



MARBIDCO
growing rural ventures™

FY 2015 Annual Report



Photo Courtesy of The DeBerry Family, Garrett County

**Maryland Agricultural and Resource-Based
Industry Development Corporation**

*Helping Sustain Agricultural and Rural Business
for Future Generations*

From MARBIDCO Board Chair & Executive Director:

As we come to the end of our eighth year, we are proud of the many successes agricultural businesses in Maryland have had with MARBIDCO's support. Since MARBIDCO's founding in 2007, MARBIDCO has made investments in almost 323 agricultural and rural businesses totaling over \$28 million. We have collaborated with 18 banks and four local government revolving loan funds, with a leverage of over \$63 million in bank financing, and helped 156 young or beginning farmers with all types of enterprises, in addition to financing 118 farm value-added processing projects.

MARBIDCO's most popular program continued to be the Maryland Resource-Based Industry Financing Fund (the "MRBIFF Program"), an offering that makes available low-cost loan capital, working in partnership with commercial banks and the Farm Credit System. Through the MRBIFF Program, MARBIDCO has been able to help a sizable number of agricultural enterprises to diversify or expand their operations, including the revitalization of a livestock auction, the expansion of a forest products operation, and several creamery and poultry house construction projects, not to mention many young and beginning farmer first-time farm land purchases.

Moreover, MARBIDCO's innovative two aquaculture programs, the Maryland Shellfish Aquaculture Financing Fund and the Remote Setting Shellfish Aquaculture Loan Fund, continue to be successful. Working in collaboration with DNR Fisheries Service and University of Maryland Extension and using a combination of State and Federal funds, these programs help watermen and others who wish to transition from wild oyster harvesting to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays, as well as to start or maintain oyster growing nursery operations. We have approved 65 shellfish aquaculture loans so far, with millions more oysters now filtering Maryland's estuaries.

Additionally, this year MARBIDCO was able to award our first Urban Agriculture Commercial Lending Incentive Grant thanks to matching support from MidAtlantic Farm Credit. The purpose of the Maryland Urban Agriculture Commercial Lending Incentive Grant Program is to provide an inducement for beginning and expanding urban farmers to seek commercial lender financing for the development of their food production enterprises that are located in cities and towns. The award of this grant brings MARBIDCO's cumulative assistance tally to projects located in 23 counties across the State of Maryland.

MARBIDCO remains committed to supporting the sustainability and profitability of Maryland's agricultural, forestry and seafood industries, while at the same time helping to ensure the viability of the rural working landscape that we have come to cherish in this State. We see more opportunities in the future to simultaneously aid both resource-based business as well as the environment. We will continue to work closely with our State agency partners: MDA, DNR, DBED, MEA, RMC, MFCA and UME, as well as our allied rural business organizations and commercial lenders in the private sector, to make our financial assistance and other services available to those that need them.

Finally, we wish to thank Governor Larry Hogan and the Maryland General Assembly for the State's support, allowing us to continue to offer nearly a dozen financing programs. We invite you to learn more about our services and programs, and to join us on the journey towards sustaining a vibrant rural heritage in Maryland that produces an abundance of high quality food and fiber products!

Sarah O'Herron
Chair

Stephen McHenry
Executive Director

About MARBIDCO:

Our Vision:

MARBIDCO expects to play a vital role in helping Maryland's food and fiber producers and processors, and other resource-based businesses to innovate and thrive, both now and well into the future. By working collaboratively with its public and private sector partners, MARBIDCO will be the "go to" place in Maryland to obtain rural business development assistance, including help with accessing capital and credit, business planning information and referral, and rural working lands preservation.

Our Mission:

To help Maryland's farm, forestry, seafood and related rural businesses achieve profitability through the provision of targeted services and a specialized financing infrastructure that helps retain existing resource-based industry production and commerce, promotes rural entrepreneurship, and nurtures emerging industries.

MARBIDCO Offers:

Assistance in securing capital and credit, especially for innovative or value-added activities;

Rural business planning information and technical assistance referral;

Rural land acquisition assistance (especially help for young and beginning farmers); and

Rural working land preservation facilitation (as a financial intermediary).

MARBIDCO's programming falls into three broad categories:

- **Core Rural Business Development.** Several loan and grant incentive financing programs meet key agricultural, forestry, or seafood business investment needs. Loans can be used for land purchases, facilities construction or renovation, equipment acquisition or working capital and often leverage commercial lender funds. Loans range from \$10,000 to \$400,000 and must be fully collateralized. Grant incentive programs help producers with partial matching funds for processing projects, and provide local governments with matching economic development cost share funds for agricultural development projects.
- **Rural Land Preservation Facilitation.** These financing opportunities are offered in conjunction with other State and local agencies, with MARBIDCO serving as a conduit financing agent. This includes an "installment purchase agreements" program with the Maryland Agricultural Land Preservation Foundation to assist with purchasing agricultural land conservation easements.
- **Higher Risk Specialty Lending.** These loan programs are funded by partnering organizations for targeted purposes, such as the Maryland Shellfish Aquaculture Financing Fund Program, and the Rural Business Energy Efficiency Loan Program, which is offered with the support of the various federal, State, and private philanthropic funds.

