

# THE AGRICULTURAL MARKETING LOAN FUND

## ANNUAL REPORT FISCAL YEAR 2021



Amanda E. Beal  
Commissioner

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STATE OF MAINE  
DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY  
OFFICE OF THE COMMISSIONER  
22 STATE HOUSE STATION  
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 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, Food and Rural Resources's 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 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 operates the Agricultural Development Grant (ADG) Program to fund innovative production and marketing investments. Historically, the Department has supported this grant effort with a \$250,000 annual commitment. In 2021, the Department awarded six grants for a total of \$248,757.

During the 2021 fiscal year, no loans were closed within the AMLF loan fund. 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. As described in this annual report, the Department put forward legislation (L.D. 219) during the 2<sup>nd</sup> session of the 130<sup>th</sup> Legislature, which is still underway, to modernize and enhance the AMLF program, including lowering the interest rate. In addition, the legislation proposed establishing the ADG as a stand-alone grant program with a separate dedicated funding stream.

Prior to pursuing changes to the AMLF and ADG, the Department undertook efforts to assess the current funding landscape and assess opportunities for agricultural investment in Maine. In Spring 2021, the Heritage Industry Infrastructure Survey (conducted in collaboration with the Department of Marine Resources and the Department of Economic and Community Development) indicated that, while farmers currently prioritize grant funding opportunities above all others, loans remain a critical source of capital.

DACF also partnered with the University of Maine School of Economics to conduct an economic impact assessment focused on a series of agricultural infrastructure investment scenarios. Based on current production levels for Maine meat, dairy, grain, and fruits and vegetables, there is a significant opportunity to expand in-state processing capacity and meet increased consumer demand for local products. The study indicates that targeted infrastructure investments in these industries could support, including multiplier effects, an estimated 1,367 Maine jobs, \$321 million in annual statewide sales revenue, and \$62 million in labor income per year. Ensuring

access to capital, like AMLF, for infrastructure projects should remain a central component of Maine's economic strategy for food and agriculture.

The Department is hopeful that L.D. 219 is passed by the 130<sup>th</sup> Legislature. It is the goal of the Department to grow, sustain, and enhance these important programs in 2022 and beyond.

Respectfully submitted,

*Amanda E. Beal*

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 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.

	<b>FY 1998-2020</b>	<b>FY 2021</b>	<b>Total</b>
<b>Number of Projects</b>	132	0	132
<b>AMLF Financing</b>	\$12,247,382	\$0	\$12,247,382
<b>Lender Financing</b>	\$ 9,039,376	\$0	\$ 9,039,376
<b>Equity</b>	\$ 4,905,182	\$0	\$ 4,905,182
<b>Total Investments</b>	\$26,191,940	\$0	\$26,191,940

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 FY2010, 12 AMLF loans were activated, whereas only one was activated in FY2020 and none in FY2021. As a result of this stagnation, the Department examined the AMLF and the Agricultural Development Grant Program (ADG) in a manner that focused on stakeholder financial needs and compatibility within Maine's funding landscape. The Department held a roundtable discussion on

August 12, 2021, with several financial lending experts in Maine to solicit ideas about improving the AMLF to refine its scope, maximize its impact, and complement the current mix of agriculture-specific financial instruments in Maine.

Roundtable findings indicated that, while the AMLF remains relevant, it is not competitive or sustainable as currently structured. To make the AMLF a more competitive offering, participants suggested lowering its interest rates, expanding the fund's scope to match current needs, and reevaluating aspects that may pose barriers for prospective borrowers (e.g., contribution requirements). Decoupling the AMLF and the ADG and establishing a new independent and permanent funding stream for the ADG was also recommended as the most productive path forward. These suggestions were ultimately incorporated into L.D. 219.

