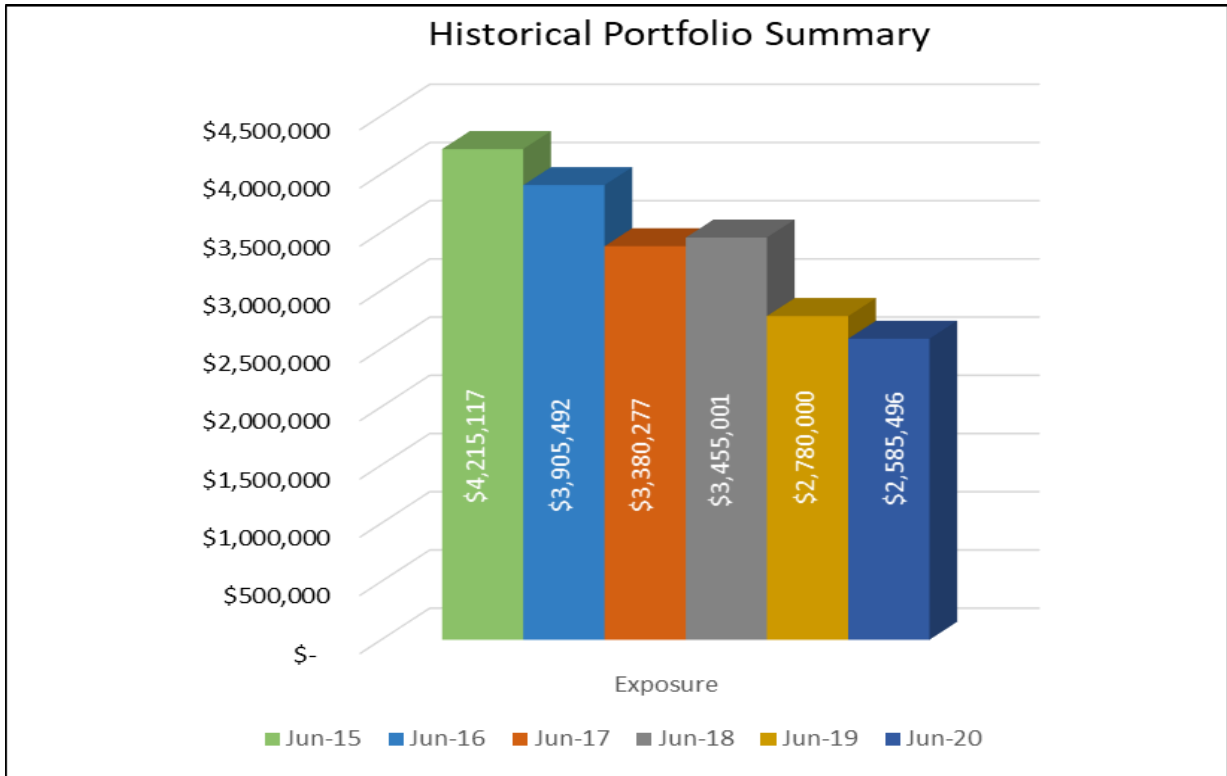
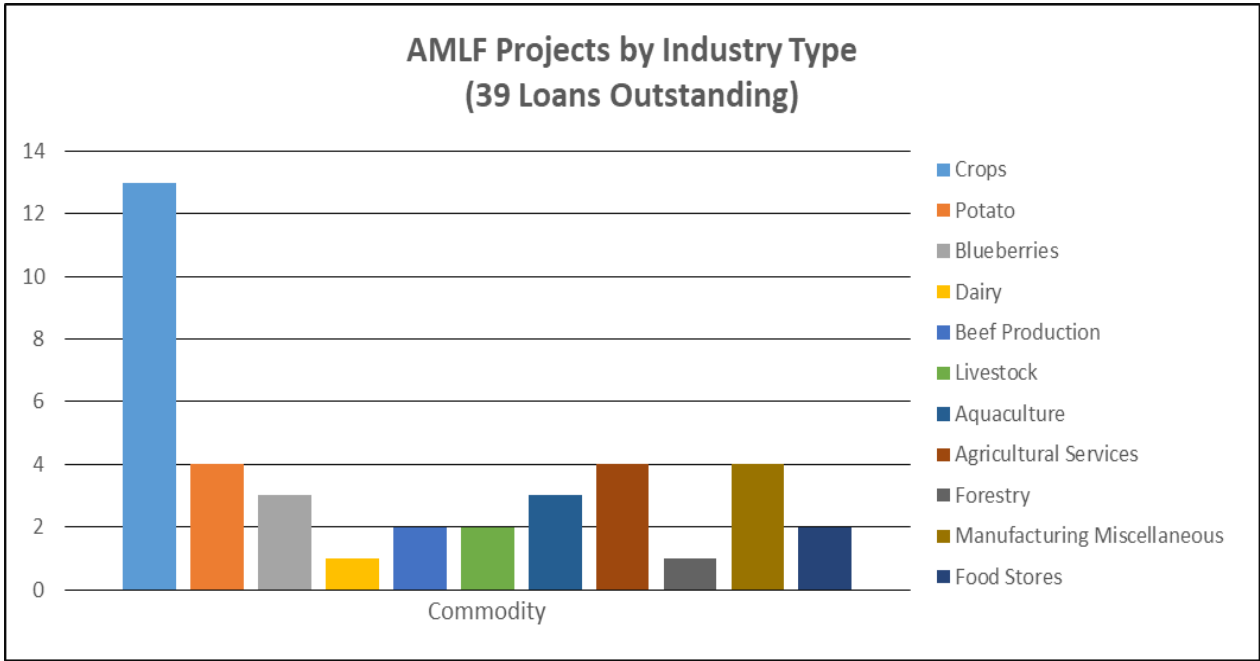
Transactions Closed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Yarmouth	\$47,906	\$0	\$4,791	\$43,115	Purchase oyster growing and processing equipment