MARBIDCO Board of Directors

Mr. Greg Cole

Director
Financing Programs
Maryland Dept. of Business & Economic Development
Representing Maryland Dept. of Business & Econ. Dev. (Ex Officio)

Dr. Donald Darnall

Executive Director
Maryland Food Center Authority
Representing Maryland Food Center Authority (Ex Officio)

Ms. Charlotte Davis

Executive Director
Rural Maryland Council
Representing Rural Maryland Council (Ex Officio)

Dr. Faith Elliott-Rossing

(Chair 6/30/14-1/1/15)
Director of Community Affairs, QAC TV, Tourism and Public Information
Queen Anne's County
Representing Rural Economic Development or Ag Marketing

Mr. John Jastrzembski

Professor of Forestry
Allegany College of Maryland
Representing Timber and Forest Products Industry

Ms. Megan Keyes

Business Manager
Keyes Creamery
Representing Agricultural Producers II

Mr. Aden A. King

Principal
King Partners
Representing Commercial Seafood Harvesting and Processing Industry

Dr. Howard Leathers

Associate Professor & Undergrad Coordinator
Dept. of Agricultural & Resource Economics
Representing Public Finance

Dr. Douglas Lipton

Senior Research Economist
National Marine Fisheries Service National Oceanic and Atmospheric Administration (NOAA)
Representing Aquaculture Industry

Mr. S. Patrick McMillan

Assistant Secretary
Maryland Department of Agriculture
Representing Maryland Department of Agriculture (Ex Officio)

Ms. Sarah J. O'Herron

(Chair 1/1/15-6/30/15)
Owner
Black Ankle Vineyards
Representing Commercial Food or Fiber Processing

Mr. Wayne Richard

Area Lending Manager
MidAtlantic Farm Credit
Representing Commercial Lending Institutions

Ms. Pamela Saul

Owner
Farm & Equine Business Services, LLC
Representing Ag, Forestry or Seafood; or Economic Development

Ms. Emily Wilson

Director of Land Acquisition and Planning
Maryland Department of Natural Resources
Representing Maryland Department of Natural Resources (Ex Officio)

Mr. Charles M. Wright

Owner
Wright's Market
Representing Agricultural Producers I

Dr. Stephen Wright

Clinical Professor, Associate Dean & Associate Director
University of Maryland Extension (UME)
Representing University of Maryland Extension (Ex Officio)

Pictured at right: The MARBIDCO Board of Directors hard at work during a recent meeting at the MARBIDCO offices in Annapolis.



Rural Business Development: Loan Programs

[Maryland Resource-Based Industry Financing Fund \(MRBIFF\)](#) offers low-interest (3.25% APR initially) loans to Ag/RBI-industry firms for the purchase of land and capital equipment for production and processing activities. The maximum loan amount is \$200,000 for acquisition of equipment and fixed assets, and \$400,000 for real estate purchases, food/meat processing and bioenergy projects, and \$600,000 for large-scale food/fiber processing projects of \$2.5 million and up. MARBIDCO provides up to 50% of financing needed for a project, and a commercial lender and/or a public instrumentality must also have an equal financial commitment in any transaction. MRBIFF is MARBIDCO's most popular lending program.

[Rural Business Equipment and Working Capital Loan Fund](#) offers low-interest (5% APR) loans to Ag/RBI-industry firms and producers for working capital and equipment purchases. The maximum loan amount is \$75,000. A referral from a commercial lender is required. Certain eligibility restrictions may also apply if federal funds are being used.

[Maryland Vineyard Planting Loan Fund \(now includes financing for tree fruit and orchards and hop yards\)](#) The Vineyard Planting Loan Fund has been established by MARBIDCO to help meet the unique financing needs of Maryland's rural landowners wanting to plant grapes and develop wineries. Vines typically take 3 years to produce their first commercial crop, with additional years to reach full maturity. Also eligible for financing under this program is the planting of tree fruit orchards or hop yards. The program makes available low-interest loans of \$10,000 to \$100,000 to qualified applicants. A major aim of this program is to increase the acreage of viable commercial vineyards and tree fruit orchards in Maryland. Another objective of this program is to complement the financial services offered by private commercial lenders by helping to make rural enterprise financing both available and affordable.

[Forestry Equipment and Working Capital Loan Fund](#) offers low-interest (4-10% APR, depending on the level of credit and collateral risk) loans to Maryland's forest products businesses for working capital and equipment purchases. The maximum loan amount is \$150,000. A referral from a commercial lender is required. In a special effort to better serve the forest products industry in Maryland, MARBIDCO utilizes slightly more liberal underwriting guidelines than normal for making loans under this program.

[Agricultural Cooperatives Equity Investment Fund](#) provides a portion of the capital investment needed by cooperatives that do not have the necessary equity available to obtain the commercial financing that typically is required during the period that business operations are beginning or significantly expanding. The maximum amount of equity funding that MARBIDCO can provide to an individual cooperative is \$100,000 in any single year. Equity contributions made to co-ops by MARBIDCO will be offered in the form of preferred stock, with a dividend paid annually beginning in the third year of business operation. After about the seventh year of a cooperative's operation, the equity investment will be callable, at which time a lump sum principal repayment will be due, or alternatively, a loan note agreement must be entered into with MARBIDCO with a near market-rate interest charge. The financial participation of a unit of federal, state or local government is also usually required for any cooperative that receives an equity investment from MARBIDCO.

Rural Business Development: Specialty Loan Programs

Maryland Shellfish (Oyster) Aquaculture Financing Fund (working in collaboration with DNR and UME and using a combination of State and Federal funds), helps commercial watermen (and other entrepreneurs) who wish to transition from wild oyster harvesting to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays (which as a by-product will also contribute to enhancing estuarine water quality). Eligible projects include commercial aquaculture enterprises with feasible oyster or shellfish production and business plans. The loan proceeds can be used to purchase shell, seed, spat or equipment (depending on the source of funds). The borrower makes interest-only payments for the first three years while the oysters are growing to market size. After that, if borrowers have been consistent in making their quarterly payments, some of the principal balance will be forgiven and borrowers will fully repay the remaining amount of the loan over two years at a slightly higher interest rate. These loans are unsecured and only the personal guarantees of the borrowers and/or businesses are required (although the loss of a DNR shellfish aquaculture lease is also at risk).