## **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:**

Proceeds may be used for 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 FY21**

**Transactions Closed:**

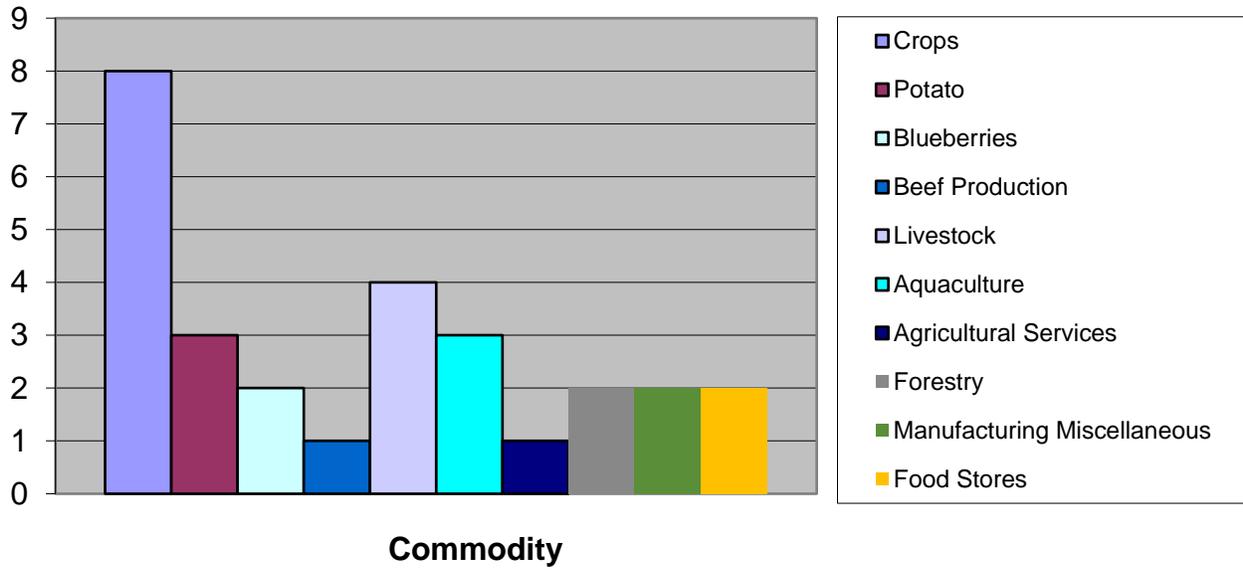
Location	Project Cost	Bank	Equity	AMLF	Project Type
NONE					

**AMLF LOANS PENDING AND COMMITTED IN FY21**

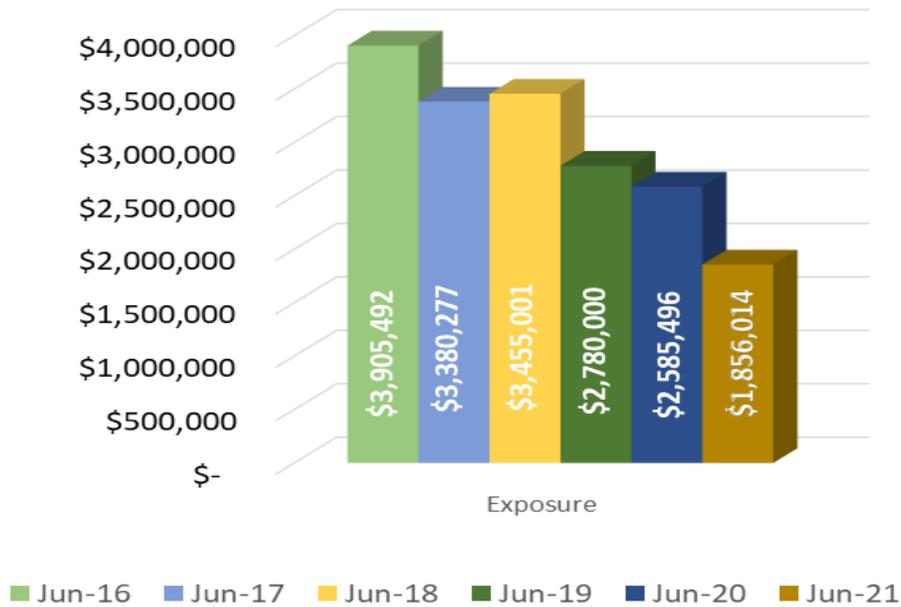
**Transactions Committed:**

Location	Project Cost	Bank	Equity	AMLF	Project Type
Sanford	\$94,950	\$9,950	\$0	\$85,000	Financing for construction of new hay barn
Newcastle	\$266,370	\$0	\$94,370	\$172,000	Construction of new Greenhouse and purchase of Equipment

## AMLF Projects by Industry Type (28 Loans Outstanding)



## Historical Portfolio Summary



## **AGRICULTURAL 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, aquaculture, and natural resource-based businesses in Maine, are invited to apply on an annual basis or as funds are available.

