

**THE  
AGRICULTURAL MARKETING  
LOAN FUND  
ANNUAL REPORT  
FISCAL YEAR 2022**



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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 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 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%) 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 dwindled, funding for the ADG was negatively impacted. To remedy this, the 130<sup>th</sup> 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 contained therein 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 report covers activity in AMLF and ADG with the previously existing statutory framework.

As the sector evolves in response to a changing climate, exploring the breadth of PFAS contamination, and increasingly consolidated markets, 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 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 to construct or improve 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 1998-2021</b>	<b>FY 2022</b>	<b>Total</b>
<b>Number of Projects</b>	135	2	137
<b>AMLF Financing</b>	\$12,444,458	\$257,000	\$12,701,458
<b>Lender Financing</b>	\$ 12,376,151	\$9,950	\$ 12,386,101
<b>Equity</b>	\$ 4,797,193	\$94,370	\$ 4,891,563,
<b>Total Investments</b>	\$29,617,802	\$361,320	\$29,979,122

Over the years, AMLF has helped finance 137 projects that have leveraged a total of \$29,979,122 in investments in Maine’s agricultural infrastructure. In particular, \$12.7 million has been through AMLF-financed loans, which leveraged \$12.3 million in additional lender financing and nearly \$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); agricultural services (\$1,726,261); and crops sectors (\$3,123,892). 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.

As noted above, the use of AMLF dropped significantly due to the prevalence of low-interest rates available from other lenders in recent years. 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 the Agricultural Development Grant Program (ADG) to focus 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. Changes developed through public feedback and internal Department analysis were incorporated in LD 219 and adopted by the 130<sup>th</sup> Legislature. The revisions adopted via LD 219 include 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 acquisition of land and infrastructure for startup businesses, energy efficiency upgrades and investments, refinancing of existing debt used to secure eligible expenses, water source development, and climate change mitigation projects.
- Doubling the maximum loan size from \$100,000 to \$200,000.
- 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 FUND**

AMLF provides a low-cost source of financing to assist Maine-based companies involved in aquaculture and agricultural enterprises in employing new technologies and innovative processes. Financing from this fund may be used for new or existing facilities, improvements to land, buildings, and 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 before an application, the prospective borrower may request a waiver, which is 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 project's construction phase is complete. Note: the changes adopted via LD 219 were implemented after the conclusion of FY 2022. The details on program construction and delivery below reflect the statute and rules in place throughout the reporting period though they have since changed. Future changes will be reflected in reports starting in FY 2023.

### **Eligible Applicant:**

Any individual or entity engaged in an agricultural or aquaculture enterprise based in Maine can 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. Prospective borrowers describe their project and provide information about their proposed 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 giving them three months to submit their application and supporting financial information to the Finance Authority of Maine (FAME).

**Loan Rates, Terms, Amounts, and Fees:**

- The interest rate charged shall be a fixed rate of 5%. Applicants who received business plan investment support through Maine Farms for the Future shall receive an interest rate of 2%.
- The loan term shall not exceed 30 years and reflect the useful life of the financed assets.
- AMLF loan proceeds may be used to fund not more than 90% of total project costs where the total project cost exceeds \$200,000 and may be used to fund no more than 90% of total project costs where the total project cost is \$100,000 or less.
- Applicants must demonstrate a commitment of private funds of at least 5% of the total eligible project costs.
- The maximum principal amount of any one AMLF loan to any applicant may not exceed \$250,000, except as follows: (a) AMLF loans for land acquisition for the start-up of a new agricultural enterprise shall not exceed \$100,000; and (b) AMLF loans to agricultural enterprises primarily engaged in direct marketing and being funded from the amounts reserved under Section III (K)(5) are limited to \$100,000.
- One percent of the AMLF loan amount shall be paid to the Department at closing as an administrative fee on any loan exceeding \$100,000.

