

FY 2011 Annual Report

Maryland Agricultural & Resource-Based Industry Development Corporation



Maryland Agricultural and Resource-Based Industry
Development Corporation
1410 Forest Drive, Suite 26, Annapolis, MD 21403
www.marbidco.org



A Message from the Chair and Executive Director

After completing its fourth full year of operation, MARBIDCO is pleased to report that it has continued to make significant strides in fulfilling its mission in FY 2011, despite the challenges still presented by an economy recovering from recession. This Annual Report documents many of these successes, showing MARBIDCO's growth and capabilities in addressing the specialized financing and business development needs of Maryland agricultural and resource-based industries.

Disappearing rural working landscapes, global agricultural market competition, an aging farmer population, and a lack of access to affordable capital for new farmers and rural business innovation are some key challenges that MARBIDCO was created to help to address. As a uniquely chartered financial intermediary and business development agency, MARBIDCO 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 the long-term sustainability of these rural industry sectors.

Contributing greatly to MARBIDCO's efforts are our State agency partners, MDA, DBED, DNR, MEA, RMC, MFCA and UME, as well as our allied rural business organizations in the private sector. Together with our federal partners at USDA and a growing number of commercial banks that have participated in MARBIDCO business finance projects, we have provided significant resource-leveraging opportunities for our customers. Add to this the contributions of our hard-working Board of Directors and Financing Review Committees, and we could not be more pleased with the collective effort and the progress we are continuing to make in helping Maryland's food, feed and fiber businesses succeed.

Thanks to the financial resources provided by Governor Martin O'Malley and the Maryland General Assembly, MARBIDCO was able to make more than \$3.5 million in direct financial investments in a number rural businesses located across Maryland counties during FY 2011. This does not include another \$1.7 million provided for oyster aquaculture. The vast majority of these investments were provided in the form of low-interest loans, while additional funds were used to provide partial matching grants for value-added processing, and county agricultural cost-share projects.

One of the biggest success stories of FY 2011 is MARBIDCO's launch of the Maryland Shellfish Aquaculture Financing Fund. Working in partnership with DNR and UME and using a combination of state, capital and federal funds, this program 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. With 26 aquaculture loans approved across 10 counties in FY 2011, this program is off to a very successful start. Not only will these projects help revitalize and preserve the historic oyster industry in Maryland, but as a by-product they will also greatly contribute to improving the water quality of the Chesapeake Bay and its tributaries.

MARBIDCO's most popular offering continues to be the Maryland Resource-Based Industry Financing Fund (the "MRBIFF Program"), a program which makes available low-cost loan capital working in partnership with commercial banks and the Farm Credit System. Last year, as an outcome of this program, we observed that every dollar that MARBIDCO invested in a rural business project leveraged almost two dollars in additional commercial lender financing. As a result, we were able to assist several young and beginning farmers in starting their own businesses, including the establishment of the first sheep dairy farm in Maryland. MARBIDCO also helped a number of other agricultural enterprises to diversify or expand their operations, as well as aided in the revitalization of a livestock auction that will provide significant regional benefits to producers.

While we continued to experience great success this year, the work of the Corporation is still just beginning. MARBIDCO remains absolutely 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 so greatly cherish in this State. And we see more opportunities in the future to simultaneously aid both resource-based business as well as the environment. New programs to help county governments with their farm land preservation efforts and to help urban farmers get started in business are currently under development.

Clean air and water, a safe and healthy local food supply, thriving rural communities, and scenic pastoral vistas for human enjoyment and renewal are what we plan to help sustain for the benefit of many generations of Marylanders. We invite you to learn more about our services and programs and to join us on the journey towards sustaining a vibrant rural land and water heritage in Maryland that produces a cornucopia of high quality food and fiber products for all our fellow citizens to enjoy.