AMLF LOANS PENDING AND COMMITTED IN FY20

Transactions Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					



DEVELOPMENT GRANT PROGRAM

The Commissioner of Agriculture, Conservation and Forestry may use the interest from the loan fund to support farmers and farm organizations through the Agricultural Development Grant Program (ADG). Projects that promote market promotion, market research and new technology demonstration and adoption, and that benefit agricultural, aquacultural, and natural resource-based businesses in Maine, are invited to apply on an annual basis or as funds are available.

AMLF GRANT ACTIVITY IN FY20

11 Agricultural Development Grants and **3 Special Commissioner Awards** were approved for funding this past fiscal year (totaling \$551,236).

Grantee: Aroostook Hops, LLC (Westfield, ME)

Amount Awarded: \$50,000.00

Project title: Expanding Maine hops production by increasing Aroostook Hops processing and harvesting facility

Grantee: Blue Barn LLC dba Bluet (Scarborough, ME)

Amount Awarded: \$47,500.00

Project title: Bluet Maine Wild Blueberry Sparkling Wine: Expanding the market, benefiting growers, building an industry

Grantee: Daybreak Growers Alliance (Knox, ME)

Amount Awarded: \$49,739.96

Project title: Increasing Daybreak Growers Alliance capacity to respond to consumer demand for customized CSA delivery program

Grantee: Maine Cap N Stem LLC (Gardiner, ME)

Amount Awarded: \$48,000.00

Project title: Competitive mushroom substrate development project

Grantee: Maine Rice Project

Amount Awarded: \$15,458.00

Project title: Introducing and optimizing novel small-scale grain hullers and transplanters

Grantee: New Roots Cooperative Farm (Lewiston, ME)

Amount Awarded: \$30,000.00

Project title: Scaling up wholesale & direct retail

Grantee: Atlantic Sea Farms (Saco, ME)

Amount Awarded: \$50,000.00

Project title: Increasing production capabilities to meet demand, and increase supply for sea vegetable products

Grantee: Somali Bantu Community Association of Maine (Liberation Farms, Lewiston, ME)

Amount Awarded: \$39,976.00

Project title: Expanding with resiliencies: Increasing market access for refugee farmers while mitigating climate change

Grantee: Springtide Organics, LLC (Gouldsboro, ME)

Amount Awarded: \$50,000.00

Project title: Development of innovative processing methods and analysis for farmed seaweed crops in Maine

Grantee: University of Maine System (Orono, ME)

Amount of Award: \$49,455.00

Project title: Development of nutrient-loaded biochar pellets using Maine's biomass waste to improve wild blueberry production

Grantee: Wild Blueberry Commission (Orono, ME)

Amount of Award: \$45,608.00

Project title: Increasing market connectivity for Maine's Wild Blueberry growers and processors by leveraging information technology.

SPECIAL COMMISSIONER AWARDS

DACF Rule Chapter 33 governing Agricultural Development Grants provides the Commissioner the ability to award Special Projects. (001 DACF c. 33 § VI). The objectives of Special Projects are to implement short-term applied research to effectively resolve unexpected technical problems and/or to test new marketing or production technologies that may immediately affect the production, storage, processing and/or distribution of State agricultural products. Special Projects are supported through Agricultural Development Grant funds. In 2020, the Commissioner funded the following Special Projects.

