



Maryland Agricultural and Resource-Based Industry Development Corporation

FY 2017 Annual Report



Celebrating Our 10th Year!

Helping to Finance
Maryland's Food and Fiber Future

From MARBIDCO Board Chair & Executive Director:

It is hard to believe a decade has passed since MARBIDCO first opened its doors in 2007, offering (at that time) just two low-interest loan programs and three small specialized grant incentive programs. MARBIDCO began with a mission to help agricultural and resource-based businesses to start, diversify and exploit emerging market opportunities in food and fiber production by filling gaps in privately provided capital, and with an ancillary goal of helping rural businesses to leverage federal and local government support to sustain or increase operational profitability. We also aim to help resource-constrained young and beginning farmers to start and expand their business ventures, thereby helping to keep rural land “working”. Now, as ten years have quickly sped by, we are proud to say we’ve met and succeeded our early goals. Over the past ten years, we have deployed nearly \$43 million, which has assisted 218 young and beginning farmers and funded more than 400 rural business projects in every county in Maryland (including Baltimore City).

MARBIDCO is a quasi-public agri-business and financial intermediary development organization that brings together resources from the federal, State and local governments, as well as the private sector, to assist Maryland’s farming, forestry and seafood businesses with an eye towards enhancing the profitability and sustainability of these important rural industry sectors. MARBIDCO has worked cooperatively with commercial lenders and the Farm Credit System, the Maryland Departments of Agriculture, Natural Resources, Commerce, as well as the University of Maryland Extension, the Maryland Energy Administration, the Rural Maryland Council, and the Maryland Food Center Authority - and many county and regional economic development offices and the major USDA agencies serving Maryland (Rural Development, NRCS and FSA) - to collaborate on developing good financing solutions to food and fiber business challenges and to leverage resources in a way that helps facilitate Maryland's rural (and increasingly urban) industries to prosper over the long haul.

Today, MARBIDCO offers a combination of thirteen loan and grant incentive programs. Through our popular Maryland Resource-Based Industry Financing Fund (MRBIFF) program, MARBIDCO has made many "gap financing" loans to farm borrowers (ranging from \$10,000 to \$450,000), and helped partially match the financial investment of commercial lenders in all manner of agricultural projects. Since 2007, MARBIDCO has advanced over \$34 million through the MRBIFF program, allowing our borrowers to leverage more than \$114 million in commercial bank financing.

Additionally this year, thanks to the support of Governor Larry Hogan and the Maryland General Assembly, we are pleased to announce that MARBIDCO recently launched the Next Generation Farmland Acquisition Program (The Next Gen Program). This program is geared toward helping qualified young and beginning farmers who seek to purchase farmland, but need some financial assistance to enter (or continue in) the agricultural profession. The Next Gen Program is basically a rapid-response, farmland conservation easement-option-purchase program, designed to help facilitate the transfer of farmland to a new generation of farmers, while also effectively helping to preserve the agricultural land from future development.

MARBIDCO also re-opened the popular Maryland Value Added Producer Grant - Capital Assets Option Program (MVAPG-CAO) this past year. Through this program, MARBIDCO offers grants of between \$2,500 and \$15,000, distributed on a competitive basis for capital asset projects designed to help farmers, forest product operations and seafood processors to expand or diversify their business operations. The match required from the rural business must be at least equal the amount requested from MARBIDCO. This fiscal year alone, MARBIDCO awarded 13 MVAPG-CAO program grants to value-added projects located in nine counties, with over \$164,000 in grants awarded. Overall, MARBIDCO has awarded 94 MVAPG-CAO grants totaling over \$1.1 million to value-added projects in 23 Maryland counties (including Baltimore City)!

Finally, we would be remiss, if we did not acknowledge the dedication of the MARBIDCO Board of Directors, the diligence of the members of the MARBIDCO loan and grant review committees, and the hard work of the MARBIDCO staff. It really has been a team effort. It takes a lot of people giving generously of their time and talent to make progress towards sustaining a vibrant rural working landscape and heritage that produces an abundance of high quality food and fiber products for all Marylanders to enjoy. Thank you to them all!

In closing, MARBIDCO looks forward to another promising decade of continuing our mission of helping to finance Maryland’s food and fiber future. To learn more about any of our services and programs, please visit us on the web at www.marbidco.org.



Pamela Saul
Board Chair



Stephen McHenry
Executive Director

About MARBIDCO:

Our Vision:

MARBIDCO plays an important role in helping Maryland’s food and fiber producers and processors, and other resource-based businesses to innovate and thrive, both today and well into the future. By working collaboratively with its public and private sector partners, MARBIDCO is 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 facilitation.

Our Mission:

To help Maryland’s farm, forestry, seafood 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 food and fiber industries (including equine and horticulture).

MARBIDCO Offers:

- Assistance in securing capital and credit (especially for innovative or value-added activities);
- Rural business planning information and technical assistance referral;
- Farmland acquisition assistance (especially 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 Finance	Rural Land Preservation Facilitation	Specialty Lending (Sponsored Loan Programs)
<p>Several loan and grant incentive programs that help meet key agricultural, forestry, or seafood business financing 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 \$650,000 and must be fully collateralized (at not more than 100% loan-to-value). Grant incentive programs help producers with partial matching funds for food or fiber processing projects, and provide local governments with matching economic development cost share funds for agricultural development projects.</p>	<p>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.</p> <p>New in FY 2018: The Next Generation Farmland Acquisition Program enables MARBIDCO, working with commercial lenders and farmland conservation programs, to assist beginning farmers with down-payment funding for the purchase of farmland, while at the same time effectively helping to extinguish the development rights on the farmland being purchased.</p>	<p>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. Specialty Lending Programs are offered with the support of the various federal, State, and private philanthropic funds where normal credit underwriting standards might not make sense for the deployment of commercial debt capital.</p> <p>New in FY 2018: Southern Maryland Revolving Loan Fund has been established by the Southern Maryland Agricultural Development Commission (SMADC/TCCSMD) and MARBIDCO to help Southern Maryland agricultural producers meet targeted needs.</p>

