



MARBIDCO
growing rural ventures™

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

*Helping Sustain Agricultural and Rural Business
for Future Generations*



FY 2016

ANNUAL REPORT

From MARBIDCO Board Chair & Executive Director:

MARBIDCO was established by the Maryland General Assembly almost a decade ago to help enhance the sustainability and profitability of the State's agricultural and resource-based industries in order to help bolster rural economies, develop and sustain locally-produced food and fiber products, and preserve working farm and forest land. MARBIDCO is a nimble quasi-public financial intermediary organization (which is an instrumentality of the State of Maryland), with a particular mission to serve the commercial farming, forestry and seafood industries in the State. MARBIDCO works cooperatively in delivering about a dozen financing programs with commercial banks and a host of federal, state, regional and local government agencies and the University of Maryland Extension. Moreover, we are very pleased to report that MARBIDCO experienced its most productive lending year ever this year (Fiscal Year 2016), with nearly 50 projects approved for funding of over \$6 million in the aggregate.

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

Additionally, MARBIDCO's two innovative aquaculture programs, the Maryland Shellfish Aquaculture Financing Fund and the Remote Setting Shellfish Aquaculture Loan Fund, continue to operate successfully. Working in collaboration with DNR Fisheries Service and University of Maryland Extension, and using a combination of State and Federal funds, these programs help watermen (and others) who wish to transition from wild oyster harvesting to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays, as well as to start or expand oyster growing nursery operations. MARBIDCO has approved 66 shellfish aquaculture loans so far, with millions more oysters now filtering Maryland's estuaries.

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



Pamela Saul
Board Chair



Stephen McHenry
Executive Director

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

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 now 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.

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;**
- Farmland acquisition assistance (especially help for young and beginning farmers); and**
- Rural working land preservation facilitation (as a financial intermediary).**

MARBIDCO’s programming falls into three broad categories:

Core Rural Business Development	Rural Land Preservation Facilitation	Specialty Lending (Sponsored Loan Programs)
<p>Several loan and grant incentive financing programs that help meet key agricultural, forestry, or seafood business investment needs. Loans can be used for land purchases, facilities construction or renovation, equipment acquisition or working capital and often leverage commercial lender funds. Loans range from \$10,000 to \$650,000 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.</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><i>Coming in FY 2018: The Next Generation Farmland Acquisition Program.</i></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 capital.</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
 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. John Jastrzembski
 Professor of Forestry
Allegany College of Maryland
(Representing Timber and Forest Products Industry)

Ms. Megan Keyes
 Business Manager
Keyes Creamery
(Representing Agricultural Producers II)

Mr. Aden A. King
 Principal
King Partners
(Representing Commercial Seafood Harvesting and Processing Industry)

Dr. Howard Leathers
 Associate Professor & Undergrad Coordinator
Department of Agricultural & Resource Economics
(Representing Public Finance)

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

Mr. Wayne Richard
 Area Lending Manager
MidAtlantic Farm Credit
(Representing Commercial Lending Institutions)

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)

Dr. Stephen E. Wright
 Clinical Professor, Associate Dean & Associate Director
University of Maryland Extension
(Representing University of Maryland Extension)



Pictured above are MARBIDCO's Board of Directors. Top row from left to right: Stephen Wright, Pat McMillan (retired on October 2015), Doug Lipton, Greg Cole, Wayne Richard, Pam Saul (Chair), Faith Elliott-Rossing, Charles Wright, John Jastrzembski, Aden King. Bottom row left to right: Steve McHenry (Executive Director), Mary Shank Creek, Charlotte Davis, Emily Wilson. **Not pictured:** Steve Connelly, Don Darnell, Howard Leathers, and Megan Keyes.

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 50% 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 low-interest (5%) 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.

Maryland Vineyard/Hopyard/Orchard Planting Loan Fund offers low-interest (4-5%) 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 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.



Partnering with commercial lenders, MARBIDCO helps ag businesses secure affordable capital and credit for capital equipment, commercial facilities, and real estate purchases. Since 2007, MARBIDCO has helped over 180 young and beginning farmers (like MRBIFF loan recipients JC and Kristina Davis, pictured at left, at the signing of their loan documents) to purchase or expand their Maryland farm business.

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 been 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 \$200,000).

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 Central Maryland Rural Business Service Providers Forum in Hagerstown. This forum is hosted in different locations around the state once a year by MARBIDCO, and is an information exchange and networking opportunity for ag service providers and lenders.



Pictured bottom right: Guest speakers Matthew Tefteau, Director of Government Relations, Maryland Department of Agriculture, and Charlotte Davis, Executive Director, Rural Maryland Council, lead a panel discussion at a spring “MARBIDCO Monday” event. This quarterly midday event features one or two guest speakers who address topics and offer discussion on public rural business assistance programs. MARBIDCO Monday allows attendees to network, share programmatic updates, and to discuss new ideas that relate to assisting Maryland’s farm, forestry, and seafood businesses.



