

FY 2012 Annual Report



MARBIDCO
growing rural ventures™



**“Celebrating Our First
Five Years”**

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



A Message from the MARBIDCO Executive Director & Board Chairman

As we mark our Fifth Anniversary of full operation, MARBIDCO is pleased to report that it has continued to make significant strides in fulfilling its mission in FY 2012, 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's agricultural and resource-based industries. As a uniquely chartered financial intermediary and business development organization, 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 important 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 hardworking Board of Directors and Project 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 in large measure to the financial resources provided by Governor Martin O'Malley and the Maryland General Assembly, MARBIDCO was able to make more almost \$3.6 million in direct financial investment in more than three dozen rural businesses located through the state of Maryland during FY 2012. The vast majority of this investment was 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 2012 is MARBIDCO's second year of the Maryland Shellfish Aquaculture Financing Fund and launching of the Remote Setting Shellfish Aquaculture Loan Fund. Working in collaboration with DNR and using a combination of special, capital and federal funds, these programs help watermen and others who wish to transition from wild oyster harvesting to start or expand underwater and nursery shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays plans. With 11 aquaculture loans approved across eight counties in FY 2012, these programs are 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 enhancing estuarine water quality.

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, on average, every dollar that MARBIDCO invested in a rural business project leveraged over 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, often to bring the next generation of farmers into a family business.

Although we can look back over the past five years of success with pride, we know 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. 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.

Peter Alexander
Chairman

Stephen R. McHenry
Executive Director

The MARBIDCO Fiscal Year 2012 Annual Report

MARBIDCO is an economic development organization 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

Mr. Pete Alexander (Chair)
Retired District Manager
Glatfelter Pulp Wood Company
Representing Timber and Forest Products Industry

Mr. Gregory Cole, Director
Financing Programs - Rural Region
Maryland Department of Business and Economic Development
Representing Maryland Department of Business and Economic Development

Mr. Donald Darnall
Executive Director
Maryland Food Center Authority
Representing Maryland Food Center Authority

Mr. J. Robert Frazee
President
MidAtlantic Farm Credit
Representing Commercial Lending Institutions

Ms. Megan Keyes
Business Manager
Keyes Creamery
Representing Agricultural Producers

Mr. Aden A. King
Vice President
Phillips Foods, Inc.
Representing Commercial Seafood Harvesting and Processing Industry

Dr. Howard Leathers
Assoc Professor & Undergrad Coordinator
Dept of Agricultural & Resource Economics
Representing Public Finance

Dr. Douglas Lipton
Sea Grant Extension Program Leader
University of Maryland
Department of Agricultural & Resource Economics
Representing Aquaculture Industry

Mr. S. Patrick McMillan
Assistant Secretary
Maryland Department of Agriculture
Representing Maryland Department of Agriculture

Ms. Sarah J. O'Herron
Owner
Black Ankle Vineyards
Representing Commercial Food or Fiber Processing

Dr. Nick Place
Associate Dean / Associate Director
University of Maryland Extension
University of Maryland
Representing University of Maryland Extension (Ex Officio)

Mr. Rantz W. Purcell
Poultry & Grain Farmer
Representing Agricultural Producers

Ms. Faith Elliott Rossing (Vice Chair)
Director of Economic Development
Queen Anne's County
Representing Rural Economic Development or Ag Marketing

Ms. Pamela Saul (Secretary/Treasurer)
Owner
Farm & Equine Business Services, LLC
Representing Ag, Forestry or Seafood; or Economic Development

Ms. Emily Wilson
Deputy Director of Land Acquisition and Planning
Maryland Department of Natural Resources
Representing Maryland Department of Natural Resources

MARBIDCO Staff

Mr. Stephen McHenry
Executive Director
smchenry@marbidco.org

Ms. Linda Arnold
Financial Programs Specialist
larnold@marbidco.org

Ms. Karen Gindes
Communications Specialist
kgindes@marbidco.org

Ms. Kristen Robinson
Financial Programs Officer
krobinson@marbidco.org

Ms. Tina Wilkins
Bookkeeper
twilkins@marbidco.org

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 five years of operation, MARBIDCO has invested more than \$14.7 million in 182 farm and rural business projects located in 21 Maryland counties, and in the process has helped create or retain an estimated 1,391 full- and part-time jobs. To date the organization has funded 66 value-added food or fiber processing enterprises and helped 54 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 financing infrastructure that helps retain existing resource-based industry production and commerce, promotes rural entrepreneurship, and nurtures emerging industries.