Rural Business Energy Efficiency Improvement Loan Fund (working in collaboration with MEA using special funds) offers low-interest (4% APR) "micro" loans for energy efficiency projects undertaken by food and fiber producers and processors implementing the recommendations of a third-party energy auditor. The minimum loan amount is \$2,500 and the maximum loan amount is \$30,000. A grant incentive of 10% of the loan amount is now available to help borrowers reduce the expense. Loan advances may not exceed the cost of actually making the improvements minus any grant incentive funding received for a project. A credit score of at least 650 is required with no bankruptcies filed within the last seven years. Loans made under this program are unsecured and only the personal guarantees of the borrowers and/or businesses are required. Loans will be fully amortized with terms not exceeding the anticipated savings payback period with at least 1.0 to 1.0 ratio on the annual energy savings payback. A copy of an energy audit or an ag energy management plan report (or an energy savings confirmation letter) provided by a qualified third-party energy consultant is required to be submitted with the application.

Remote Setting Shellfish Aquaculture Loan Fund (working in collaboration with DNR) provides affordable financing to commercial watermen who want to start or expand shellfish remote setting aquaculture operations. Remote Setting is a process for growers to produce seed oysters for aquaculture cost-effectively. The grower purchases larvae from a hatchery and places it in a tank containing cultch for the larvae to set on. Larvae are circulated through the tank to keep them in suspension while they cement themselves to the cultch and begin growing as spat. Spat on shell setting systems consist of a tank, pump, piping and valves, and a blower to provide low pressure air to circulate larvae during setting. A heater may be required during early or late season setting. Cultch-less setting systems are smaller and contain microchips, or small ground shell pieces, and are used to produce seed for contained aquaculture systems such as cages or floats. These are operated as downweller systems and require a pump, piping and valves, and blower. The University of Maryland Extension (UME) is also contributing to this effort by providing training and business planning assistance to current and prospective shellfish growers. Information on setting system design and operation, as well as training in their use and business planning assistance, is available from University of Maryland Extension. Eligible Expenses: items related to commercial remote setting aquaculture projects, with approved business plans, to raise oysters or clams in Maryland. These include the following equipment items: seed (larvae), shell (substrate), tanks, pumps, blower, valves and tank heaters. Minimum/Maximum Loan Amounts: \$5,000 to \$30,000. Loan Terms: \$5,000 - \$15,000 (5 years); and \$15,001 - \$30,000 (6 years) - with the first year interest-only. Loan Interest Rate: 5% APR. Loan Application Fee: None. Security: Cash Collateral of 15% is needed (and can be financed).

MARBIDCO Loan Making Activity in FY 2015

In FY 2015, MARBIDCO made 20 loans (including Shellfish Aquaculture loans) totaling over \$4.5 million. MARBIDCO also helped 14 farmers with land purchases totaling about \$3.9

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Loan Amount</u>
Brewing, Distilling, & Hops -1 Loan	Montgomery	\$ 125,000
Forestry - 1 Loan	Garrett	\$ 40,000
Forestry - 1 Loan	Prince George's	\$ 325,000
Grain & Row Crops - 2 Loans	Caroline	\$ 307,500
Grain & Row Crops - 1 Loan	Talbot	\$ 305,000
Greenhouse/Nursery - 1 Loan	Caroline	\$ 210,000
Poultry - 2 Loans	Caroline	\$ 600,000
Poultry - 1 Loan	Dorchester	\$ 100,000
Poultry- 1 Loan	Queen Anne's	\$ 400,000
Poultry - 5 Loans	Wicomico	\$ 1,333,000
Poultry - 1 Loan	Worcester	\$ 225,000
Shellfish Aquaculture - 1 Loan	Anne Arundel	\$ 30,000
Shellfish Aquaculture - 1 Loan	St. Mary's	\$ 100,000
Vegetable & Specialty Crops - 1 Loan	Charles	\$ 400,000
	Total	\$ 4,500,500



Pictured above left: Using the logger and bucksaw at Red Rock Enterprises, LLC, in Garrett County (2015 Forestry Equipment and Working Capital Loan Program recipient).



Pictured at right: Watering the crops at Shlagel Farms in Charles County (2015 MRBIFF Loan Program recipient).

Rural Business Development: Grant Programs

Maryland Value-Added Producer Matching Grant Program (MVAPMG) encourages participation in the USDA's annual and highly competitive Value-Added Producer Grant Program (VAPG). To be eligible for funding under the MARBIDCO program, the applicant must also be eligible under the USDA program and funds will be awarded up to 15% of the matching requirement to those who actually receive the USDA award. The USDA program requires a 100% financial matching commitment and each application for the USDA VAPG program must include a "verification of matching funds". The USDA VAPG Program offers a maximum award of \$75,000 for a planning grant and \$200,000 for a working capital grant.

Local Government Ag/RBI Project Cost Share Program is designed to lend support to local and regional rural business development efforts that substantially support Maryland's farming, forestry, or seafood industries. MARBIDCO's participation cannot exceed that of a unit of local government or rural regional development council. (The only exception to this funding limitation is in a "One Maryland" designated jurisdiction, which may qualify for up to 200% of a county's contribution.) The maximum matching grant is normally \$10,000.