### **AMLF GRANT ACTIVITY IN FY21**

Agricultural Development Grants were approved for funding this past fiscal year (totaling \$248,757)

Grantee: Crystal Springs Community Farm (Brunswick, ME)

Amount Awarded: \$32,770.00

Project title: Expanding Access to Cold Storage, Wholesale Packaging, and Distribution Networks for Maine Farms

Grantee: Maine Aquaculture Innovation Center (Walpole, ME)

Amount Awarded: \$36,000.00

Project title: Enhancement of Business Development Services for Improved Sustainability and Profitability of Maine Aquaculture Producers

Grantee: Maine Cheese Guild (Sidney, ME)

Amount Awarded: \$30,000.00

Project title: Development of Industry Assessment to Identify Improved Opportunities for Maine Cheesemakers

Grantee: Maine Farmland Trust (Belfast, ME)

Amount Awarded: \$49,987.00

Project title: Business of Farming: Helping Farmers Access New Markets and Build Resilience to Market Fluctuations

Grantee: Maine Grains Skowhegan, ME)

Amount Awarded: \$50,000.00

Project title: Maine Grains, Inc. Expansion to Add Baking Mixes and Easy-to-Prepare Local Grains

Grantee: Thirty Acre Farm (Bremen, ME)

Amount Awarded: \$50,000.00

Project title: Thirty Acre Farm Demonstration of COBOTIC (Robot Assisted) Filling and Capping Operations

## **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 FY2021, there were no Special Projects funded.

# FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING 6/30/21

Balance Sheet	FY20	FY21
	June 30, 2020	June 30, 2021
<b>ASSETS</b>		
Investments - Custody Account	\$1,142,855	\$2,231,002
Investments - Market Value	\$36,505	\$588,655
Investments - State Treasury Cash Pool	\$3,146,835	\$2,364,587
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$40,190	\$65,052
Notes Receivable	\$2,585,496	\$1,856,014
<b>Total Assets</b>	<b>\$6,951,880</b>	<b>\$7,105,310</b>
<b>Liabilities</b>		
Accounts Payable and Suspense	\$9,076	\$4,081
Loan Funds Disbursed	\$3172965	\$2,631,861
Unrecoverable Loan Principal	(\$587,469)	(\$775,846)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$3,157,488	\$4,600,444
Undisbursed Investment Income	\$84,752	\$0
Undisbursed Market Value Adjustment	\$36,505	\$0
Undisbursed Note Interest	\$120,000	\$0
Undisbursed Grant Funds	\$958,563	\$644,770
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$6,951,880</b>	<b>\$7,105,310</b>
<b>Statement of Revenues and Expenses</b>		
	June 30, 2020	June 30, 2021
<b>Revenue</b>		
Fees	\$1,711	\$2,703
Investment Income	\$118,818	\$58,526
MV Adjustment	\$36,505	\$552,150
Loan Interest Income	\$79,811	\$92,943
Accrued Interest	\$2,911	\$0
<b>Total Revenue</b>	<b>\$203,250</b>	<b>\$706,321</b>
<b>Expenses</b>		
Misc. Expense	\$0	\$0
Advertising	\$0	\$0
Promotion	\$1,621	\$0
Postage	\$0	\$7
Printing	\$6	\$0
Insurance Expense	\$0	\$0
Conferences/Meetings	\$160	\$0
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$42,512	\$40,212
Travel	\$100	\$0
Telephone	\$0	\$0
Grant Expense	\$30,436	\$313,793
Legal Expenses - Projects	\$4,667	\$5,508
Interfund Transfer		\$346,801
<b>Total Expenses</b>	<b>\$79,502</b>	<b>\$706,321</b>

Provisions for losses on notes receivable	\$0	\$0
Notes written off	\$0	\$188,377
<b>Net Income</b>	<b>\$123,749</b>	<b>\$158,424</b>

## 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  
(207) 287-3871

**Amanda E. Beal**, Commissioner

**Nancy McBrady**, Director, Bureau of Agriculture, Food and Rural Resources (BAFRR)

**Leigh Hallett**, Director, 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)

**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 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