MARBIDCO Offers:

- Assistance in securing capital and credit, especially for innovative or value-added activities;
- Rural business planning information and technical assistance referral;
- Rural land acquisition assistance (especially help for young and beginning farmers); and
- Rural working land preservation facilitation.

MARBIDCO's programming fall into three broad categories:

1. **Core Rural Business Development.** Several loan and grant incentive financing programs meet key agricultural, forestry, or seafood business investment needs. Loans can be used for land purchases, facilities construction or renovation, equipment acquisition or working capital. Loans range from \$10,000 to \$400,000 and must be fully collateralized. Grant incentive programs help producers with partial matching funds for processing projects, and provide local governments with matching economic development cost share funds for agricultural development projects.
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 private philanthropic funds.

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 \$400,000 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 referral from a commercial lender is required. Certain eligibility restrictions may also apply if federal funds are being used. (The State's financial support for this program may also leverage USDA-Rural Development funding.)

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 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. The purchase of tractors, pick-up trucks, and wine-making equipment are not eligible for financing under this particular program.

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 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 (including the utilization of a minimum cash flow coverage ratio of 1.0/1.0, as well as partially relaxed collateral security requirements, where appropriate).

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.

Rural Business Development Programs (Continued)

Specialty Loan Programs

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

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

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



Rural Business Development Programs (Continued)

MARBIDCO Grant Programs

Maryland Value-Added Producer Matching Grant Program (MVAPMG) encourages participation in the USDA's annual and highly competitive Value-Added Producer Grant Program (VAPG). To be eligible for funding under the MARBIDCO program, the applicant must also be eligible under the USDA program and funds will be awarded up to 15% of the matching requirement to those who actually receive the USDA award. The USDA program requires a 100% financial matching commitment and each application for the USDA VAPG program must include a "verification of matching funds". The USDA VAPG Program offers a maximum award of \$100,000 for a planning grant and \$300,000 for a working capital grant.

Local Government Ag/RBI Project Cost Share Program is designed to lend support to local and regional rural business development efforts that substantially support Maryland's farming, forestry, or seafood industries. MARBIDCO's participation cannot exceed that of a unit of local government or 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.)

Maryland Value-Added Producer Grant – Capital Assets Option Program (MVAPG – CAO) is designed to encourage farms and other businesses wanting to expand or diversify their operations to purchase new equipment or 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. During the last two years, MARBIDCO has made 26 MVAPG-CAO incentive grants, totaling \$378,253.



Pictured above: Wenfei and Richard Uva display their value-added products.

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.

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 Maryland Shellfish Aquaculture Financing Fund Review Committee are comprised of individuals from MDA, UME, DBED, DNR, local government, and the private sector. MARBIDCO would like to recognize the following individuals for their exemplary service and generous commitment of time and talent on one or more of our Project Financing Review Committees:

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 Busi-
ness & 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. Karen Fedor

Sr. Ag Marketing Specialist –
Specialty Crops,
MD Department of Agriculture

Mr. S. Patrick McMillan

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

Ms. Ginger Myers

Regional Marketing Specialist,
University of Maryland
Extension

Ms. Sarah O'Herron

Vintner,
Black Ankle Vineyards

Mr. Matt Parker

Aquaculture Business Specialist,
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

Assistant Director,
Maryland Forest Service, MD
Fisheries Service

Ms. Pamela Saul

Owner,
Farm & Equine Business Services,
LLC



MARBIDCO
growing rural ventures™

2012 MARBIDCO Spotlight

MARBIDCO Special Grant: MPT's *The Maryland Harvest*

In September 2011, MARBIDCO awarded a special grant to Houpla, Inc., co-funding (with Maryland Department of Agriculture and other agricultural groups) a Maryland Public Television production highlighting Maryland's farms, farmers, and chefs. Originally aired in April 2012, *The Maryland Harvest* takes a seasonal look at where local produce, meat, dairy, and seafood originate and how important these products are to Maryland chefs and restaurants. *The Maryland Harvest* includes visits with over 20 local farms, as the viewer observes the process of planting, growing, and raising local products.