MARBIDCO Board of Directors

Mr. Gregory Cole

Director, Financing Programs
Maryland Department of Commerce
(Representing Maryland Department of Commerce)

Mr. Steve Connelly

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

Ms. Mary Shank Creek

(Secretary/Treasurer)
 Owner
Palmyra Farm Ayrshires & Holsteins
(Representing Commercial Food or Fiber Processing)

Dr. Donald Darnall

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

Ms. Charlotte Davis

Executive Director
Rural Maryland Council
(Representing Rural Maryland Council)

Dr. Faith Elliott-Rossing

Director of Community Affairs
Queen Anne's County TV Tourism and Public Information
(Representing Rural Economic Development or Ag Marketing)

Mr. James C. Falletta

Regional Manager
M&T Securities, Inc.
(Representing Commercial Lending Institutions I/ Non-Farm Credit Organization)

Mr. John Jastrzemski

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

(Vice Chair)
 Associate Professor & Undergrad Coordinator
Department of Agricultural & Resource Economics
(Representing Public Finance)

Mr. Mark C. Krebs

Senior Vice President & Chief Financial Officer
Farmers and Merchants Bank
(Representing Commercial Lending Institutions II/ Farm Credit Organization)

Dr. Douglas Lipton

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

Dr. Thomas E. Porter

Associate Dean & Associate Director
University of Maryland Extension (UME)
(Representing University of Maryland Extension)

Ms. Pamela Saul

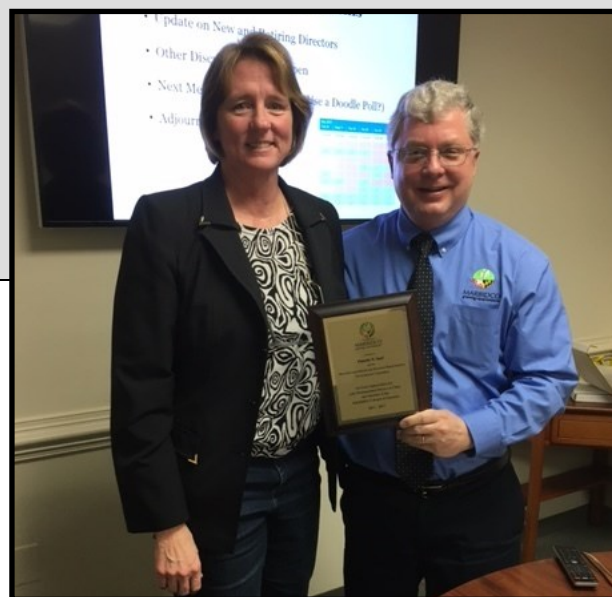
(Chair)
 Owner
Farm & Equine Business Services, LLC
(Representing Ag, Forestry or Seafood; or Economic Development)

Ms. Emily Wilson

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

Mr. Charles M. Wright, IV

Owner
Cornerstone Farms, Inc. and Wright's Market
(Representing Agricultural Producers I)



Pictured at right: MARBIDCO Executive Director Steve McHenry presents Board Chair Pam Saul with a plaque commemorating Ms. Saul's many years of service to the MARBIDCO Board of Directors and MARBIDCO's Loan Review Committee. Ms. Saul recently retired after serving on MARBIDCO's Board of Directors from 2011 through 2017 (including two years as the Board Chair).

Rural Business Development: Loan Programs

Maryland Resource-Based Industry Financing Fund (MRBIFF) offers low-interest (3.25% initially) loans to Ag/RBI-industry enterprises for the purchase of land and capital equipment for production and processing activities (including building construction). The maximum MARBIDCO loan amount is \$250,000 for acquisition of equipment and fixed assets, \$450,000 for real estate purchases and \$650,000 for large-scale food/fiber processing projects. MARBIDCO provides up to 40% of financing needed for a project, and a commercial lender and/or a public instrumentality must also have an equal or greater financial commitment in the transaction. MARBIDCO usually takes a subordinate lien on collateral security with these gap financing loans.

Rural Business Equipment and Working Capital Loan Fund offers moderate-cost (5.75%) loans to Ag/RBI-industry firms and producers for working capital and equipment purchases working in conjunction with public sector lenders. The maximum loan amount is \$75,000. A referral from a commercial lender is required.

Maryland Vineyard/Hopyard/Orchard Planting Loan Fund offers low-interest (5%) loans to help meet the unique financing needs of Maryland's landowners wanting to plant fruit-bearing vines and trees. The maximum loan amount is \$100,000 and an interest-only option is available for a period of two to three years. A site evaluation approval letter from an appropriate university or other third-party expert is required. The purchase of tractors, pick-up trucks, and wine- or beer-making equipment are not eligible for financing under this particular program.

Forestry Equipment and Working Capital Loan Fund offers low-interest (5-10%, depending on the level of credit and collateral risk) loans to Maryland's forest products businesses with respect to working capital and equipment purchases. The maximum loan amount is \$150,000.

Agricultural Cooperatives Equity Investment Fund provides a portion of the patient 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 production operations are beginning or significantly expanding. The maximum amount of "near equity" funding (equity converting to debt after several years) that MARBIDCO can provide to an individual agricultural cooperative is \$100,000 in any single year.