Phyllis E. Kilby
Chairwoman

Stephen R. McHenry
Executive Director

MARBIDCO: Growing Rural Ventures

MARBIDCO was established to enhance the sustainability and profitability of Maryland's agricultural and resource-based industries in order to help bolster rural economies, provide locally-produced food and fiber products, and preserve working farm and forest land. During its first four years of operation, MARBIDCO has invested more than \$11 million in 136 farm and rural business projects located in 21 Maryland counties, and in the process has helped create or retain an estimated 782 full- and part-time jobs. To date the organization has funded 42 value-added food or fiber processing enterprises and helped 43 young or beginning farmers buy their first farms or expand their business operations. Thanks to the strong support of Maryland's Governor and General Assembly, MARBIDCO has been fully operational since 2007 and employs a small team of experienced rural economic development, credit underwriting, and loan servicing personnel.

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 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 (particularly help for young/beginning farmers); and
- Rural working land preservation facilitation.

MARBIDCO's programming fall into three broad categories:

1. **Core Rural Business Development.** Several loan and grant 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. Loans range from \$10,000 to \$400,000 and must be fully collateralized. Grant programs help producers with partial matching funds for energy efficiency and value-added projects, and provide local governments with matching economic development cost share funds.
2. **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.
3. **Higher Risk or Micro-Credit 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 philanthropic funds.

The MARBIDCO Fiscal Year 2011 Annual Report

MARBIDCO is an economic development agency with a unique mission: provide much-needed specialized financing and business development assistance to support the continued viability of Maryland's agricultural and rural industries, and in the process help preserve more than 3 million acres of open space and insure a safe and plentiful supply of locally grown food and fiber. Our clients are rural business entrepreneurs, food/fiber producers and harvesters, and farm and forest landowners. We work closely with commercial lenders, cooperative extension agents, local economic development officers, State agency marketing and land preservation staff, and other rural business service providers to make our financial and business planning services available to those that need them. MARBIDCO's Board of Directors consists of 17 individuals representing government agencies, food and fiber producers and processors, commercial lenders, and public finance and economic development professionals. The Governor, with the advice and consent of the Maryland State Senate, appoints 11 private sector members while six are appointed by state agencies.

Board of Directors

Appointed by the Governor

Phyllis Kilby (Chair)

Owner and Operator, Kilby Cream and Dairy Farm. Representing Agricultural Producers

Peter Alexander

Mill Supervisor (Retired), Glatfelter Pulp Wood Company. Representing Timber & Forest Products Industries

Joseph Chisholm

Retired Bank Vice President. Representing Commercial Lending Institutions

Faith Elliott-Rossing

Director of Economic Development & Tourism. Representing Rural Economic Development

J. Robert Frazee

President/CEO, MidAtlantic Farm Credit. Representing Commercial Lending Institutions

William Gerweck

General Manager (Retired), Winbak Farms. Representing Agricultural Interests

Dr. Howard Leathers

Associate Professor, Dept. of Agricultural & Resource Economics (UMD). Representing Public Finance

Karen Oertel

Co-owner, Harris Crab House, Inc. and W.H. Harris Seafood, Inc. Representing Aquaculture Producers

A. Orrell Saulsbury, III

Former Owner, Saulsbury Brothers Company. Representing Commercial Food & Fiber Processing

State Agency Representatives

Gregory Cole

Director of Rural Region Financing Programs
MD Department of Business and Economic Development

Donald Darnall

Executive Director
Maryland Food Center Authority

Vanessa Orlando

Executive Director
Rural Maryland Council

S. Patrick McMillan

Assistant Secretary
MD Department of Agriculture

Dr. Nick Place

Associate Dean/Director
University of Maryland Extension

Emily Wilson

Deputy Director, Land Acquisition & Planning Unit
MD Department of Natural Resources

Staff

Stephen McHenry

Executive Director

Kristen Robinson

Financial Programs Officer

Christina Wilkins

Bookkeeper/Loan Processing Assistant

Rural Business Development Programs

MARBIDCO Loan Programs

Maryland Resource-Based Industry Financing Fund (MRBIFF) offers low-interest (3% 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 \$250,000 for real estate purchases, food/meat processing and bioenergy projects. 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 borrower equity contribution and letter of referral from a commercial lender is required.