In an effort to show how the agricultural market has been affected by “what the consumer wants,” producer/narrator Al Spoler accentuates the many positives of Maryland agricultural production. Everything from commodity crops, to animal agriculture, to specialty products is highlighted, providing a good overview of many farming methods in Maryland. Conventional methods of farming, sustainable agriculture, and aquaculture all share the spotlight. Interspersed throughout the film are interviews with nine local chefs who discuss the importance of using local ingredients, and then demonstrate their talents for using the seasonal harvest to create beautiful and mouth-watering end products.

MARBIDCO is pleased to have been a supporter of this project. *The Maryland Harvest* elegantly engages the audience in the many aspects of Maryland agricultural production and beautifully illustrates the connection and rewards of buying and eating local.

Hitting the Trail

MARBIDCO is proud to announce that four of its value-added grant incentive program recipients recently took part in the Maryland Department of Agriculture's Maryland's Best Ice Cream Trail 2012. The three-month program encouraged consumers to visit seven creameries state-wide to learn more about the dairy farming industry and enjoy delicious, fresh, locally-produced value-added milk products. MARBIDCO's four creamery participants included Kilby Cream, Cecil County; Misty Meadows Farm Creamery, Washington County; Rocky Point Creamery, Frederick County; and, Chesapeake Bay Farms, Worcester County.



Through MARBIDCO, each of the four creameries received a Maryland Value-Added Producer (Capital Assets Option) Grant. Each one used their grant incentive matching funds to purchase additional equipment to expand their value-added product lines, provide additional storage, and help grow their businesses. For example, Kilby Cream purchased creamery production equipment to produce drinkable yogurts and stirable yogurts and cheeses, and cheese making equipment. Misty Meadows Farm Creamery purchased an ice cream batch freezer, an ice cream hardening cabinet, and refrigerators. Rocky Point creamery invested in a new freezer, hardening cabinet, soft serve machine, and refrigerator. Chesapeake Bay Farms used the grant money to purchase pasteurization equipment to complete the ice cream making process directly on their farm “from cow to cone.” MARBIDCO is happy to have helped these four “2012 Trail Blazers!”

MARBIDCO Helps a Young Farmer Expand A Nice (Farms Creamery) Business



After spending two tours of duty in Iraq as an Army field artillery officer, Robert “Bob” Miller, made the decision to leave the Army and return to his family’s Eastern Shore farm to help run it. His parents were raising about 50 cows on their 200 acres (120 acres used as pasture), small by local dairy farm standards, and Miller knew he had some good ideas to help expand and assist with the business. In 2009, Miller started Nice Farms Creamery. Comparing his two careers, Army officer and dairy farm creamery owner and operator, Miller says, “The Army was easier.”

Miller left the farm in the early 2000’s to attend Salisbury University and then joined the Army. Upon his return, Miller wanted to help diversify the family’s grazing dairy operation. He approached four financial institutions to obtain additional capital that he hoped would enable him to start and run a creamery on the farm, buy additional equipment, and build a small creamery building. Miller thought surely the banks would approve a loan for a war veteran with an established farm and a solid business plan. Such was not the case, however, as Miller says these financial institutions “all laughed at him” and he was turned down by all four.