New MARBIDCO/Southern Maryland Partnership Programs

MARBIDCO is now partnering with the Tri-County Council for Southern Maryland and the Southern Maryland Agricultural Commission (SMADC) to support farming in the region with the following two programs:

The Southern Maryland Agricultural Equity Incentive Matching Fund, offered in conjunction with MARBIDCO's lending programs, is designed to incentivize loan requests from farmers and to help them meet certain down-payment (equity) requirements, in order to help improve the credit quality of their applications.

The Southern Maryland Revolving Loan Fund for Agricultural Producers, a loan program designed exclusively for Southern Maryland applicants to assist with livestock purchases and Good Agricultural Practices (GAP) upgrades. Loans available from \$10,000 - \$20,000 are available and include a partial grant for good loan repayment performance.

Rural Business Development: Specialty Loan Programs

Maryland Shellfish (Oyster) Aquaculture Financing Fund (working in collaboration with DNR and using a combination of state capital and federal NOAA funds), helps 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 plans. The loan proceeds can be used to purchase shell, seed, spat or equipment (depending on the source of funds). Bottom culture and water column (cages or floats) projects are eligible. The borrowers make interest-only payments (at 3.0% initially) for the first three years while the oysters are growing to market size. After that, if borrowers have made their quarterly payments, 25% of the principal balance is forgiven and borrowers fully repay the remaining balance over two to four additional years. The maximum single loan amount is \$100,000 (and subsidized loan amounts max out at \$300,000).

Remote Setting Shellfish Aquaculture Loan Fund (working in collaboration with DNR and using MPA funds) provides affordable financing to commercial watermen who want to start or expand shellfish remote setting (nursery) aquaculture operations. The nursery grower purchases larvae from a hatchery and places it in a tank containing cultch for the larvae to set on. 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. Seed (larvae), shell (substrate), and tank heaters (during cooler months) are also needed. The maximum loan amount is \$30,000.

Rural Business Energy Efficiency Improvement Loan Fund (working in collaboration with MEA and using RGGI funds) offers low-interest (4%) 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.

MARBIDCO Outreach and Information Exchange

MARBIDCO sponsors or hosts a number of well-attended events and learning opportunities each year.

Pictured top right: Attendees at the Upper Southern Maryland Ag Business Service Providers Forum in Upper Marlboro this past May. This forum is hosted in different locations around the state annually by MARBIDCO, and is an information exchange and networking opportunity for ag service providers and lenders.



Pictured bottom left: Guest speaker Dale Hawks, Maryland/Delaware State Statistician, USDA National Agricultural Statistics Service, leads a riveting discussion at a recent “MARBIDCO



Monday” event. This quarterly midday event in Annapolis features one or two guest speakers who address “hot” topics and offer discussion on rural business assistance programs and issues. 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.

MARBIDCO Loan Activity in FY 2017

In FY 2017, MARBIDCO approved 38 core and specialty loans totaling just over \$9.3 million. MARBIDCO also helped 32 farmers with making farmland purchases totaling over \$8 million. MARBIDCO also approved two Shellfish Aquaculture Financing Fund loans in FY 2017 (bringing the total of all Shellfish Aquaculture Lending to nearly \$3.4 million and supporting some 62 projects in the Chesapeake Bay region).

Business or Farm Type Assisted	County	Loan Amount
Equine - 1 Loan	Baltimore	\$320,000
Equine - 1 Loan	Caroline	\$32,000
Equine - 1 Loan	Queen Anne's	\$115,000
Grain & Row Crops - 1 Loan	Caroline	\$400,000
Grain & Row Crops - 2 Loans	Dorchester	\$213,152
Grain & Row Crops - 2 Loans	Kent	\$600,000
Grain & Row Crops - 1 Loan	Queen Anne's	\$225,000
Grain & Row Crops - 1 Loan	Wicomico	\$66,000
Poultry - 4 Loans	Caroline	\$1,300,000
Poultry - 1 Loan	Dorchester	\$300,000
Poultry - 4 Loans	Queen Anne's	\$1,396,400
Poultry - 3 Loans	Somerset	\$900,000
Poultry - 6 Loans	Wicomico	\$1,618,000
Poultry - 3 Loans	Worcester	\$765,000
Shellfish Aquaculture - 1 Loan	Calvert	\$90,575
Shellfish Aquaculture - 1 Loan	Worcester	\$85,000
Vegetable & Specialty Crops - 1 Loan	Baltimore City	\$50,000
Vegetable & Specialty Crops - 1 Loan	Baltimore	\$119,000
Vegetable & Specialty Crops - 1 Loan	Harford	\$275,000
Vineyard & Wineries - 2 Loans	Montgomery	\$440,000
	Total	\$9,310,127

Rural Business Development: Grant Programs

Local Government Ag/RBI Project Cost Share Program is designed to lend support to local and regional rural business development efforts. 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 mission area. (Basically, any project or activity funded by MARBIDCO must assist in some fashion Maryland's farming, forestry, or seafood industries.) Moreover, MARBIDCO's participation in the cost share project cannot exceed that of the local government (unless it is a "One Maryland" jurisdiction, where the funding could be up to double the amount). The maximum project cost share grant is \$10,000 (or up to \$25,000 under special circumstances).

Maryland Urban Agriculture Commercial Lending Incentive Grant (MUACLIG) Program, offered with some matching support of Farm Credit, is designed to meet the financing needs of urban farmers by providing an incentive for them to seek commercial lender financing for the development or expansion of their agricultural enterprises. The participation of a commercial bank, Farm Credit Association or USDA-FSA in providing project financing is required. The maximum amount of the incentive 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. (Also, the minimum grant amount is \$1,000 – with a commercial loan of \$4,000, for a \$5,000 project.)