Maryland Vineyard Planting Loan Fund offers low-interest (3-5% APR) loans to help meet the unique financing needs of Maryland's rural landowners wanting to plant grapes and develop wineries. The maximum loan amount is \$100,000 and an interest only option is available. A letter of referral from a commercial lender is required as well as a site evaluation approval letter from the wine/grape industry's viticulture committee. The requested financial assistance from MARBIDCO must relate to the installation of new vineyards, including, but not limited to, the prepping of land for vineyard installation, purchase of vines, vineyard equipment and supplies.

Forestry Equipment and Working Capital Loan Fund offers low-interest (5-10% APR, 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. A letter of referral from a commercial lender is required. In a special effort to better serve the forest products industry in Maryland, MARBIDCO will utilize slightly more liberal underwriting guidelines than normal for making loans under this program.

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 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 coops 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.



MARBIDCO
growing rural ventures™

Rural Business Development Programs (Continued)

Specialty Loan Programs

***New In FY 2011* Maryland Shellfish (Oyster) Aquaculture Financing Fund** (working in collaboration with DNR and UME and using a combination of special, capital and federal 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 (which as a by-product would also greatly contribute to estuarine water quality enhancement). This new program had a successful launch in FY 2011, with 26 aquaculture loans approved across 10 counties. 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. 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 in the event of a loan default).

Rural Business Energy Efficiency Improvement Loan Fund (working in collaboration with MEA) offers low-interest (4%) “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. 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 - 1.0 ratio on the annual energy savings payback. A letter of referral from a commercial lender is required.

MARBIDCO Spotlight: Helping Local Products Reach Consumers

Shore Gourmet, operating under the auspices of the Mid-Shore Regional Council (MSRC), serves as a nonprofit entity dedicated to promoting and sustaining the food and agricultural value-added businesses located on Maryland’s Eastern Shore. Collaborating with the Eastern Shore Entrepreneurship Center, Shore Gourmet offers distribution and consulting services to the local agricultural community to help market their value-added and gourmet food products.

In 2010, MSRC needed to immediately raise a 45% match for a USDA-Rural Development grant of \$22,000 for the equipment needed to distribute food through Shore Gourmet. With only \$4,800 left standing between them and the grant money, MSRC turned to MARBIDCO for help in matching the final \$2,400 that they could contribute. Through a Local Government Ag/RBI Project Cost Share Grant, MARBIDCO supplied MSRC with the \$2,400 match it needed, and as a result Shore Gourmet was able to purchase a refrigeration truck costing \$40,366. This truck is being used to both acquire and distribute Eastern Shore products both to and from the Shore Gourmet warehouse in Easton to vendor and distribution outlets located across the Eastern Shore and in the Annapolis area. The products include cheeses, yogurt, meat rubs, sauces, pastries, biscuits, honey, flavored nuts, bison meat products, beef, and pork products.

Thanks to Shore Gourmet, Marylanders are getting to experience Eastern Shore products they might not have otherwise had access to, and agricultural and regional food businesses are increasing their sales and expanding the market for their specialty products.

Rural Business Development Programs (Continued)

MARBIDCO Grant Programs

Maryland Value-Added Producer Grant (MVAPG) 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 20% of the matching requirement to those who actually receive the USDA award. The USDA program requires a 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 \$100,000 for a planning grant and \$300,000 for a working capital grant. MARBIDCO's grants can be applied for up to \$20,000 and \$40,000 respectively.

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 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 is \$10,000.)

****New In FY 2011** 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 new equipment or 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. Launching the program in FY 2011, MARBIDCO offered 13 grants of between \$2,500 and \$20,000 across 10 Maryland counties, for a total of \$198,599.

Rural Land Preservation Facilitation Programs

The Installment Purchase Agreements Programs(s), 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 are currently being 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 working 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 land from future development.

Innovative Watermen Lead the Way in Oyster Industry Revitalization

Johnny Shockley and Ricky Fitzhugh started Hooper's Island Oyster Aquaculture, Inc., in 2011 to produce and market high quality half-shell oysters and provide others with the equipment needed to support the emerging shellfish aquaculture industry in Maryland. Shockley, a third-generation waterman, states, "Aquaculture is a way to continue our heritage; it's the first step as we move forward into the next age of the waterman."