In 2009, Miller applied to MARBIDCO for a loan. Hoping for the best, but slightly deterred by the treatment he had received from other financial institutions in the past, Miller wasn’t sure what to expect. He was pleasantly surprised when MARBIDCO accepted his application and approved him for a loan. With MARBIDCO’s help, plus an investment from the Caroline County Rural Economic Development Program, and his own personal savings, Miller was able to fund the business start-up, purchase a cream separator and other equipment, and double the size of his building. Miller says, “Because the cows and processing facility are all in the same place, Nice Farms Creamery can now sell you dairy products that are unrivaled in freshness!” And with the assistance he received, Miller adds, “MARBIDCO made everything easier.”

These days, Miller, now age 30, and wife Jaclynne have expanded not only the farm, but their family as well. They welcomed the birth of their daughter, Anna, last February (they also have a son, John, age 5). Miller was able to hire his brother, Lucas, to work exclusively at the creamery and Jaclynne works as the creamery’s administrative assistant. The family sells their products at local farmers markets and several local grocery stores. With a growing “cult following” by local restaurants and repeat customers due to their healthy and fresh products, Bob Miller and Nice Farms Creamery are a true success story.



Pictured above: Bob and Jaclynne Miller stand in front of their new creamery building. **Right:** Lucas (holding Anna), Chase, Jacob, and John Miller help with the farm chores.

2012 MARBIDCO Spotlight



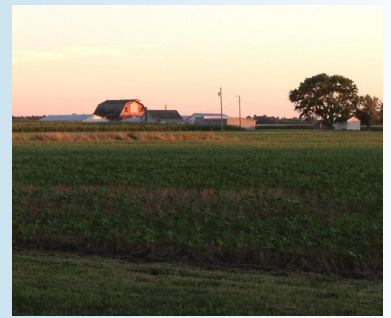
Pictured above: Hannah and Matthew Cawley.

Making it Through the First Year

Having grown up on her family's farm in Caroline County, Hannah Cawley already knew the ups and downs of raising corn, soybeans, wheat, and barley. She also helped her family raise chickens for Perdue Farms. Her family's specialty, however, is cucumbers, growing over 1,000 acres of cucumbers each year. With this lifetime of knowledge and ready to branch out on their own, Cawley and her husband Matthew looked to purchase their own farm near her family.

After applying and obtaining financing from MARBIDCO (partnering with MidAtlantic Farm Credit), the young couple purchased 42 tillable acres and a dwelling on separate parcels in January of 2012. With their new farm shortly up and running, and newly named "Cawley Acres", the couple was ready to face whatever challenges came along. And, like her family's farm business, the Cawleys would provide products to Perdue and local grain mills.

With this year's especially dry summer, the Cawleys (like many farm families) grain crop was hard hit by the lack of rain. Their corn production saw only 17 bushels/acre, as opposed to the expected 100 bushels/acre. Always optimistic, Ms. Cawley remains upbeat, stating, "Thanks to MARBIDCO, our payments aren't as high as they could be (if they had used all conventional bank financing)." Future plans include an irrigation system, so that the Cawleys might better endure the drought conditions such as they saw this past summer. And, with better irrigation available, Ms. Cawley notes, cucumbers are definitely in their future.



Pictured above: Cawley Acres.

Sheperding a New Idea



Pictured above: Part of the Histon herd.

Considering artisan cheese from sheep's milk? Eight years ago, Colleen Histon and her husband Michael did just that after meeting a California farmer who discussed the opportunities with sheep's milk. He encouraged the Histons further, noting that the United States imports 99% of its sheep's milk cheese. The idea took hold, and the Histons began working on making their business, Shepherds Manor Creamery, the first sheep dairy in Maryland.

With the issue of how to finance their business looming, Colleen and her husband, Michael, attended a farming conference three years ago. At a session on financing farm businesses, the Histons met MARBIDCO Executive Director Steve McHenry. Ms. Histon says she approached him about financing and from there started looking for various grants and loans. She adds, "I was proactive with the financing of our farm mortgage, asking Farm Credit if they would be willing to make us a loan if MARBIDCO was able to finance part of the loan." It was a new request for the loan officer at Farm Credit, but Ms. Histon says, "He and MARBIDCO staff made it work without a hitch." She also applied for a MARBIDCO value-added producer grant after having been told it was available and a possibility for their operation. Ms. Histon adds, "I was very lucky to have been chosen to receive it."