Maryland Value Added Producer Grant – Capital Assets Option (MVAPG–CAO) is designed to encourage farms and other businesses wanting to expand or diversify their operations to purchase equipment or construct facilities so that they can increase sales and job opportunities for rural and urban-edge residents in Maryland. Once per year MARBIDCO offers grants of between \$2,500 and \$10,000 distributed on a competitive basis for capital asset projects. 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". A product that is value added has incremental value realized by the producer or processor as a result of: 1) change in physical state; 2) differentiated production or marketing; 3) product segregation; and 4) economic benefit realized from the production of farm- or ranch-based, rural community-based biomass energy. MVAPG funds and matching funds must be used for capital assets 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 Value Added Producer Matching Grant (MVAMPG – USDA Option) is designed to encourage participation in USDA's highly competitive Value Added Producer Grant Program (which has both planning and working capital components). The USDA VAPG Program, which is offered annually, requires a non-federal financial matching commitment and each application for the VAPG must include a "verification of matching funds". The USDA VAPG Planning Grant offers a maximum award of \$75,000, and the Working Capital Grant offers a maximum of \$250,000. Grants from MARBIDCO can be applied for up to \$11,250 and \$25,000, respectively (up to a maximum of 15% of the USDA matching requirement). To be eligible to apply to MARBIDCO for funding, an applicant must also be eligible under the USDA VAPG Program, and funds will only be awarded to those who actually receive the USDA VAPG award. Each applicant that has been approved to receive a MVAPG will receive a letter for submission to be sent to USDA that contains how much funding will be available to the applicant. (Notably, capital equipment purchases are not eligible for USDA VAPG funding.)

MARBIDCO Grant Incentives Activity in FY 2017

Maryland Value Added Producer Grant (Capital Assets Option)

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vegetable/Produce	Allegany	\$5,500
Beef	Calvert	\$15,000
Cut Flowers	Caroline	\$8,741
Alpaca Farm	Cecil	\$15,000
Seafood Processing	Dorchester	\$15,000
Seafood Processing	Dorchester	\$15,000
Seafood Processing	Dorchester	\$15,000
Seafood Processing	Dorchester	\$12,332
Meat Processing	Garrett	\$7,860
Brewery	Harford	\$15,000
Distillery	St. Mary's	\$15,000
Wine Growers Co Op	St. Mary's	\$10,012
Greenhouse/Cucumber Farm	Talbot	\$15,000

Total Maryland Value Added Producer Grant (Capital Assets Option) Program **\$164,445**

Maryland Urban Agriculture Commercial Lending Grant Incentive

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vegetable Farm	Baltimore City	\$7,500
Flower Farm	Baltimore City	\$2,000

Total Maryland Urban Agriculture Commercial Lending Grant Incentive **\$9,500**

Special Agricultural Development Activity

<u>Activity Assisted</u>	<u>Grant Amount</u>
Video Series Maryland Public Television	\$35,000

Total Special Agricultural Development Activity **\$35,000**

A 10-Year Timeline:

2007

MARBIDCO opens its doors in 2007, offering two low-interest farm loan programs and three specialized grant assistance programs. The Maryland General Assembly also appropriates \$1 million to help launch MARBIDCO.



Pictured: The Higgs Brothers, young Queen Anne’s County grain and nursery farmers (via a MRBIFF Loan), become MARBIDCO’s first loan recipients. They are pictured with MARBIDCO Executive Director Steve McHenry.

2008

In 2008, MARBIDCO lends more than \$2 million to 10 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers. The MRBIFF Program has since become MARBIDCO’s most popular program.



Pictured: Black Ankle Vineyards of Frederick County received a Maryland Resource-Based Industry Financing Fund Loan (MRBIFF) in 2008 to build a straw bale building to house a wine tasting room and a sales facility that would allow the winery to market their products directly to consumers on their farm.

2009

MARBIDCO develops new programs in 2009, including the Forestry Equipment and Working Capital Loan Fund, Maryland Vineyard Planting Loan Fund, Agricultural Cooperatives Equity Investment Fund, Sustainable Forestry Emergency Loan Fund, and Installment Purchase Agreements Program.



Pictured: David and Betsy Herbst own Misty Meadows Farm, a 379-acre Washington County dairy operation which has been run by the family since 1918. The couple started a creamery to help increase the profitability and sustainability of the farm, and received a Maryland Farm and Producer Viability Program Grant from MARBIDCO in 2009 to help with this endeavor.

2010

In 2010, during a time of nationwide fiscal challenges caused by the “Great Recession”, MARBIDCO makes about \$1.1 million in direct financial investments in rural businesses across Maryland.



Pictured: Seaberry Farm, owned and operated by Drs. Richard and Wenfei Uva, is a 36-acre Caroline County farm specializing in specialty fruits and vegetables, cut flowers, and woody cut branches for the floral trade. Seaberry Farm received a 2010 Value-Added Producer Grant from MARBIDCO, as well as a MRBIFF loan.

2011

MARBIDCO develops two new programs in 2011, The Maryland Value Added Producer Grant – Capital Assets Option and The Maryland Shellfish Aquaculture Financing Fund.



Pictured: Johnny Shockley and Ricky Fitzhugh started Hooper’s Island Oyster Aquaculture, Inc., and obtained a Maryland Shellfish Aquaculture Financing Fund Loan from MARBIDCO in 2011, to purchase the shellfish larvae, cages, and equipment needed to grow farm-raised oysters.