Grantee: Maine Farmland Trust (Belfast, ME)

Amount of Award: \$30,000.00

Project title: Advancing the Maine Artisanal Cheese Industry through Marketing and Technical Assistance

Grantee: Maine Grain Alliance (Skowhegan, ME)

Amount of Award: \$30,000.00

Project title: Re-graining Maine: Increasing the seed supply of well-suited grain varieties to commercially viable quantities

Grantee: Maine Organic Milk Producers

Amount of Award: \$15,500.00

Project title: Maine Organic Milk Processing Project

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/20

Balance Sheet	FY19 June 30, 2019	FY20 June 30, 2019
<u>ASSETS</u>		
Investments - Custody Account	\$3,000,745	\$1,142,855
Investments - Market Value Adjustment	(\$4,301)	\$36,505
Investments - State Treasury Cash Pool	\$1,000,782	\$3,146,835
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$37,279	\$40,190
Notes Receivable	<u>\$2,780,000</u>	<u>\$2,585,496</u>
Total Assets	\$6,814,506	\$6,951,880
<u>Liabilities</u>		
Accounts Payable	\$2,191	\$9,076
Loan Funds Disbursed	\$3,367,470	\$3,172,965
Unrecoverable Loan Principal	(\$587,469)	(\$587,469)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$3,010,338	\$3,157,488
Undisbursed Investment Income	\$70,909	\$84,752
Undisbursed Market Value Adjustment	(\$4,301)	\$36,505
Undisbursed Note Interest	\$157,439	\$120,000
Undisbursed Grant Funds	<u>\$797,930</u>	<u>\$958,563</u>
Total Liabilities & Fund Balance	\$6,814,506	\$6,951,880
 Statement of Revenues and Expenses		
	June 30, 2019	June 30, 2020
<u>Revenue</u>		
Origination Fees	\$6,694	\$1,711
Investment Income	\$120,445	\$118,818
Loan Interest Income	\$120,160	\$79,811
Accrued Interest	(\$387)	\$2,911
Total Revenue	\$246,912	\$203,250
<u>Expenses</u>		
Misc. Expense	\$101	\$0
Advertising	\$253	\$0
Promotion	\$335	\$1,621
Postage	\$0	\$0
Printing		\$6
Insurance Expense	\$0	\$0
Conferences/Meetings	\$0	\$160
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$42,512	\$42,512
Travel	\$82	\$100
Telephone	\$13	\$0
Grant Expense	\$107,002	\$30,436
Legal	<u>(\$19,875)</u>	<u>\$4,667</u>
Total Expenses	\$130,423	\$79,502
Provisions for losses on notes receivable	\$0	\$0
Notes writtten off	\$152,427	\$0
Net Income	(\$35,938)	\$123,749

COMMITTEES

AMLF Eligibility Review Committee

Steve Belyea, Engineer
Potato Specialist

**Gary Anderson, Animal and
Biosciences Specialist**
University of Maine Cooperative
Extension

Ann Gibbs, State Horticulturist
Maine Department of Agriculture,
Conservation and Forestry

**Alex Fouliard, Farming for
Wholesale Project Manager**
Maine Farmland Trust

Credit Review Committee: Reviews Project Financial Feasibility

Brian Flewelling
KeyBank National Association,
Presque Isle

Sean Cameron
Bangor Savings Bank, Rumford

Chad Place
Camden National Bank, Camden

Scott Peasley
Machias Savings Bank, Machias

Greg Fuller
Machias Savings Bank, Bangor

Lucia A. Brown
Farm Service Agency, Bangor

PARTICIPATING LENDERS

Androscoggin Valley Council of Governments	KeyBank National Association
Bar Harbor Bank & Trust	Kennebunk Savings Bank
Bath Savings Institution	Kingfield Savings Bank
Eastern Maine Development Corporation	Lewiston Economic Growth Council
Farm Credit East, ACA	Maine Rural Development Authority
Finance Authority of Maine	Norway Savings Bank
First Citizens Bank	TD Bank
First National Bank of Bar Harbor	
Katahdin Trust Company	

STAFF

Department of Agriculture, Conservation and Forestry

State House Station 28
Augusta, Maine 04333-0028
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Amanda E. Beal, Commissioner
Nancy McBrady, Director, Bureau of Agriculture, Food and Rural Resources (BAFRR)
Leigh Hallett, Director, BAFRR Agricultural Resource Development
Yvette Meunier, Promotional Coordinator, BAFRR Agricultural Resource Development

ADMINISTRATIVE CONTRACTOR

Finance Authority of Maine

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

Bruce E. Wagner, Chief Executive Officer (retired 1/21)
Charles Emmons, Director of Commercial Lending
Carlos Mello, Chief Risk Officer (Acting CEO)
Jennifer Cummings, Director of Business Programs
Scott Weber, Senior Credit Officer
Jeff Murch, Credit Analyst
Ellen Curtiss, Credit Analyst
Roxanne Broughton, Commercial Loan Officer
Matthew Lindquist, Commercial Loan Officer
Karen Kunesh, Commercial Loan and Workout Officer
Kim Getchell, Commercial Loan Officer
Kathy Clary, Commercial Loan Assistant
Michelle MacKenzie, Commercial Loan Assistant
Laurie Garrison, Commercial Loan Assistant
Abel Auclair, Commercial Loan Assistant