Today on their New Windsor farm, the Histons make artisan cheeses and delicate soaps from their sheep's milk, which they sell at special events. Ms. Histon says, "Everything is positive" and that they are meeting "small goals" incrementally. She concludes, "It has been a long journey for us, but MARBIDCO and MidAtlantic Farm Credit have really helped to make it a reality."

MARBIDCO Loan Making Activity in FY 2012

In FY 2012, MARBIDCO made 25 loans (including Aquaculture loans) totalling over \$3.1 million. MARBIDCO also helped eight farmers with land purchases totalling about \$2.2 million.

July 1, 2011 to June 30, 2012

<u>Business or Farm Description</u>	<u>County</u>	<u>Loan Amount</u>
Shellfish Aquaculture - 1 loan	Anne Arundel	\$130,000.00
Shellfish Aquaculture - 1 loan	Calvert	\$25,000.00
Shellfish Aquaculture - 2 loans	Dorchester	\$60,000.00
Shellfish Aquaculture - 1 loan	Kent	\$50,000.00
Shellfish Aquaculture - 2 loans	Somerset	\$38,350.00
Shellfish Aquaculture - 1 loan	Talbot	\$100,000.00
Remote Setting - 1 loan	Wicomico	\$30,000.00
Remote Setting - 1 loan	Kent	\$15,000.00
Dairy - 1 loan	Kent	\$200,000.00
Dairy & Creamery - 2 loans	Harford	\$65,000.00
Grain - 1 loan	Caroline	\$140,000.00
Grain - 1 loan	Dorchester	\$121,802.00
Grain & Cattle - 1 loan	Charles	\$400,000.00
Greenhouse - 1 loan	Caroline	\$250,000.00
Greenhouse/Nursery - 1 loan	Talbot	\$105,000.00
Livestock - 1 loan	Carroll	\$250,000.00
Poultry - 1 loan	Caroline	\$300,000.00
Poultry - 1 loan	Dorchester	\$400,000.00
Poultry - 1 loan	Queen Anne's	\$324,000.00
Poultry - 3 loans	Worcester	\$282,000.00
Vegetables - 1 loan	Worcester	\$250,000.00
TOTAL Amount of Loans:		\$3,186,152.00

MARBIDCO 2012 Commercial Lender Leverage Amounts

In FY 2012, MARBIDCO lent more than \$2.7 million to 14 **Maryland Resource-Based Industry Financing Fund (MRBIFF)** borrowers and one **Rural Business Equipment and Working Capital (RBEWC)** borrower. This enabled MARBIDCO to leverage more than \$6 million in commercial lender funds (working with four banks and farm credit associations), resulting in a favorable 2.2-1 leverage ratio.

2012 Commercial Lender Leverage Amounts

Borrower	Loan Type	MARBIDCO Loan Amount	Commercial Lender Loan Amount
Poultry Farm	MRBIFF	\$400,000.00	\$2,400,000.00
Poultry Fram	MRBIFF	\$324,000.00	\$324,000.00
Dairy Farm	MRBIFF	\$200,000.00	\$985,000.00
Grain Farm	MRBIFF	\$121,802.00	\$121,803.00
Grain & Cattle Farm	MRBIFF	\$400,000.00	\$400,000.00
Grain Farm	MRBIFF	\$140,000.00	\$140,000.00
Greenhouse	MRBIFF	\$250,000.00	\$600,000.00
Dairy & Creamery	MRBIFF	\$15,000.00	\$15,000.00
Dairy & Creamery	MRBIFF	\$50,000.00	\$50,000.00
Vegetable Farm	MRBIFF	\$250,000.00	\$275,000.00
Poultry Farm	MRBIFF	\$94,000.00	\$94,000.00
Poultry Farm	MRBIFF	\$94,000.00	\$94,000.00
Poultry Farm	MRBIFF	\$94,000.00	\$94,000.00
Poultry Farm	MRBIFF	\$300,000.00	\$415,000.00
Greenhouse	RBEWC	\$105,000.00	\$110,000.00
		TOTALS: \$2,837,802.00	\$6,117,803.00



Pictured left: Colleen Histon describes her sheep's milk cheese-making process.