MARBIDCO Assists Maryland's Ag Businesses

2012 MARBIDCO implements the Shellfish Aquaculture Remote Setting Loan Program in 2012 . Additionally, *Maryland Farm & Harvest*, a television production co-funded by a MARBIDCO special grant, premieres on Maryland Public Television, and becomes a huge hit.



Pictured: After applying and obtaining financing from a MARBIDCO MRBIFF Loan (partnering with MidAtlantic Farm Credit), Hannah and Matthew Cawley purchased 42 tillable acres and a dwelling on separate parcels in January of 2012, to expand a grain and cucumber operation.

2013 In 2013, MARBIDCO begins the Maryland Urban Agriculture Commercial Lending Incentive Grant Program, with key financial support provided by MidAtlantic Farm Credit.



Pictured: Young farmers, John C. Davis, Jr. ("JC") and his wife Kristina, purchased a 77-acre vegetable farm in Caroline County in 2013, with assistance from MARBIDCO's MRBIFF Program (working with a commercial lender).

2014 By 2014, MARBIDCO made investments in almost 290 agricultural and rural businesses totaling about \$24 million, and helped 135 young or beginning farmers with all types of enterprises, in addition to financing 102 farm value-added processing projects.



Pictured: Shore Thing Shellfish, LLC, in St. Mary's County, obtained a second Maryland Shellfish Aquaculture Financing Fund loan in 2014. The group was able to purchase equipment to implement their goal of adding water column oyster cultivation, augmenting to their bottom production operation.

2015 In 2015, MARBIDCO was able to award its first Urban Agriculture Commercial Lending Incentive Grant. The award of this grant brought MARBIDCO's cumulative assistance tally to projects located in 23 counties across the State of Maryland.



In 2015, MARBIDCO awarded Local Government Ag/RBI Cost Share Program grants to Howard County to assist two local small farms...Clark's Elioak Farm, LLC and Heritage Hills Farm. Pictured: Heritage Hills Farm's compost turner purchased with these matching funds.

2016 In 2016, MARBIDCO experienced its most productive year to date (with the record broken again in FY 2017), with nearly 50 projects approved for funding in the neighborhood of just over \$6 million collectively.



Pictured: The Kahn Family farm in Wicomico County was one of 18 MARBIDCO MRBIFF Program loans approved to help Maryland poultry farms in 2016. Several of these loans were used to help first-time farmers buy farm properties.

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 in the past by MARBIDCO on behalf of the Maryland Agricultural Land Preservation Foundation), and “leveraged” (which MARBIDCO is able to develop in partnership with individual county governments).

MARBIDCO Launches The Next Generation Farmland Acquisition Program (“Next Gen Program”)

Thanks to the support of Governor Hogan and the Maryland General Assembly, the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) is launching the Next Generation Farmland Acquisition Program ("Next Gen Program") this coming year to help qualified young and beginning farmers who seek to purchase farmland, but need some financial assistance to enter (or continue in) the agricultural profession due to relatively high farmland costs and a lack of access to capital. The Next Gen Program is basically a rapid-response, farmland conservation easement-option-purchase program, designed to help facilitate the transfer of farmland to a new generation of farmers, while also effectively helping to preserve agricultural land from future development. MARBIDCO expects to have nearly \$2.4 million to distribute to select "Next Gen Farmers" during the coming fiscal year (at the time their farms are being purchased).

Essentially, the Next Gen Program allows MARBIDCO to provide a qualified "beginner farmer" (or other, more experienced farmer) with a farm purchase down-payment to help meet the equity requirements of a commercial lender (as a bank would be making a mortgage loan towards assisting with the farm purchase too). A "beginner farmer" is someone who has not operated a farm or ranch for more than 10 years, has at least one year of farming experience or has completed a qualified farm management-training program that includes substantial fieldwork experience, and expects to substantially participate in the farm operation on the subject property.

Through the Next Gen Program, MARBIDCO will pay up to 51% of the Fair Market Value (FMV) of the agricultural land only (with a cap of \$500,000) with these funds being provided as a down-payment at a real estate settlement. The Next Gen Farmer will then have a period of several years to sell the permanent conservation easement on the farmland to a rural land conservation program (thus extinguishing the development rights on the property forever). If the Next Gen Farmer cannot sell the permanent easement within the specified timeframe, the option will be exercised (for no additional money) to grant the easement to the "default easement holder" (either the county agricultural land preservation program, or a private farmland conservation program selected by MARBIDCO at the end of the option period).

Pictured at right: Members of the Next Gen Program Committee discuss final adjustments to the application form in preparation of its debut launch. Seated left to right are Carol West, Executive Director, Maryland Agricultural Land Preservation Foundation (MALPF), Justin Hayes, Assistant Attorney General, Maryland Department of Agriculture (MDA), and Michelle Cable, Administrator, Maryland Agricultural Land Preservation Foundation (MALPF). Numerous state and local land conservation officials assisted in the development of the Next Gen Program, as did a host of others representing agricultural, land preservation, and young farmer organizations.