Maryland Value-Added Producer Grant – Capital Assets Option Program (MVAPG – CAO) is designed to encourage farms and other businesses wanting to expand or diversify their operations to purchase new equipment or to construct facilities so that they can increase sales and job opportunities for rural and urban-edge residents in Maryland. Eligible applicants must be a crop or livestock producer or processor, agricultural cooperative, seafood processor, or primary or secondary timber products processor, and have been in business for a minimum of two years. In addition, applicants must be making a product that is "value-added." MVAPG funds and matching funds must be used for projects that are defined as capital assets by MARBIDCO and that have a useful life of seven years or more. The match required from the rural business must be at least equal the amount requested from MARBIDCO.

Maryland Urban Agriculture Commercial Lending Incentive Grant Program, offered with the financial support of Farm Credit, is designed to meet the financing needs of beginning urban farmers by providing an incentive for them to seek commercial lender financing for the development of their agricultural enterprises. The maximum amount of the grant is \$7,500, calculated at no more than 20% of the project's total cost and no more than 25% of the amount of the approved commercial loan for the project. (The minimum grant amount is \$1,000, with an approved commercial loan of at least \$4,000.) The participation of a commercial bank, Farm Credit Association or FSA in providing project financing is required.

Rural Land Preservation Facilitation Programs:

The Installment Purchase Agreements Program, working in conjunction with State and local farmland preservation agencies, enables the purchasing of easements on agricultural properties using tax-advantaged financial arrangements structured to benefit both landowners and the participating units of government. There are two types of IPAs – "self-funded" (which have been offered by MARBIDCO on behalf of the Maryland Agricultural Land Preservation Foundation), and "leveraged" (which MARBIDCO is developing in partnership with individual county governments).

The Next Generation Aggie Bonds/Option IPAs Program is offered in partnership with participating county governments in Maryland. MARBIDCO is able to work with county governments to utilize Next Generation "Aggie Bonds" (taxable or tax exempt private activity bonds that help first-time farmers purchase farmland) to assist these counties with their critical farms and rural land preservation programs. Using Aggie Bonds or Option IPAs, MARBIDCO facilitates a link with the county government, commercial lender or bond-buyer together with the farm seller and farm buyer to enable a farm property transfer to take place while preserving the farm land from future non-agricultural development.

MARBIDCO Grant Making Activity in FY 2015

Maryland Value Added Producer Grant - Capital Assets Option Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vineyard/Winery	Prince George's	\$ 15,000
Vineyard/Winery	Frederick	\$ 15,000
Tree Farm	Frederick	\$ 1,810
Vineyard/Winery	Frederick	\$ 15,000
Sheep/Wool	Talbot	\$ 9,250
Orchard	Caroline	\$ 3,000
Poultry/Produce	Worcester	\$ 5,000
Apple Orchard	Montgomery	\$ 15,000
Vineyard/Winery	Prince George's	\$ 11,650
Herb/Livestock	Washington	\$ 15,000
Total Maryland Value Added Producer Grant-CAO Program Awarded:		\$105,710

Local Government Ag/RBI Project Cost Share Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Beef/Large Animal	Howard	\$ 8,000
Meat Processing	Cecil	\$ 1,906
Pasture Hogs	Howard	\$ 2,300
Total Local Government Agricultural/RBI Cost Share Grants Awarded:		\$ 12,206

Maryland Urban Agriculture Commercial Lending Incentive Grant

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Urban Vegetable Farming	Baltimore City	\$ 7,500
Total Local Urban Ag Commercial Lending Incentive Grants Awarded:		\$ 7,500

Maryland Value Added Producer Matching Grant USDA Option Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Organic Produce	Baltimore	\$ 7,499
Vineyard/Winery	Frederick	\$ 16,956
Total MD Value Added Producer Matching Grant USDA Program Awarded:		\$ 24,455

Special Ag Development Activity

<u>Activity Assisted</u>	<u>Grant Amount</u>
Video Series-Maryland Public Television	\$ 35,000
Maryland Grain Producers (Special One-Time Grant)	\$ 41,000
Total Special Ag Development Activity Awarded:	\$ 76,000

Spotlight: Local Government Ag/RBI Cost Share Program

MARBIDCO strives for a close working relationship with local and regional economic development offices and recognizes the important role that these offices can play in fostering the retention and growth of Maryland's agricultural and resource-based industries. To lend support to local rural business development efforts, MARBIDCO established a Local Government Ag/RBI Cost Share Program to assist local officials with activities that support the development of Maryland's agricultural industries and thereby help promote local economies and preserve working farm and forest land.

By taking part in MARBIDCO's Cost Share Program, Howard County Economic Development Authority has been better able to serve their local farm businesses several times over the last few years. Howard County's Agricultural Development Manager, Kathy Zimmerman, recently said, "Utilizing MARBIDCO's matching grant has allowed the Agricultural Program of Howard County to fund several more Agricultural Innovation Grants for our farms by providing significant leverage to the money we offer." With the help of this program, Ms. Zimmerman notes that Howard County has been able to double the number of innovation grants they provide each year to county farmers.

In 2015, MARBIDCO awarded matching cost share funds to Howard County to assist two local farms...Clark's Elioak Farm, LLC and Heritage Hills Farm. At the Clark Farm, Nora Crist, one of Howard County's young farmers, utilized the grant to develop a grass-fed grazing operation for her hogs and bought a freezer to store meat at the on-farm market. Keith Ohlinger of Heritage Hills Farm utilized his grant to help purchase a compost turner that he uses to make compost more effectively. Mr. Ohlinger has a grass-fed beef, sheep, swine, turkey and chicken operation where he "mob grazes" his animals.