MARBIDCO Grant Making Activity in FY 2012

July 1, 2011 to June 30, 2012

Maryland Value-Added Producer Grant - Capital Assets Option

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Fruits & Vegetables	Carroll	\$20,000.00
Vineyard & Winery	Queen Anne's	\$7,970.00
Dairy & Creamery	Harford	\$10,000.00
Vineyard & Winery	Baltimore	\$20,000.00
Dairy & Creamery	Frederick	\$20,000.00
Dairy & Creamery	Washington	\$10,000.00
Sheep Dairy & Creamery	Carroll	\$10,000.00
Dairy & Creamery	Worcester	\$20,000.00
Dairy & Creamery	Cecil	\$15,000.00
Fruits & Vegetables	Kent	\$20,000.00
Dairy & Creamery	Kent	\$20,000.00
Creamery	Caroline	\$20,000.00
Christmas Tree Farm	Frederick	\$2,500.00
Total Maryland Value-Added Producer Grant - CAO Program Awarded:		\$195,470.00

Maryland Value-Added Producer Matching Grant Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vineyard & Winery	Baltimore	\$10,000.00
Vineyard & Winery	Anne Arundel	\$40,000.00
Vineyard & Winery	Baltimore	\$40,000.00
Alpaca	Frederick	\$7,950.00
Vineyard & Winery	Kent	\$9,720.00
Dairy & Creamery	Talbot	\$37,400.00
Dairy & Creamery	Washington	\$9,990.00
Vineyard & Winery	Washington	\$8,000.00
Total Maryland Value-Added Producer Matching Grants Awarded:		\$163,060.00

MARBIDCO Grant Making Activity in FY 2012 (Continued)

July 1, 2011 to June 30, 2012

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	\$5,000.00
Vineyard & Winery	Prince George's	\$10,000.00
Total Local Government Agricultural/RBI Cost Share Grants Awarded:		\$15,000.00

Special One-Time Grant

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

TOTAL Amount of Grants Awarded: \$398,530.00



Pictured above: Sugarloaf Alpaca Co. in Frederick County receive a Maryland Value-Added Producer Matching Grant from MARBIDCO (and USDA Rural Development). Pictured left-to-right are: Adam Cramer, MidAtlantic Farm Credit; Steve McHenry, MARBIDCO Executive Director; Nancy and Kevin Brandt, Sugarloaf Alpaca Co.; Colby Ferguson, Agriculture and Business Retention Specialist, Frederick County; and Billy Shreve, Frederick County Commissioner.

2012 MARBIDCO Spotlight

Patuxent Seafood: Paving Way for Aquaculture Success

Making it through the tough issues and coming out, not only financially stronger, but with an idea for a better way to farm the product may seem like hard-to-reach goals. With hard work, innovation, and funding assistance through programs offered by MARBIDCO and DNR, Andrew Buck's family-owned and operated seafood business, Patuxent Seafood, is proving to be a success.

Mr. Buck and his family soon learned that, although his family had been watermen for many years, the transition from wild shellfish harvesting to oyster farming had its many challenges. Obtaining funding for his fledgling farming business was of particular concern. Mr. Buck notes, "We were told that MARBIDCO offered a sort of low interest loan with grant option of funding that would enable us to get the start-up equipment and oyster seed for our first crop." He says they applied for the loan and were approved for \$25,000, and adds, "With that money we purchased about 200 oyster grow-out cages, rope for cage lines, a stainless oyster tumbler/grader, and many thousands of oyster seed."