Shockley and Fitzhugh obtained a Maryland Shellfish Aquaculture Financing Fund Loan from MARBIDCO to purchase the shellfish larvae, cages, and equipment needed to grow farm-raised oysters. Shockley and Fitzhugh are setting oyster larvae in the water column of a five-acre area in Dorchester County that they have leased from the State, which has increased its aquaculture leasing opportunities through Governor Martin O'Malley's oyster restoration plan. Through extensive research they built equipment and designed a system that will transition the traditional harvesting methods of Maryland watermen into a cutting-edge seafood production industry, helping to revitalize the oyster industry and retain jobs in rural communities located around the Chesapeake Bay.

The first cages of oysters were placed in Tar Bay waters in June 2011, after a year of preparation. The oysters, which can grow to maturity in several months, are being marketed under the brand name Chesapeake Gold Oysters. The business is providing wholesale and retail customers with high quality, sustainable Maryland oysters harvested from clean, approved waters, while also helping other watermen progress in creating their own shellfish aquaculture businesses. The company is the first in the State of Maryland to produce commercial cage equipment for aquaculture as well as being among the first private commercial oyster hatcheries to operate in Maryland.



Pictured Above: The ribbon cutting ceremony for the Hoopers Island Oyster Aquaculture Company. Owners Johnny Shockley and Ricky Fitzhugh are with representatives from the Maryland General Assembly and other local dignitaries.

MARBIDCO Project Financing Review Committees

The 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 MD 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:

Mr. Pete Alexander

Retired District Manager,
Glatfelter Pulp Wood Company

Mr. Kenny Bounds

Vice President of Business
Development,
MidAtlantic Farm Credit

Mr. Joseph Chisholm

Poultry Farmer & Vice President
(retired),
Mercantile Peninsula Bank

Mr. Gregory Cole

Director of Rural Financing
Programs,
MD Department of Business &
Economic Development

Ms. Shannon Dill

Talbot County Extension Director
University of Maryland Extension

Ms. Faith Elliott-Rossing

Director, Queen Anne's County
Economic Development &
Tourism

Ms. Phyllis Kilby

Owner & Operator,
Kilby Cream & Dairy Farm

Mr. S. Patrick McMillan

Assistant Secretary, Marketing
and Consumer Services,
MD Department of Agriculture

Ms. Ginger Myers

Regional Marketing Specialist,
University of Maryland
Extension

Mr. Mike Naylor

Assistant Director,
Shellfish Program, MD
Department of Natural Resources

Mr. Matt Parker

Aquaculture Business Special-
ist, University of Maryland, Sea
Grant Extension

Mr. Mark Powell

Chief of Marketing Services, MD
Department of Agriculture

Mr. Dan Rider

Program Director,
Maryland Forest Service, MD
Department of Natural Resources

Mr. Karl Roscher

Aquaculture Coordinator,
MD Department of Agriculture



Pictured Left: Kevin Deighan, Shore Gourmet General Manager, and Stephen McHenry, MARBIDCO Executive Director, stand by the refrigeration truck purchased with assistance from a Local Government Ag/RBI Project Cost Share Grant. The MARBIDCO grant served as a partial match to MAERDAF and USDA-Rural Development grants.

MARBIDCO FY 2011 Statement of Net Assets*

June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$1,958,453	\$1,527,636
Accounts Receivable	\$285,000	\$5,494
Loans receivable - current	\$180,814	\$135,437
Accrued interest receivable	\$43,501	\$53,616
Noncurrent Assets:		
Restricted investment (IPAs)	\$762,377	\$762,377
Loans receivable - non-current (net of current portion & allowance of \$249,328 and \$115,380 for 2011 and 2010, respectively)	\$7,046,729	\$4,452,379
Real estate owned	\$50,000	
Capital assets, net	<u>\$20,554</u>	<u>\$27,660</u>
Total Assets	\$10,347,428	\$6,964,599
Liabilities		
Current Liabilities:		
Accounts Payable	\$9,182	
Accrued expenses	\$31,021	\$24,361
Noncurrent Liabilities:		
Long-term debt (IPAs)	\$762,377	\$762,377
Other liabilities	<u>\$7,060</u>	<u>\$7,860</u>
Total Liabilities	\$809,640	\$794,598
Net Assets		
Invested in capital assets	\$20,554	\$27,660
Unrestricted	<u>\$9,517,234</u>	<u>\$6,142,341</u>
Total Net Assets	\$9,537,788	\$6,170,001
Total Liabilities and Net Assets	\$10,347,428	\$6,964,599