**AMLF LOAN ACTIVITY IN FY22**

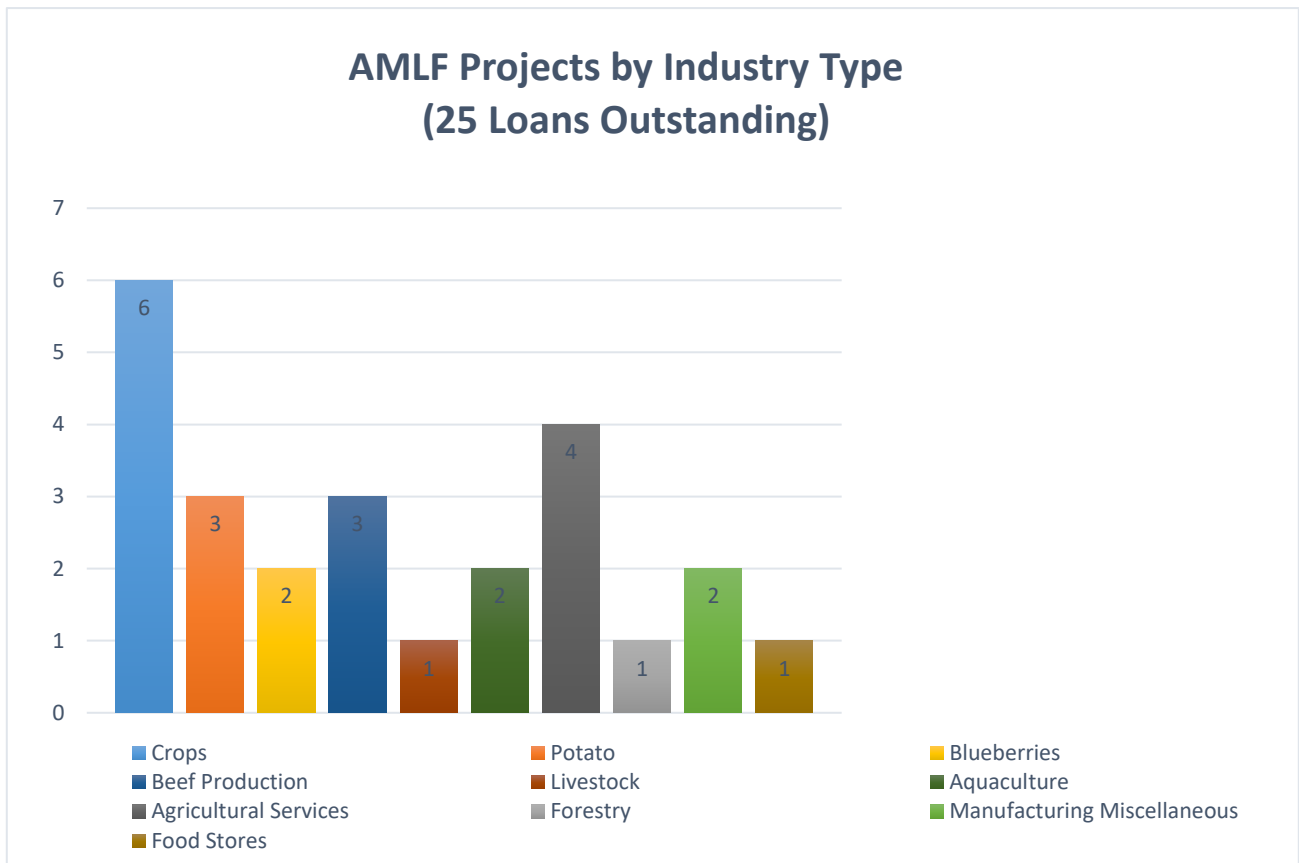
**Transactions Closed:**

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

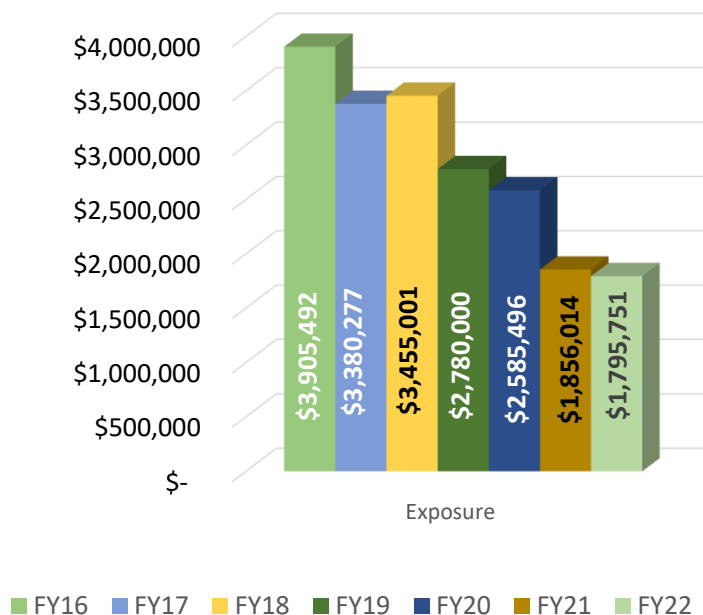
# AMLF LOANS PENDING AND COMMITTED IN FY22

## Transactions Committed:

Location	Project Cost	Bank	Equity	AMLF	Project Type
Bowdoinham	\$477,839	\$132,500	\$95,339	\$250,000	Purchase Real Estate



### Historical Portfolio Summary



## AGRICULTURAL DEVELOPMENT GRANT PROGRAM

The Commissioner of Agriculture, Conservation & 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 annually or as funds are available.