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, Commerce, 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. Joseph Chisholm

Poultry Farmer
Vice President (retired)
Mercantile Peninsula Bank

Ms. Stacy Kubofcik

Tax Specialist
Office of Finance Programs
Maryland Department of Commerce

Mr. Karl Roscher

Assistant Director, Aquaculture
Maryland Department of Natural
Resources Fisheries Service

Mr. Gregory Cole

Director
Office of Finance Programs
Maryland Department of Commerce

Mr. S. Patrick McMillan

Assistant Secretary
(retired)
Maryland Department of Agriculture

Ms. Pamela Saul

Owner
Rolling Acres Farm & Equine Business
Services, LLC

Mr. Steve Connelly

Assistant Secretary
Maryland Department of Agriculture

Mr. Matt Parker

Aquaculture Business Specialist
University of Maryland Extension

Mr. Charles M. Wright, IV

Owner
Cornerstone Farms, Inc.
and Wright's Market

Ms. Charlotte Davis

Executive Director
Rural Maryland Council

Mr. Mark Powell

Chief, Marketing and Agribusiness
Development
Maryland Department of Agriculture

Dr. Stephen E. Wright

Clinical Professor, Associate Dean &
Associate Director
University of Maryland Extension

Ms. Shannon Dill

Talbot County Extension Director
University of Maryland Extension

Mr. Dan Rider

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

Ms. Karen Fedor

Senior Agricultural Marketing Specialist
Maryland Department of Agriculture

MARBIDCO Staff

Mr. Stephen McHenry

Executive Director
smchenry@marbidco.org

Ms. Linda Arnold

Financial Programs Officer
larnold@marbidco.org

Ms. Amy Cook

Loan Administration Specialist
acook@marbidco.org

Ms. Andra Davis

Financial Programs Specialist
adavis@marbidco.org

Ms. Karen Gindes

Communications Officer
kgindes@marbidco.org

Ms. LeeAnn McCullough

Accounting Assistant/Receptionist
lmccullough@marbidco.org

Ms. Betsy McKeehan

Financial Programs Officer
bmckeehan@marbidco.org

Ms. Allison Roe

Financial Programs Associate
aroe@marbidco.org

Ms. Tina Wilkins

Accounting Coordinator
twilkins@marbidco.org

Mr. W. David Rawle, Esq.

Assistant Attorney General
Counsel to MARBIDCO

2017 Commercial Lender Leverage Amounts

In FY 2017, MARBIDCO lent more than \$9 million (in conjunction with commercial banks, Farm Credit Associations, and the USDA Farm Service Agency) to 36 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers and one Urban Agriculture Commercial Lending Incentive (UACLIG) grantee. This enabled MARBIDCO to leverage more than \$38.3 million in commercial lender funds, resulting in a more than 4-to-1 leverage ratio.

County	Business Type	MARBIDCO Program	MARBIDCO Loan or Grant Amount	Commercial Lender Leverage Amount
Baltimore	Equine	MRBIFF	\$320,000	\$320,000
Baltimore City	Vegetable	MRBIFF	\$50,000	\$129,000
Baltimore City	Vegetable	UACLIG	\$7,500	
Caroline	Poultry	MRBIFF	\$300,000	\$1,462,000
Caroline	Grain	MRBIFF	\$400,000	\$642,500
Caroline	Equine	MRBIFF	\$32,000	\$128,000
Caroline	Poultry	MRBIFF	\$400,000	\$950,000
Caroline	Poultry	MRBIFF	\$350,000	\$550,000
Caroline	Poultry	MRBIFF	\$250,000	\$2,448,000
Dorchester	Grain	MRBIFF	\$73,152	\$408,000
Dorchester	Poultry	MRBIFF	\$300,000	\$1,100,000
Dorchester	Grain	MRBIFF	\$140,000	\$210,000
Harford	Vegetable	MRBIFF	\$275,000	\$525,000
Harford	Vegetable	MRBIFF	\$119,000	\$178,000
Kent	Grain	MRBIFF	\$250,000	\$400,000
Kent	Grain	MRBIFF	\$350,000	\$582,000
Montgomery	Vineyard	MRBIFF	\$200,000	\$550,000
Montgomery	Vineyard	MRBIFF	\$240,000	\$520,000
Queen Anne's	Poultry	MRBIFF	\$100,000	\$187,000
Queen Anne's	Equine	MRBIFF	\$115,000	\$115,000
Queen Anne's	Poultry	MRBIFF	\$400,000	\$4,833,845
Queen Anne's	Poultry	MRBIFF	\$450,000	\$3,692,300
Queen Anne's	Poultry	MRBIFF	\$446,400	\$4,133,600
Queen Anne's	Grain	MRBIFF	\$225,000	\$330,000
Somerset	Poultry	MRBIFF	\$250,000	\$1,410,000
Somerset	Poultry	MRBIFF	\$300,000	\$1,400,000
Somerset	Poultry	MRBIFF	\$350,000	\$1,130,000
Wicomico	Poultry	MRBIFF	\$100,000	\$415,000
Wicomico	Poultry	MRBIFF	\$400,000	\$1,250,000
Wicomico	Poultry	MRBIFF	\$218,000	\$762,000
Wicomico	Poultry	MRBIFF	\$250,000	\$1,235,000
Wicomico	Poultry	MRBIFF	\$450,000	\$3,240,000
Wicomico	Grain	MRBIFF	\$66,000	\$169,000
Wicomico	Poultry	MRBIFF	\$200,000	\$435,000
Worcester	Poultry	MRBIFF	\$340,000	\$340,000
Worcester	Poultry	MRBIFF	\$175,000	\$325,000
Worcester	Poultry	MRBIFF	\$250,000	\$1,867,500
TOTALS:			\$9,142,052	\$38,372,745

Referring Lender Profile: Zach Evans, MidAtlantic Farm Credit

Commercial loan officers, cooperative extension agents, local economic development officers, and other rural business service providers are essential partners to MARBIDCO, referring prospective borrowers to us that they feel may benefit from MARBIDCO's programs. Zach Evans, a Loan Officer for MidAtlantic Farm Credit in Salisbury, has been recommending MARBIDCO's programs to Farm Credit customers since the very beginning of his career. He notes that he was trained early on to utilize not only in-house financing products, but to also look at all of the resources he has access to in order to best serve potential customers. He adds, "this means partnering with other lenders, with FSA, and for me personally, utilizing MARBIDCO's resources often – when the appropriate opportunity presents itself." Mr. Evans said he always considered outside sources of funding to be part of his "toolbox" of resources he uses to help find solutions to the financing requests of his customers, noting also that Farm Credit strives to always give their customers the "best-in-class solutions" for their financial needs. He continues, "Luckily we are able to work with organizations like MARBIDCO to help facilitate creative lending and grant funding solutions and make sure that our customers are able to access the capital resources they need."