Without the option of having his MARBIDCO loan, Buck says, "We never would have started our oyster farming business in the first place!" The start-up expenses would be so costly that it could take many years to pay off a conventional loan, with the early years of a loan being most difficult while waiting for the oysters to grow to market size. "With our MARBIDCO loan we know that we have a little cushion for the first couple years before real, 'working' income becomes a reality." He continues by noting, "This loan has also provided another income-producing option to our children, offering them a sense of security during these difficult times." Mr. Buck also asserts that MARBIDCO is the reason they now own and operate their small firm called Patuxent Seafood Company, adding "This loan not only provided a way for our river water to be filtered and improved, but it has also helped to fulfill a dream that Jill and I have had since we married – to work together during our near-retirement years."

Another challenge the Bucks faced was oyster mortality. To combat this, Mr. Buck explains, "I will be raising my oysters in off-bottom cages for the half-shell market targeted to restaurants and the general public." By growing the oysters in off-bottom cages they should reach their legal size much faster than growing directly on the bottom. By raising oysters in the cages, Mr. Buck hopes to see a much lower mortality rate from diseases of MSX and Dermo since they will grow to harvest size faster. "As time and experience progresses," Mr. Buck adds, "I will see what works, what doesn't and will do better. I intend to make this business a profitable one, but I also see this as being a huge benefit for the restoration of the water quality in the Patuxent River."

Additionally, Mr. Buck says he is fortunate to own a lease that is directly in front of his waterfront property enabling easy access to it from his pier. The lease consists of 15 acres, three of the acres were planted this past summer with 9,000 bushels of oyster shell as a base then 500 bushels of diploid spat on shell were planted containing around six million spat. The remainder of the lease contains one million triploid oysters contained in grow out cages.

Helping in the business, the Buck's two sons, Josh and Matt, are currently learning the trade of oyster aquaculture along with their wives. Mr. Buck concludes, "With continued faith, luck, and dedication, the family tradition of working the water will be carried down for many future generations to come. Aquaculture has been around for many years but only a few in Maryland. Because of our MARBIDCO aquaculture loan, and our ability to purchase the needed equipment, as well as oyster seed and shell, more and more people are taking notice of the importance of oyster aquaculture and the benefit these farm-raised oysters offer to our environment."



Pictured above: Andy Buck at work sorting oysters.

By the Numbers: MARBIDCO Rural Business Investments

FY 2012 Loan Programs	Applicants	Loan Amount	Status
MD Resource-Based Industry Financing Fund Loan	10	\$2,150,802	Funded
MD Resource-Based Industry Financing Fund Loan	4	\$582,000	Approved
Rural Business Working Capital Loan Fund	1	\$105,000	Approved
MD Shellfish Aquaculture Financing Fund Loan	8	\$303,350	Approved
MD Remote Setting Shellfish Aquaculture Financing Fund	2	\$45,000	Approved
Total Loan Applications Funded or Approved	25	\$3,186,152	
Total Loan Applications Withdrawn	4	\$505,000	
Total Loan Applications Denied	3	\$440,000	
Total All Loan Applications	32	\$4,131,152	
Percent of Loan Applications Funded or Approved	78%		

FY 2012 Rural Business Grants	Applicants	Grant Amount	Status
Maryland Value-Added Producer Grant - Capital Asset Option	4	\$57,970	Funded
Maryland Value-Added Producer Grant - Capital Asset Option	9	\$137,500	Approved
Maryland Value-Added Producer Matching Grant	8	\$163,060	Funded
Special One-Time Grant	1	\$25,000	Funded
Local Government Ag/RBI Cost Share Program	2	\$15,000	Funded
Total Applications Funded or Approved	24	\$398,530	