*From Audited Financial Statements

New Programs on the Horizon

The Sustainable Forestry Emergency Loan Fund, created based on the recommendation of a DNR advisory commission to the Governor's Bay Cabinet, will address a serious challenge facing some family forestland owners in the Chesapeake Bay watershed relating to land parcel fragmentation and unplanned or premature timber harvests. To address this dilemma, a revolving loan fund-type opportunity is being developed by MARBIDCO to provide low-interest loans to qualified forest landowners to assist with short-term family financial needs. The loans will be secured by the private forest land itself, operating under an approved sustainable forest management plan, thereby protecting air/water quality and providing other timber resource benefits. In addition, a temporary land preservation easement would be put into effect during the term that the loan is outstanding. Applicants will be required to enter into a Forest Conservation Management Agreement with the Maryland Forest Service. MARBIDCO and the Maryland Forest Service hope to roll out this program once funding is available.

The Next Generation Farmland Acquisition Program will enable MARBIDCO, working directly with commercial lenders (as well as MALPF, Rural Legacy and county agricultural land conservation programs), to assist young and beginning farmers with the purchase of farmland, while at the same time extinguishing the development rights on the land being purchased. Legislation enacted during the 2008 Session of the Maryland General Assembly allocates certain funds collected each year to this program from the State's share of the Agricultural Land Transfer Tax. Funds for this program are not expected to be available until FY 2014.

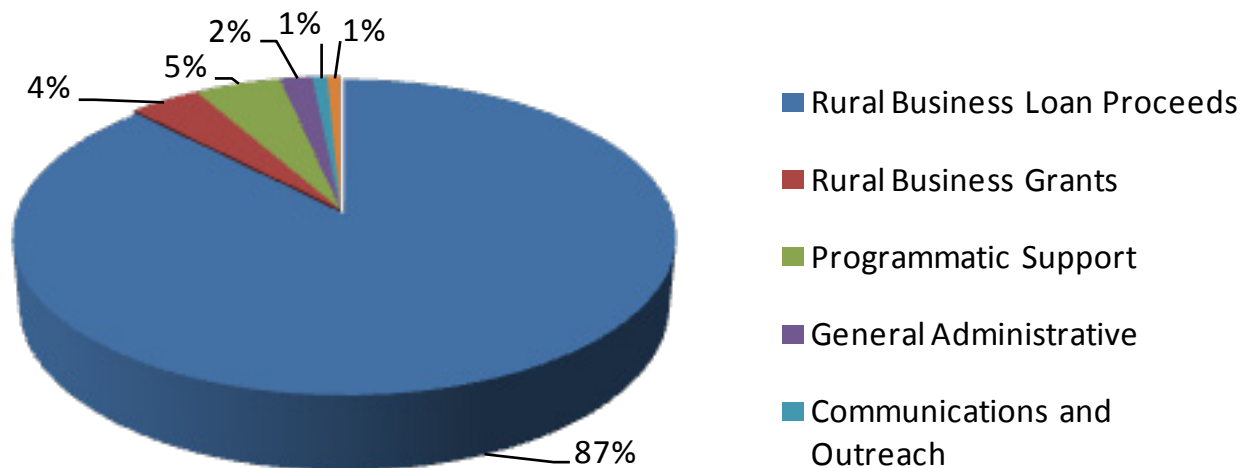
Statement of Revenue and Expenses*

June 30, 2011 and 2010

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>
Income		
State appropriation	\$2,500,000	\$850,000
Interest income	\$134,217	\$156,562
Program revenue	\$20,517	\$13,979
Federal/State grants	\$1,539,163	\$100,000
Expenses		
Grants	\$(125,418)	\$(31,293)
Administrative	\$(167,623)	\$(133,179)
Salaries & benefits	\$(272,464)	\$(292,466)
Depreciation expense	\$(9,106)	\$(8,772)
Provision for Loan Losses	\$(251,498)	\$(115,380)
Net Income	\$3,367,788	\$539,451
 Net Assets, Beginning of Year	 \$6,170,001	 \$5,630,550
Net Assets, End of Year	\$9,537,788	\$6,170,001