For MARBIDCO to participate in any economic development cost share project with a unit of local government, the following criteria must be met:

- MARBIDCO will consider a project cost-share request from a local or regional economic development office if the project fits within MARBIDCO's statutorily established economic development profile.
- Any project or activity funded by MARBIDCO must assist in some fashion Maryland's farming, forestry, or seafood industries.
- If a project directly benefits an individual farmer or rural business owner, then the farmer or business owner must be willing to make a financial contribution to help support the implementation of the project.

Ms. Zimmerman adds, "The Local Government Ag/RBI Cost Share Program is one of the best programs I have encountered to encourage farmers to think outside of the box and develop new agricultural enterprises."



Pictured at left: The new on-farm meat freezer at Clark's Elioak Farm. Above: Heritage Hills' compost turner. Both items were made possible with matching grants from Howard County Economic Development Authority and MARBIDCO's Local Government Ag/RBI Cost Share Program.

Project Financing Review Committees

The three Project Financing Review Committees play one of the most important roles at MARBIDCO. These committees have the demanding task of reviewing and approving applications for financial assistance (including grants as well as loans). Although the Board of Directors often has the final say in how and when MARBIDCO funds get distributed to qualified applicants, the Board relies heavily upon the recommendations of these panels of experts. The MARBIDCO Loan Review Committee, the MVAPG-CAO Grant Review Committee, and the Maryland Shellfish Aquaculture Financing Fund Review Committee are comprised of individuals from MDA, UME, DBED, DNR, local government, and the private sector. MARBIDCO would like to recognize the following individuals for their exemplary service and generous commitment of time and talent on one or more of our Project Financing Review Committees this past year:

Mr. Pete Alexander

Retired District Manager
Glatfelter Pulp Wood Company

Mr. Greg Bowen

Director
SMADC, Maryland Farmlink

Mr. Joseph Chisholm

Poultry Farmer & Vice President
(retired)
Mercantile Peninsula Bank

Mr. Gregory Cole

Director
Office of Finance Programs
Maryland Department of
Business & Economic
Development

Ms. Charlotte Davis

Executive Director
Rural Maryland Council

Ms. Shannon Dill

Talbot County Extension
Director
University of Maryland
Extension

Ms. Karen Fedor

Sr. Ag Marketing Specialist –
Specialty Crops
Maryland Department of
Agriculture

Ms. Stacy Kubofcik

Tax Specialist
Office of Finance Programs
Maryland Department of
Business & Economic
Development

Mr. S. Patrick McMillan

Assistant Secretary
Maryland Department of
Agriculture

Mr. Matt Parker

Aquaculture Business Specialist
University of Maryland
Extension

Ms. Sarah O’Herron

Owner
Black Ankle Vineyards

Mr. Dan Rider

Forest Stewardship & Utilization
Program Manager
Maryland Department of
Natural Resources Forest Service

Mr. Karl Roscher

Assistant Director, Aquaculture
Maryland Department of
Natural Resources Fisheries
Service

Ms. Pamela Saul

Owner
Farm & Equine Business
Services, LLC

2015 Commercial Lender Leverage Amounts

In FY 2015, MARBIDCO lent more than \$4 million (in conjunction with commercial banks, Farm Credit Associations, and the USDA Farm Service Agency) to 17 Maryland Resource-Based Industry Financing Fund (MRBIF) borrowers and one Urban Agriculture Commercial Lending Incentive (UACLIG) grantee. This enabled MARBIDCO to leverage more than \$16.4 million in commercial lender funds, resulting in a more than 4-to-1 leverage ratio.

Borrower Type	MARBIDCO Program	MARBIDCO Loan or Grant Amount	Commercial Lender Loan Amount
Poultry	MRBIF	\$400,000	\$870,000
Poultry	MRBIF	\$225,000	\$2,332,750
Poultry	MRBIF	\$200,000	\$1,318,000
Poultry	MRBIF	\$200,000	\$465,000
Grain	MRBIF	\$305,000	\$305,000
Poultry	MRBIF	\$100,000	\$1,506,180
Poultry	MRBIF	\$400,000	\$1,967,000
Poultry	MRBIF	\$200,000	\$437,500
Poultry	MRBIF	\$333,000	\$1,040,000
Grain	MRBIF	\$157,500	\$157,500
Poultry	MRBIF	\$400,000	\$3,723,875
Brewery	MRBIF	\$125,000	\$275,000
Grain	MRBIF	\$150,000	\$350,000
Nursery	MRBIF	\$210,000	\$210,000
Vegetable	UACLIG	\$7,500	\$267,500
Vegetable	MRBIF	\$400,000	\$595,000
Poultry	MRBIF	<u>\$200,000</u>	<u>\$651,250</u>
TOTALS		\$4,013,000	\$16,471,555



Pictured at left: MARBIDCO Loan Officer Linda Arnold meets with referring lender MidAtlantic Farm Credit Loan Officer Jim Newcomb and the Bramble Family to close a recent MRBIF Program loan. The Brambles have a poultry operation in Dorchester County.

Referring Lender Profile:

Tim Sargent, Loan Officer, MidAtlantic Farm Credit



MARBIDCO's relationship with referring lenders is at the heart of our most popular core program, the Maryland Resource-Based Industry Financing Fund (MRBIFF). We work closely with commercial loan officers, cooperative extension agents, local economic development officers, and other rural business service providers who then refer borrowers to us that they feel might benefit from MARBIDCO's programs. Tim Sargent, a long-time Loan Officer for MidAtlantic Farm Credit (MAFC), Salisbury Office, has worked closely with MARBIDCO since we first opened our doors, collaborating on 17 project loans over the course of the last eight years.