After obtaining his MBA from Salisbury University, Mr. Evans began his career with MAFC in April 2009 as a Marketing intern and he has been a Loan Officer in the Salisbury Branch since 2010. He works with customers from all commodities and industry groups: poultry, small grains, fruit & vegetables, livestock, dairy, timber, value-added and processing operations, nurseries, apiaries, and even commercial fisherman, working extensively with young, beginning, small, and minority farmers. He also works often with "New Generation Farmers" and direct-to-consumer type operations. Mr. Evans states, "As a partnering lender, I have never had such consistent and positive experiences with another lending organization as I've had with MARBIDCO." (Pictured: Mr. Evans is shown with Kevin Brown and Margaret Evans of Groundworks Farm LLC, recipients of MAFC and MARBIDCO MRBIFF financing. Mr. and Ms. Evans are vegetable and specialty crop producers.)



MARBIDCO Rural Business Investments in FY 2017

FY 2017 Loan Programs	Applicants	Loan Amount	Status
Maryland Resource-Based Industry Financing Fund	29	\$7,504,152	Settled
Maryland Resource-Based Industry Financing Fund	7	\$1,630,400	Approved
Maryland Shellfish Aquaculture Financing Fund Loan	1	\$85,000	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	1	\$90,575	Approved
Total Loan Applications Settled or Approved	38	\$9,310,127	
Total Loan Applications Withdrawn (Before/After Approval)	7	\$1,590,000	
Total Loan Applications Denied	2	\$188,000	
Total All Loan Applications	47	\$11,088,127	
Percent of Loan Applications Settled or Approved	81%		

FY 2017 Rural Business Incentive Grants	Applicants	Grant Amount	Status
Maryland Value-Added Producer Grant – Capital Assets Option	6	\$73,933	Closed
Maryland Value-Added Producer Grant – Capital Assets Option	7	\$90,512	Approved
Maryland Urban Agriculture Commercial Lending Incentive Grant	2	\$9,500	Settled
Special Project Grant (MPT Series)	1	\$35,000	Closed
Total Grant Applications Settled or Approved	16	\$208,945	
Total Grant Applications Denied/Withdrawn/Incomplete	3	\$33,695	
Total All Grant Applications	19	\$242,640	
Percent of Grant Applications Settled or Approved	84%		

MARBIDCO FY 2017 Statement of Net Position*

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$1,498,295	\$4,886,170
Investments	-	\$937,727
Accounts Receivable	\$14,227	\$900
Current portion of loans receivable	\$1,406,705	\$1,644,647
Accrued interest receivable	\$169,536	\$142,482
Other Assets	\$4,892	\$18,752
Noncurrent Assets:		
Restricted investment	\$762,377	\$762,377
Loans receivable, net of current portion and allowance of \$1,372,467 and \$1,321,385 for 2017 and 2016, respectively	\$22,113,510	\$15,174,660
Capital assets, net	\$20,474	\$27,337
Total Assets	\$25,990,016	\$23,595,052
Liabilities		
Current Liabilities:		
Accrued expenses	\$65,714	\$49,588
Noncurrent Liabilities:		
Long-term debt	\$762,377	\$762,377
Other liabilities	\$8,339	\$7,760
Total Liabilities	\$836,430	\$819,725
Net Position		
Invested in capital assets, net	\$20,474	\$27,337
Unrestricted	\$25,133,112	\$22,747,990
Total Net Position	\$25,153,586	\$22,775,327
Total Liabilities and Net Position	\$25,990,016	\$23,595,052

* From Audited Financial Statements

Maryland Resource-Based Industry Financing Fund (MRBIFF) Recipient: Burnt Hill Farm, LLC



Pictured above: Drew Baker in his family's winery.

In 2010, Jay & Virginia Baker formed Old Westminster Winery to begin a winery and vineyard operation on the 17.8-acre farm that they own in Westminster, Maryland. The winery/vineyard is a family endeavor, with all three of Jay and Virginia's children involved in the operation: Andrew ("Drew") is the vigneron, the cultivator of the grapes; Lisa is the winemaker; and Ashli is the tasting room manager and creative director.

The first 7,600 vines were planted in the spring of 2011 and the first wines were bottled in April of 2013. Approximately 50% of the operation's grapes are cultivated on the home vineyard (10,000 vines at present), with the remaining 50% being sourced from neighboring vineyards in Maryland. Currently, Old Westminster Winery produces approximately 30,000 bottles of

wine annually.

Looking for additional land to expand their vineyard and hopefully produce an iconic, world-class red wine, the Bakers believe they have the perfect location. The land parallels South Mountain and the Catoctin Range about 30 miles to the west on an elevated stretch of land that roughly follows Route 27 from Clarksburg through Mount Airy to Westminster. Here the family intends to plant an initial 30,000 vines on the Burnt Hill land (this is planned for 2019, with land preparation and cultivation occurring throughout 2017 and 2018).