## AMLF GRANT ACTIVITY IN FY22

The Department did not offer Agricultural Development Grants in FY2022. LD 219 bifurcated ADG from the AMLF program. In doing so, a new ADG fund was created, and the legislature provided one-time funding. Also transferred to the fund was the existing ADG balance with the AMLF program. The Department will update its ADG rules due to LD 219’s changes and assess the schedule for issuing grants over the next five years.



## FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING 6/30/22

<b>Balance Sheet</b>	<b>FY21 June 30, 2021</b>	<b>FY22 June 30, 2022</b>
<b>ASSETS</b>		
Investments - Custody Account	\$2,231,002	\$3,118,372
Investments - Market Value Gain/(Loss)	\$588,655	(\$24,638)
Investments - State Treasury Cash Pool	\$2,364,587	\$1,760,582
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$65,052	\$41,621
Notes Receivable	\$1,856,014,	\$1,580,929
<b>Total Assets</b>	<b>\$7,105,310</b>	<b>\$6,476,866</b>
<b>Liabilities</b>		
Accounts Payable and Suspense	\$4,081	\$6,498
Loan Funds Disbursed	\$2,631,861	\$2,356,775
Unrecoverable Loan Principal	(\$775,846)	(\$775,846)
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$4,600,444	\$4,037,363
Undisbursed Investment Income	\$0	\$0
Undisbursed Market Value Adjustment	\$0	\$0
Undisbursed Note Interest	\$0	\$0
Undisbursed Grant Funds	\$644,770	\$852,076
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$7,105,310</b>	<b>\$6,476,866</b>
<b>Statement of Revenues and Expenses</b>		
	<b>June 30, 2021</b>	<b>June 30, 2022</b>
<b>Revenue</b>		
Fees	\$2,703	\$1,720
Investment Income	\$58,526	\$74,937
MV Adjustment *	\$552,150	(\$613,293)
Loan Interest Income	\$92,943	\$53,503
Accrued Interest	\$0	\$0
Other Income	\$0	\$3,817
<b>Total Revenue</b>	<b>\$706,322</b>	<b>(\$479,316)</b>
<b>Expenses</b>		
Misc. Expense	\$0	\$0
Advertising	\$0	\$0
Promotion	\$0	\$0
Postage	\$7	\$0
Printing	\$0	\$0
Insurance Expense	\$0	\$0
Conferences/Meetings	\$0	\$0
Contributions, Membership Expenses	\$0	\$0
Professional Fees	\$40,212	\$42,512
Travel	\$0	\$0
Telephone	\$0	\$0
Grant Expense	\$313,793	\$108,726
Legal Expenses – Projects	\$5,508	\$307
Interfund Transfer	\$0	\$0
<b>Total Expenses</b>	<b>\$359,520</b>	<b>\$151,545</b>
Provisions for losses on notes receivable	\$346,801	(\$630,861)
Notes written off	(\$188,377)	\$0
<b>Net Income Surplus / (Deficit)</b>	<b>\$158,424</b>	<b>(\$630,861)</b>

## COMMITTEES

### *AMLF Eligibility Review Committee*

**Craig Lapine**

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

Maine Department of Agriculture,  
Conservation & Forestry

**Michelle Webb**

Director, Agricultural Resource  
Development Division

Maine Department of Agriculture,  
Conservation & Forestry

**Claire Hawkins**

Director, Natural Resource  
Markets & Economic Development

Maine Department of Agriculture,  
Conservation & Forestry

**Alex Redfield**

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**  
State House Station 28  
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**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  
**Alex Redfield**, 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 Programs  
**Roxanne Broughton**, Commercial  
Loan Officer  
**Matthew Lindquist**, Commercial Loan  
Officer  
**Kim Getchell**, Commercial Loan Officer  
**Karen Kunesh**, Commercial Workout  
Officer  
**Scott Weber**, Senior Credit Officer

**Jeff Murch**, Credit Analyst  
**Ellen Curtiss**, Credit Analyst  
**Kathy Clary**, Commercial Loan  
Assistant  
**Michelle MacKenzie**, Commercial Loan  
Assistant  
**Laurie Garrison**, Commercial Loan  
Assistant  
**Abel Auclair**, Commercial Loan  
Assistant