Tim, a native of upstate New York who has worked for major commercial banks since 1974, eventually moved to Maryland's Eastern Shore in 1982. In 1991, Tim began working for MAFC, where he acquired extensive knowledge of agricultural lending. Upon learning of MARBIDCO's programs, Tim saw the benefits and opportunities of making loan requests work out for all concerned...MAFC, borrowers, and MARBIDCO. Tim says, "(The MRBIFF Program) allows us to present loan packages on behalf of applicants who are beginning or young farmers, and who are often minorities, that wouldn't necessarily have family-provided assistance for funding the project loan requests."

He further notes, "Agribusiness deals for the MRBIFF Program in the area where I live (the lower Eastern Shore), are heavily into cash grain and poultry farming. Both categories of farming are capital intensive, particularly the poultry industry where an initial investment for a single house and equipment may cost more than \$300,000 (excluding real estate)." He continues, "With MARBIDCO's assistance, MAFC is better able to provide financial packages that would otherwise not meet MAFC underwriting guideline ratios for capital/ leverage or loan capacity repayment."

Regarding new loan applicants, Tim says MAFC can collaborate with MARBIDCO and also offer its popular Start Right program, adding, "In the beginning years of MAFC's Start Right loan relationship, flexibility in interest rates and loan structuring helps meet our underwriting guideline ratios. Coupling Start Right with MARBIDCO provides additional flexibility with debt repayment (debt coverage), but more importantly in the applicant's leverage position. For example, MARBIDCO loans are priced competitively to assist with making loan payments affordable, a very important factor when helping a beginning farmer."

Tim goes on to describe some of the backgrounds of some of his new applicants (young and beginning farmers) as non-traditional farmers, and first generation Americans, saying that they are generally independent-minded individuals with a strong desire to have their own entrepreneurial businesses. He adds that many of these applicants who legally immigrated to the United States initially worked in transitional jobs found in metropolitan communities, and they need a certain type of credit assistance to take the next step in elevating their work careers. Tim says, "It is fairly common that new customers may have an agrarian background acquired in their home countries. Coupled with a strong desire to re-establish their close family ties, relocation to our area has provided them the opportunity to realize their goals, including starting their own businesses." Tim says he gets the opportunity to work with many farmers who are just beginning to get their feet off the ground and are learning about the industry. He adds, "This is really exciting for Farm Credit because we get to build relationships with these new farmers and watch their operations grow over the years." In 2014, MAFC had 3,102 borrowers that were classified as 'beginning' and 2,012 borrowers classified as 'young' located throughout its five-state territory, including Maryland.

Tim concludes that working with MARBIDCO allows MidAtlantic Farm Credit staff to work with applicants and put together viable credit packages that would not be feasible for MAFC to offer otherwise. He adds, "I would recommend to any agricultural lender that they check out what MARBIDCO can offer to help get those 'tight deals' done, especially when it comes to helping young and beginning farmers."

We at MARBIDCO thank Tim for all he's done to help Eastern Shore agriculture grow!

MARBIDCO FY 2015 Statement of Net Position*

June 30, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 3,214,443	\$ 1,433,202
Investments	\$ 937,352	\$ 1,940,658
Accounts Receivable	\$ 2,000	\$ 139,155
Current portion of loans receivable	\$ 1,389,269	\$ 990,489
Accrued interest receivable	\$ 126,007	\$ 96,646
Other Assets	\$ 4,892	\$ 245
Noncurrent Assets:		
Restricted investment	\$ 762,377	\$ 762,377
Loans receivable, net of current portion and Allowance of \$1,264,866 and \$1,407,468 for 2015 and 2014, respectively	\$ 14,393,818	\$ 12,859,170
Real estate owned	\$ -	\$ 50,000
Capital assets, net	<u>\$ 34,405</u>	<u>\$ 17,826</u>
Total Assets	\$ 20,864,563	\$ 18,289,768
Liabilities		
Current Liabilities:		
Accrued expenses	\$ 51,714	\$ 44,184
Noncurrent Liabilities:		
Long-term debt	\$ 762,377	\$ 762,377
Other liabilities	<u>\$ 8,360</u>	<u>\$ 9,160</u>
Total Liabilities	\$ 822,451	\$ 815,721
Net Position		
Invested in capital assets, net	\$ 34,405	\$ 17,826
Unrestricted	<u>\$ 20,007,707</u>	<u>\$ 17,456,221</u>
Total Net Position	\$ 20,042,112	\$ 17,474,047
Total Liabilities and Net Position	\$ 20,864,563	\$ 18,289,768

* From Audited Financial Statements

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MARBIDCO Rural Business Investments in 2015

FY 2015 Loan Programs	Applicants	Loan Amounts	Status
Maryland Resource-Based Industry Financing Fund Loan	13	\$3,005,500	Settled
Maryland Resource-Based Industry Financing Fund Loan	3	\$1,000,000	Approved
Forestry Equipment and Working Capital Loan Fund	2	\$365,000	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	2	\$130,000	Settled
Total Loan Applications Settled or Approved	20	\$4,500,500	
Total Completed Loan Applications Withdrawn	5	\$1,099,500	
Total All Loan Applications	25	\$5,600,000	
Percent of Loan Applications Settled or Approved	80%		

FY 2015 Rural Business Incentive Grants	Applicants	Grant Amounts	Status
Local Government Ag/RBI Cost Share Program	3	\$12,206	Settled
Maryland Value-Added Producer Grant – Capital Assets Option	10	\$105,710	Approved
Maryland Value-Added Producer Matching Grant	2	\$24,455	Approved
Maryland Urban Agriculture Commercial Lending Incentive Grant	1	\$7,500	Settled
Special One-Time Grant	1	\$35,000	Settled
Special One-Time Grant	1	\$41,000	Approved
Total Grant Applications Approved or Settled	18	\$225,871	
Total Grant Applications Denied	1	\$2,818	
Total All Grant Applications	19	\$228,689	
Percent of Grant Applications Approved or Settled	95%		



Pictured at left:
 MARBIDCO was once again a proud sponsor of the acclaimed MPT series *Maryland Farm & Harvest*.
 Pictured center:
 MARBIDCO Board and staff members join *MF&H* host Joanne Clendining at MPT's fall premiere.