FY 2011 MARBIDCO Expenditures, by Category

Rural Business Loan Proceeds	\$4,842,266
Rural Business Grants	\$221,856
Programmatic Support	\$269,822
General Administrative	\$101,148
Communications and Outreach	\$46,074
Rural Economic & Program Development	\$41,673



*From Audited Financial Statements

MARBIDCO Loan Making Activity in FY 2011

July 1, 2010 to June 30, 2011

<u>Business or Farm Description</u>	<u>County</u>	<u>Loan Amount</u>
Shellfish Aquaculture - 3 loans (<i>1 young farmer</i>)	Anne Arundel	\$71,000.00
Shellfish Aquaculture - 1 loan (<i>young farmer</i>)	Baltimore	\$100,000.00
Shellfish Aquaculture - 3 loans (<i>1 young farmer</i>)	Calvert	\$175,000.00
Dairy & Creamery - 1 loan (<i>young farmer</i>)	Caroline	\$20,000.00
Grain - 3 loans (<i>3 young farmers</i>)	Caroline	\$628,104.00
Greenhouse/Nursery - 1 loan (<i>young farmer</i>)	Caroline	\$275,000.00
Livestock - 1 loan (<i>young farmers</i>)	Carroll	\$250,000.00
Sheep Dairy & Creamery - 1 loan	Carroll	\$200,000.00
Fruit & Vegetable - 1 loan	Dorchester	\$132,500.00
Grain - 2 loans (<i>1 young farmer</i>)	Dorchester	\$465,000.00
Shellfish Aquaculture - 5 loans (<i>2 young farmers</i>)	Dorchester	\$300,288.00
Shellfish Aquaculture - 1 loan (<i>young farmer</i>)	Kent	\$99,999.00
Shellfish Aquaculture - 1 loan (<i>young farmer</i>)	Somerset	\$66,375.00
Vegetable - 1 loan	St. Mary's	\$187,500.00
Vineyard - 1 loan (<i>young farmer</i>)	St. Mary's	\$100,000.00
Shellfish Aquaculture - 6 loans (<i>2 young farmers</i>)	St. Mary's	\$389,000.00
Grain & Poultry - 1 loan (<i>young farmer</i>)	Talbot	\$375,000.00
Shellfish Aquaculture - 2 loans (<i>1 young farmer</i>)	Talbot	\$154,500.00
Grain & Dairy - 1 loan (<i>young farmer</i>)	Washington	\$360,000.00
Greenhouse/Nursery - 1 loan (<i>young farmer</i>)	Wicomico	\$110,000.00
Poultry - 1 loan (<i>young farmers</i>)	Wicomico	\$200,000.00
Shellfish Aquaculture - 1 loan (<i>young farmer</i>)	Wicomico	\$100,000.00
Shellfish Aquaculture - 2 loans (<i>2 young farmers</i>)	Worcester	\$83,000.00

Total Amount of Loans: \$4,842,266.00

MARBIDCO Grant Making Activity in FY 2011

July 1, 2010 to June 30, 2011

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	Calvert	\$9,144.00
Sheep Dairy & Creamery	Carroll	\$20,000.00
Vineyard & Winery (<i>young farmer</i>)	Cecil	\$13,450.00
Vineyard & Winery (<i>young farmer</i>)	Frederick	\$20,000.00
Christmas Tree Farm	Frederick	\$2,500.00
Forestry (<i>young farmer</i>)	Garrett	\$20,000.00
Beef/Hay/Agritourism	Harford	\$20,000.00
Dairy	Harford	\$20,000.00
Vineyard & Winery	Harford	\$15,000.00
Agricultural Education & Specialty Crops	Prince George's	\$3,998.00
Forest Products	Queen Anne's	\$17,000.00
Dairy & Creamery	Washington	\$20,000.00
Vineyard & Winery	Worcester	\$8,364.00
Total Maryland Value-Added Producer Grant - CAO Program Awarded:		\$189,456.00