In the quest to finance the purchase of the 117 acres of Burnt Hill Farm property (working with Farm Credit), the Baker Family applied in 2016 to MARBIDCO for a Maryland Resource-Based Industry Financing Fund (MRBIFF) Loan. This loan program offers low-interest (3.25% initially) loans to Ag/RBI-industry enterprises for the purchase of land and capital equipment for production and processing activities (including building construction). With this financing in place, the Bakers successfully purchased the property. The younger Mr. Baker said he felt this project would not have been possible if not for the MARBIDCO financing, adding, "The MRBIFF loan was critical to helping get the project off the ground. MARBIDCO was truly a deal maker for us."

Mr. Baker plans to plant 30,000 vines on the new farm in the spring of 2019. That would cover about 17 acres of the site with densely planted grapevine rows. They might be able to produce a small crop in 2020, but their first commercial-size harvest will be in 2021. He adds, "Creating an iconic vineyard isn't a goal with a clear finish line. It's a process we always strive to improve. Wines that offer a glimpse into the potential of the Burnt Hill site inspire us to continue on our journey. We are happy that MARBIDCO helped us along the way!"



Pictured above left: The Montgomery County site of Burnt Hill Farm.



Pictured above right: Checking the soil at Burnt Hill Farm to ensure producing a promising future wine-grape crop.

Revenue and Expenses*

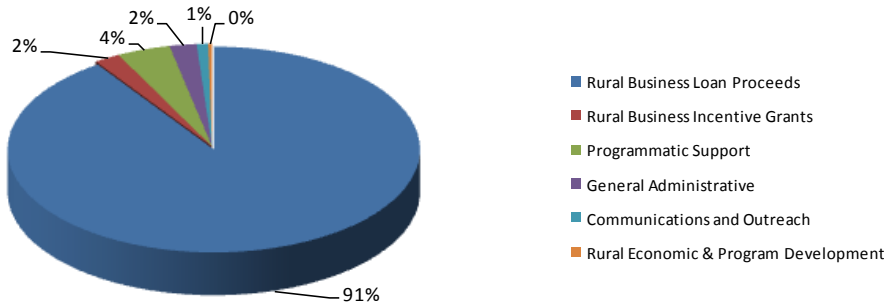
June 30, 2017 and 2016

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>
Income		
State appropriation	\$2,875,000	\$2,875,000
Interest income	\$3,284	\$1,304
Interest income on loans receivable	\$773,854	\$635,291
Program revenue	\$68,557	\$31,988
Federal/State grants	\$146,225	\$239,928
Expenses		
Grants	\$ 344,162	\$220,825
Administrative	\$241,000	\$207,204
Salaries & benefits	\$ 540,836	\$454,613
Depreciation expense	\$ 6,863	\$7,068
Loss on disposal of asset	-	-
Provision for Loan Losses/Loan For- giveness	\$355,800	\$160,586
Change in Net Position	\$2,378,259	\$2,733,215
Net Position, Beginning of Year	\$22,775,327	\$20,042,112
Net Position, End of Year	\$25,153,586	\$22,775,327

* From Audited Financial Statements

FY 2017 MARBIDCO EXPENDITURES, BY CATEGORY

Rural Business Loan Proceeds	\$9,310,127
Rural Business Incentive Grants	\$208,945
Programmatic Support	\$430,704
General Administrative	\$218,683
Communications and Outreach	\$92,090
Rural Economic & Program Development	<u>\$30,966</u>
Total	\$10,291,515



2017 Maryland Value-Added Producer Matching Grant-Capital Assets Option (MVAPG-CAO) Program Recipient: Working H Meats & Market

Glenn and Terrie Hardesty, along with their two boys Grant and Justin, have raised grass-fed beef, laying hens, pastured poultry broilers and turkeys, and free-range pigs on their family farm in Garrett County, since 2004. Processing their meat used to be a two-day travel experience that meant several days away from their farm each year. Additionally, it was difficult to find processing facilities that were reliable and not over-booked. After talking with other farmers in their area who were struggling with the same issues, they realized they might be able to fill a need by opening their own meat processing business.

The Hardestys purchased the former Country Pride Meats Butcher Shop and renamed it Working H Meats and Market, where they process USDA-inspected animals (their own, as well as their customer's animals). Terrie Hardesty said, "Having no previous experience harvesting or processing animals, it has been a real learning experience."

In the spring of 2017, the Hardestys heard about MARBIDCO's Maryland Value-Added Matching Grant-Capital Assets Option (MVAPG-CAO) Program from Cheryl DeBerry, Natural Resources Business Specialist for Garrett County's Economic Development Department. The MVAPG-CAO Program is designed to encourage farms and other rural businesses wanting to expand or diversify their operations to purchase equipment or construct facilities. Once per year, MARBIDCO offers grants of between \$2,500 and \$10,000 distributed on a competitive basis for capital asset projects. Ms. DeBerry thought the Hardestys would be excellent candidates for this grant program and encouraged them to apply.

Ms. Hardesty stated that with help from the program, her family was able to purchase two new items which have enhanced their processing activities, as well as cut down on the processing turnaround time. Their new items included a bowl cutter (which allows them to offer chopped beef and pulled pork to local restaurants and retail clients) and a tumbler, which cuts down the time it takes to brine hams and bacon (from days to hours).

Ms. DeBerry adds that the Hardestys definitely filled a need for local meat processing in the community. She said, "The Hardestys have worked hard to make their high-quality meats available across the region in stores, restaurants, and farmer's markets. I have been so pleased to see the Hardesty family take their idea for a meat processing business to a reality!"

Pictured: The Hardesty's son, Grant, demonstrates Working H Meats & Market's new bowl cutter and tumbler purchased with funding from a Maryland Value-Added Matching Grant-Capital Assets Option (MVAPG-CAO) Program.





MARBIDCO - 1410 Forest Drive, Suite 21, Annapolis, MD 21403 - 410-267-6807
www.marbidco.org