Revenue and Expenses*

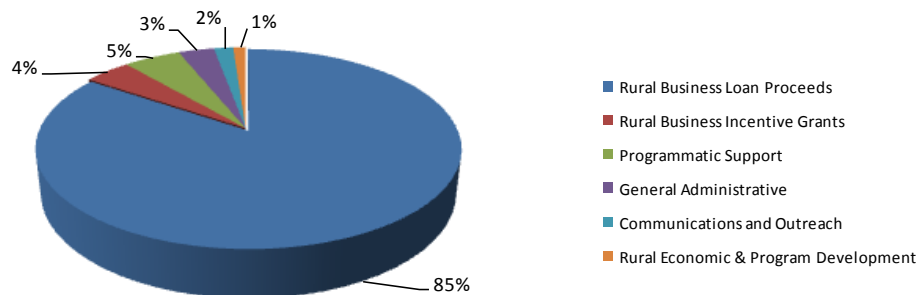
June 30, 2015 and 2014

	Year Ended	Year Ended
Income	<u>June 30, 2015</u>	<u>June 30, 2014</u>
State appropriation	\$ 2,875,000	\$ 2,875,000
Interest income	\$ 491	\$ 1,682
Tenant Improvement refund	\$ 18,072	\$ 0
Interest income on loans receivable	\$ 595,587	\$ 474,300
Program revenue	\$ 32,923	\$ 26,065
Federal/State grants	\$ 129,600	\$ 797,235
Expenses		
Grants	\$ (143,006)	\$ (174,512)
Administrative	\$ (204,826)	\$ (162,031)
Salaries & benefits	\$ (393,996)	\$ (360,238)
Depreciation expense	\$ (5,381)	\$ (5,627)
Loss on disposal of asset	\$ (300)	\$ (800)
Provision for Loan Losses/Loan Forgiveness	\$ (336,099)	\$ (439,607)
Change in Net Assets	\$ 2,568,065	\$ 3,031,467
Net Position, Beginning of Year	\$ 17,474,047	\$ 14,442,580
Net Position, End of Year	\$ 20,042,112	\$ 17,474,047

* From Audited Financial Statements

FY 2015 MARBIDCO EXPENDITURES, BY CATEGORY

Rural Business Loan Proceeds	\$ 4,500,500
Rural Business Incentive Grants	\$ 225,871
Programmatic Support	\$ 275,485
General Administrative	\$ 173,472
Communications and Outreach	\$ 93,192
Rural Economic & Program Development	<u>\$ 59,417</u>
Total	\$ 5,327,937

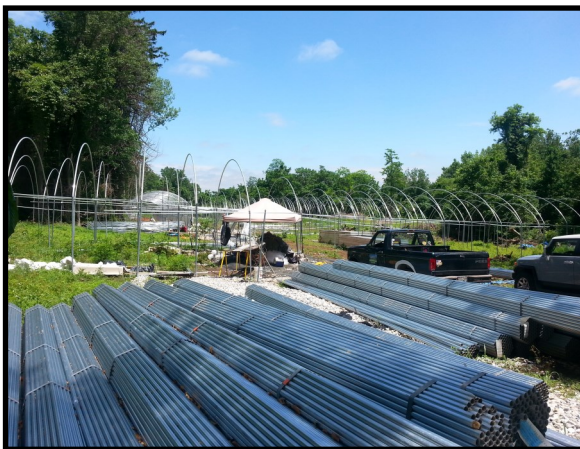


Big City Farms: MARBIDCO's First Urban Ag Grant Recipient

MARBIDCO's new Maryland Urban Agriculture Commercial Lending Incentive Grant ("MUACLIG") Program is designed to meet part of the financial challenges faced by urban farmers, by providing them with an incentive to seek commercial lender financing for the development of their food production enterprises that are located within cities and towns. This incentive program provides a grant up to 20% of the agricultural project cost, but not more than 25% of the amount of the participating bank's commercial loan. MARBIDCO's first recipient of this incentive grant is Big City Farms, located in Baltimore City.

According to its website, Big City Farms is "building a network of urban farms that create good jobs for worker-owners, transform neighborhoods by improving vacant and blighted urban land, and produce ultra-local, organically grown, healthy food using sustainable biological growing methods." Big City Farms grows all of its produce in "hoop houses", moveable structures that allow for year-round growing. Hoop houses are built with half-hoops of metal that are covered with a thick plastic. This structure is open from spring to fall to allow for ventilation and then closed up in the winter to hold in warmth. Hoop houses are economical to build and are heated with the energy of the sun. The design of the hoop house allows for the plastic to heat the air on the inside and keep it locked in almost all night, providing an average of an extra 10 degrees protection. They also use row covers (for nights below 26 degrees) that are a cloth covering that adds another approximate 5-10 degrees of cold protection. The hoop structure also allows for protection from rough winds or rains. This simple protection allows for plants to be less stressed during weather changes permitting a less-interrupted growing period.