Local Government Agricultural/RBI Cost Share Program

<u>Rural Industry/Sector Assisted</u>	<u>Partnering Counties</u>	<u>Grant Amount</u>
Multiple Value-Added Ag Product Distribution	Caroline, Dorchester, Talbot	\$2,400.00
Vineyard & Winery	Prince George's	\$5,000.00
Total Local Government Agricultural/RBI Cost Share Grants Awarded:		\$7,400.00

Special One-Time Grant

<u>Rural Industry/Sector Assisted</u>	<u>Partnering Entities</u>	<u>Grant Amount</u>
Maryland-focused Agricultural Video Production	MDA, MAFC, Baltimore Co.	\$25,000.00
Total Special One-Time Grants Awarded:		\$25,000.00

Total Amount of Grants Awarded: \$221,856.00

By the Numbers: MARBIDCO Rural Business Investments

FY 2011 Loan Programs

	Applicants	Loan Amount	Status
MD Resource-Based Industry Financing Fund Loan	12	\$2,798,104	Funded
MD Resource-Based Industry Financing Fund Loan	2	\$385,000	Approved
MD Resource-Based Industry Financing Fund Loan	1	\$340,000	Withdrawn
MD Resource-Based Industry Financing Fund Loan	3	\$557,000	Denied
Rural Business Working Capital Loan Fund	1	\$20,000	Approved
Maryland Vineyard Planting Loan Fund	1	\$100,000	Funded
Maryland Vineyard Planting Loan Fund	1	\$11,000	Withdrawn
MD Shellfish Aquaculture Financing Fund Loan	24	\$1,539,162	Approved
MD Shellfish Aquaculture Financing Fund Loan	7	\$600,000	Denied
Total Loan Applications Funded or Approved	40	\$4,842,266	
Total Loan Applications Withdrawn	2	\$351,000	
Total Loan Applications Denied	10	\$1,157,000	
Total All Loan Applications	52	\$6,350,266	
Percent of Loan Applications Funded or Approved	77%		

FY 2011 Rural Business Grants

	Applicants	Grant Amount	Status
Maryland Value-Added Producer Grant - Capital Asset Option	7	\$113,814	Funded
Maryland Value-Added Producer Grant - Capital Asset Option	6	\$75,642	Approved
Maryland Value-Added Producer Grant - Capital Asset Option	9	\$169,048	Denied
Special One-Time Grant	1	\$25,000	Approved
Local Government Ag/RBI Cost Share Program	2	\$7,400	Funded
Total Applications Funded or Approved	16	\$221,856	



Pictured Left: The sheep dairy barn at Shepherds Manor Creamery, featured on page 16.

MARBIDCO 2011 Commercial Lender Leverage Amounts

In FY 2011, MARBIDCO lent more than \$3 million to 14 **Maryland Resource-Based Industry Financing Fund** (MRBIFF) borrowers. This enabled MARBIDCO to leverage more than \$4 million in commercial or economic development lender funds, resulting in a favorable 2-1 leverage ratio.

2011 Commercial Lender Leverage Amounts

Borrower	Loan Type	MARBIDCO Loan Amount	Commercial Lender Loan Amount	Private Lender Amount
Grain Farm	MRBIFF	\$125,000.00	\$125,000.00	
Sheep Dairy & Creamery	MRBIFF	\$200,000.00	\$250,000.00	
Grain Farm (young farmer)	MRBIFF	\$200,000.00	\$475,000.00	
Grain Farm (young farmer)	MRBIFF	\$200,000.00	\$300,000.00	
Grain Farm (young and beginning farmer)	MRBIFF	\$360,000.00	\$360,000.00	
Livestock (young and beginning farmer)	MRBIFF	\$235,000.00	\$440,000.00	\$100,000.00
Grain Farm (young farmer)	MRBIFF	\$375,000.00	\$375,000.00	
Grain Farm (young farmer)	MRBIFF	\$228,104.00	\$256,105.00	
Poultry Farm (young and beginning farmer)	MRBIFF	\$200,000.00	\$517,000.00	
Vegetable Farm	MRBIFF	\$187,500.00	\$187,500.00	
Fruit & Vegetable Farm	MRBIFF	\$132,500.00	\$132,500.00	
Greenhouse (young and beginning farmer)	MRBIFF	\$110,000.00	\$120,000.00	
Greenhouse (young and beginning farmer)	MRBIFF	\$275,000.00	\$545,000.00	\$25,000.00
Grain Farm (young farmer)	MRBIFF	\$340,000.00	\$340,000.00	
TOTALS:		\$3,168,104.00	\$4,423,105.00	\$125,000.00