MARBIDCO FY 2012 Statement of Net Assets*

June 30, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$2,001,117	\$1,958,453
Accounts Receivable	\$330,850	\$285,000
Loans receivable - current	\$31,373	\$180,814
Accrued interest receivable	\$99,414	\$43,501
Other	\$245	-
Noncurrent Assets:		
Restricted investment (IPAs)	\$762,377	\$762,377
Loans receivable - non-current <i>(net of current portion & allowance of \$806,232 and \$249,328 for 2011 and 2012, re- spectively)</i>	\$9,110,116	\$7,046,729
Real estate owned	\$50,000	\$50,000
Capital assets, net	<u>\$20,294</u>	<u>\$20,554</u>
Total Assets	\$12,405,786	\$10,347,428
Liabilities		
Current Liabilities:		
Accounts Payable	-	\$9,182
Accrued expenses	\$31,037	\$31,021
Noncurrent Liabilities:		
Long-term debt (IPAs)	\$762,377	\$762,377
Other liabilities	<u>\$7,427</u>	<u>\$7,060</u>
Total Liabilities	\$800,841	\$809,640
Net Assets		
Invested in capital assets	\$20,294	\$20,554
Unrestricted	<u>\$11,584,651</u>	<u>\$9,517,234</u>
Total Net Assets	\$11,604,945	\$9,537,788
Total Liabilities and Net Assets	\$12,405,786	10,347,428

*From Audited Financial Statements

Revenue and Expenditures

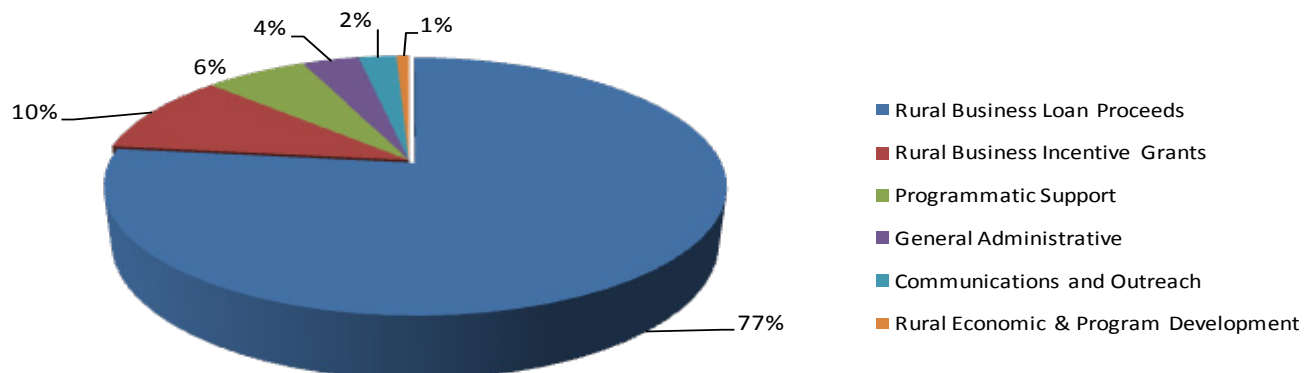
Statement of Revenue and Expenses - June 30, 2012 and 2011*

	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>
Income		
State appropriation	\$2,750,000	\$2,500,000
Interest income	\$280,024	\$134,217
Program revenue	\$23,092	\$20,517
Federal/State grants	\$463,312	\$1,539,163
Expenses		
Grants	\$(373,665)	\$(125,418)
Administrative	\$(190,007)	\$(167,623)
Salaries & benefits	\$(319,549)	\$(272,464)
Depreciation expense	\$(9,146)	\$(9,106)
Provision for Loan Losses	\$(556,904)	\$(251,498)
Net Income	\$2,067,157	\$3,367,788
Net Assets, Beginning of Year	\$9,537,788	\$6,170,001
Net Assets, End of Year	\$11,604,945	\$9,537,788

*From Audited Financial Statements

FY 2012 MARBIDCO Expenditures, by Category

Rural Business Loan Proceeds	\$3,019,114
Rural Business Incentive Grants	\$398,530
Programmatic Support	\$250,131
General Administrative	\$138,955
Communications and Outreach	\$92,426
Rural Economic & Program Development	<u>\$30,594</u>
TOTAL	\$3,929,750





MARBIDCO - 1410 Forest Drive, Suite 26, Annapolis, MD 21403 - 410-267-6807
www.marbidco.org