Dave Bisson, Big City Farms' CEO, made the application to MARBIDCO's program along with PNC Bank. He noted that it was the Baltimore City Office of Sustainability that gave him some of MARBIDCO's outreach material, and after speaking with MARBIDCO staff, he knew that this program would be beneficial to Big City's business expansion endeavors. Ultimately, the MARBIDCO grant was used in conjunction with bank loan proceeds to pay for parts and labor to construct the aforementioned hoop houses. Mr. Bisson adds that the incentive grant provided the financial cushion needed to make the food project succeed. Additionally, Mr. Bisson notes that the 15,000 square foot project is coming along well, adding that this site will be the flagship headquarters for the Big City Farms operation.



Pictured above: Hoop house construction at Big City Farms in Baltimore City, made possible by a MARBIDCO grant of \$7,500 which helped to leverage the bank financing.

Spotlight: MRBIFF Recipient Waredaca Brewing Company

Waredaca, family owned and operated since 1932, is a full-service equestrian facility offering boarding, training, lessons, and competitions, and is located on 220 acres in northeastern Montgomery County. In 2014, the family decided to explore adding hops and an on-farm brewery to diversify the existing operations of the farm. After eighteen months of intensive planning and preparation, the family will open the Waredaca Brewing Company to the public later this fall. Jessica Snyder, Waredaca's Manager, notes that this undertaking required them to obtain financing for the brewing equipment and improvements to the building to bring it up to code for public use. With this in mind, the farm reached out to long time lending partner, MidAtlantic Farm Credit.

"Our loan officer, Elizabeth Benitez, encouraged us to explore opportunities with MARBIDCO," Ms. Snyder said. "We applied for an equipment loan and MARBIDCO's assistance was instrumental in helping us through the entire process." She continues, "We would not have been able to purchase our 10 barrel brew-house system without a MARBIDCO MRBIFF loan and we are excited to report that, thanks to MARBIDCO and MidAtlantic Farm Credit, our equipment is on its way!"

Waredaca is working hard to open to the public in the Fall of 2015. Ms. Snyder notes, "Our hops exceeded our expectations in their first year and we had a great harvest. The brewer's garden is also full of herbs that will be used in our recipes for both beer and artisanal non-alcoholic sodas. We now have our building permits in hand and we have started the renovations to the building." She adds, "It is an exciting time. When we open, we hope that everyone will come out to see our beautiful farm and enjoy a farm fresh beverage!"

Pictured at right center: Building continues on-farm at Waredaca Brewing Company. Pictured at right: Growing hops.



MARBIDCO Outreach and Information Exchange Events

MARBIDCO sponsors and/or hosts a number of well-attended events and learning opportunities each year. **Pictured center:** Western Maryland Rural Business Service Providers Forum. This event is hosted in different locations around the state once or twice a year by MARBIDCO and is an information exchange and networking opportunity for ag service providers and lenders.



Pictured far right: The quarterly "MARBIDCO Monday" event. This midday event features one or two guest speakers who address topics and offer discussion on rural business service provider programs. MARBIDCO Monday allows attendees to network, share programmatic updates, and to discuss new ideas that relate to assisting Maryland's farm, forestry, and seafood businesses. **Pictured below:** MARBIDCO hosted the 2014 National Council of State Agricultural Finance Programs Annual Conference, where, among other things, attendees (dressed here in bio-security gear) had the opportunity to tour the Rhodes Family's poultry farm in Queen Anne's County. This tour was part of a multi-day conference that featured presentations, farm tours, and workshops on dozens of rural business topics.



Spotlight: Steve and Lynda Blades

Maryland Value Added Producer Grant Recipients

In May 2008, Steve and Lynda Blades of Blades Orchard at Friendship Farms in Caroline County, took on a mostly defunct peach orchard and rebuilt and expanded it (with financial assistance from MidAtlantic Farm Credit and a MARBIDCO MRBIFF loan). Over the last few years, the Blades Orchard has increased significantly, growing over 35% in 2014 alone. Starting with 2,200 trees, the orchard now boasts over 3,500 trees. Additionally, Blades Orchard is enjoying its seventh year as part of a CSA (community supported agriculture) group, which is helping to increase sales of their vegetables and fruit.

Recently, the Blades family added a distilling company to their business, Faulkner Branch Cidery & Distilling Company, LLC. In 2015, the Blades applied for and received funding from MARBIDCO's Maryland Value Added Producer Grant – Capital Assets Option Program to assist with the distilling of their fruits. Ms. Blades noted that they only use fruit grown on their farm in the making of their cider and spirits. In order to obtain their distilling license (currently in process), the Blades realized they would have to purchase the still and complete the building before they could obtain a license. Ms. Blades notes with pleasure, "The funds from this value-added grant are helping us achieve our goal!"



Pictured at left: Making cider at Blades Orchard/Faulkner Branch Cidery & Distilling Company, LLC. Pictured center: The Blades family in their peach orchard in Caroline County.

Spotlight: Young & Beginning Farmer Kathryn Winstead

Kathryn Winstead of Caroline County recently closed on her MARBIDCO Maryland Resource-Based Industry Financing Fund (MRBIFF) poultry loan, helping her to realize a dream long in the making. As a nurse for the past eight years, Ms. Winstead's loan (as well as additional funding from MidAtlantic Farm Credit) is about to change her life immensely. She notes, "I am just starting out in the world of agriculture so it was great learning that financial support is available for a novice poultry farmer like me to become established in the business."

Ms. Winstead's loan funds will be used to purchase a 114.9 acre farm and construct four 61' X 600' poultry houses. Loan funds will also be used for grading, wells, electric service, and a generator.

Ms. Winstead concludes, "All is going well so far, the digging work should start in the next week. MARBIDCO was an integral part of the process and I would not have been able to obtain all the necessary financing without your help."

Pictured at right: Kathryn Winstead signs her loan documents with her mother, Mary Winstead (center), and MARBIDCO Financial Programs Officer Linda Arnold (on left).





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