Pictured Right: Young oysters being grown at Hoopers Island Oyster Aquaculture Company.



2011 MARBIDCO Spotlights

Helping Beginning Farmers Bring New Products to Maryland

Colleen and Michael Histon are not your typical farm family. Both grew up in the suburbs of Silver Spring, Maryland, and each have careers outside of agriculture. When they moved to Mount Airy to raise a family, their children became involved in the Carroll County 4-H program, raising market lambs, breeding sheep, market steers, and market pigs. After their children were grown, the Histons found they missed the people and the atmosphere, so they began research to develop a sustainable agricultural business of their own. After traveling to several sheep dairy farms across the country, they decided to raise dairy sheep and establish Shepherds Manor Creamery, LLC—the first sheep's dairy in Maryland and the first to produce raw milk farmstead cheese. A sheep's dairy fills a unique niche in Maryland dairy products, as the United States currently imports 99% of the sheep cheese consumed in the country. At the present time the world's commercial dairy sheep industry is concentrated in Europe, with only approximately 100 U.S. dairy sheep farms that are located mostly in New England, the Upper Midwest, New York, and California.



The Histons secured mortgage loans from MARBIDCO and MidAtlantic Farm Credit to purchase a suitable Carroll County farm in New Windsor on which to reside, house their newly purchased lambs, and construct their sheep dairy facility. Another MidAtlantic Farm Credit loan was obtained for the construction of the dairy building, and MARBIDCO assisted the Histons with securing additional project funding through the award of a 2010 Maryland Value-Added Producer Grant (Capital Assets Option). This \$20,000 matching grant helped them purchase the pasteurizer to make cheese. The dairy building, which has a milking parlor, cheese room, bulk milk tank room, and an aging room, was completed for use in May 2011, and milking and the production of artisan sheep cheese has begun. The Histons also anticipate producing yogurt in the future as their business grows.

Rescuing an Historic Facility to Preserve a Regional Asset

The Westminster Livestock Auction, which opened in the 1930s, is a place in Carroll County where farmers can bring their agricultural products—from livestock to produce and hay—to sell to buyers from other local farms or to wholesale representatives. Earl and Victoria Gouker originally volunteered at the auction as a way to spend more time with their friends, and Victoria also worked there in her youth. It seemed natural then, when the owner started talking about closing the auction, that the Goukers decided to buy it to keep the historic facility running.

The Goukers, who also operate a farm, worked with the Carroll County Department of Economic Development to obtain loans from MARBIDCO and New Windsor State Bank to purchase the auction. The Goukers explain that without this opportunity for joint financing, the deal would have probably fallen through. According to Gabe Zepp, agriculture development specialist in the county department of economic development, this would have meant a tremendous loss not only for Carroll County and Central Maryland, but also for the Eastern Shore and Southern Maryland, since the Westminster Livestock Auction is only one of four auctions operating within the State of Maryland.

The Goukers took over the business in April 2011 and are working to expand through the development of specialized markets, such as an equine auction and special feeder calf auctions. They are also hoping to attract more non-agricultural families to the auction, since they can come to buy many of the same goods found at farmer's markets. According to Victoria, many of the sellers at the auction are hobby farmers who don't produce enough to have a regular stand at a farmers market but still want to sell their products to the public. The auction helps these farmers find buyers while giving customers another venue for buying local produce.