MARBIDCO Loan Activity in FY 2016

In FY 2016, MARBIDCO made 27 core and specialty loans totaling nearly \$6.3 million. MARBIDCO also helped 12 farmers with land purchases totaling almost \$4 million.

Business or Farm Type Assisted	County	Loan Amount
Grain & Row Crops - 1 Loan	Queen Anne's	\$230,000
Poultry - 6 Loans	Caroline	\$2,127,000
Poultry - 6 Loans	Dorchester	\$1,450,000
Poultry - 2 Loans	Queen Anne's	\$800,000
Poultry - 3 Loans	Wicomico	\$512,500
Poultry - 3 Loans	Worcester	\$950,000
Farm Energy Efficiency - 1 Loan	Queen Anne's	\$30,000
Shellfish Aquaculture - 3 Loans	Anne Arundel	\$90,000
Shellfish Aquaculture - 1 Loan	St. Mary's	\$99,928
Shellfish Aquaculture - 1 Loan	Worcester	<u>\$100,000</u>
	Total	\$6,389,428



Pictured above left: Chickens being raised on the Khan poultry farm in Wicomico County (MRBIFF Program). Above right: Energy efficient solar panels being installed at Flintrock Farms in Queen Anne's County (Rural Business Energy Efficiency Improvement Loan Fund Program).

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 \$15,000 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 in 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 one-to-one 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 (up to a maximum of 15% of the USDA matching requirement). Grants from MARBIDCO can be applied for up to \$11,250 and \$25,000, respectively. 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 USDA that contains how much funding will be to be available to the applicant. (Notably, capital equipment purchases are not eligible for USDA VAPG funding.)

MARBIDCO Grant Activity in FY 2016

Maryland Value Added Producer Grant (Capital Assets Option)

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vegetable/Specialty Crops	Baltimore City	\$15,000
Greenhouse/Nursery	Carroll	\$4,342
Livestock/Produce	Carroll	\$9,687
Vineyard/ Wineries	Frederick	\$10,000
Vineyard/ Wineries	Frederick	\$15,000
Dairy	Frederick	\$10,000
Brewing, Distilling of Hops	Howard	\$15,000
Brewing, Distilling of Hops	Howard	\$15,000
Vineyard/ Wineries	Prince George's	\$15,000
Vineyard/ Wineries	Prince George's	\$14,625
Vineyard/ Wineries	Queen Anne's	\$8,745
Hay/Livestock	St. Mary's	\$13,500
Vineyard/ Wineries	Washington	\$15,000
Dairy	Washington	<u>\$15,000</u>

Total Maryland Value Added Producer Grant (Capital Assets Option) Program

\$175,899

Local Government Ag/RBI Project Cost Share Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Livestock	Howard	\$2,300
Brewing, Distilling of Hops	Howard	\$3,900
Table Crops	Howard	<u>\$3,900</u>

Total Local Government Ag/RBI Project Cost Share Program

\$10,100

Maryland Urban Agriculture Commercial Lending Grant Incentive

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

Total Maryland Urban Agriculture Commercial Lending Grant Incentive

\$7,500

Maryland Value Added Producer Matching Grant USDA Option Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Food Aggregation/Distribution	Baltimore	\$7,499
Community Supported Ag (CSA)	Baltimore	<u>\$21,750</u>

Total Maryland Value Added Producer Matching Grant USDA Option Program

\$29,249

Special Agricultural Development Activity

<u>Activity Assisted</u>	<u>Grant Amount</u>
Video Series Maryland Public Television	\$35,000
Ag/RBI (Economic Impact Research)	<u>\$20,000</u>

Total Special Agricultural Development Activity

\$55,000

Rural Land Preservation Facilitation Programs:

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

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

Coming in FY 2018 to MARBIDCO:

Next Generation Farmland Acquisition Program



Pictured at left: Governor Larry Hogan signed House Bill 462 into law, fulfilling Governor Hogan's commitment to restore funding for Program Open Space; including for Fiscal Year 2018, a general fund appropriation of \$5,000,000 for MARBIDCO's Next Generation Farmland Acquisition Program. Also present were Senate President Mike Miller and House Speaker Mike Busch, Senator Mac Middleton and Delegate Tawanna Gaines (bill floor leaders), Delegates Kumar Barve and Barbara Frush, and Maryland Secretary of Natural Resources Mark Belton; as well as a host of young farmer and rural land conservation supporters and agency officials.

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, Maryland Department of 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. Pete Alexander

Retired District Manager
Glatfelter Pulp Wood Company

Mr. Greg Bowen

Director
American Chestnut Land Trust

Mr. Joseph Chisholm

Poultry Farmer & Vice President
(retired)
Mercantile Peninsula Bank

Mr. Gregory Cole

Director
Office of Finance Programs
Maryland Department of Commerce

Mr. Steve Connelly

Assistant Secretary
Maryland Department of Agriculture

Ms. Charlotte Davis

Executive Director
Rural Maryland Council

Ms. Shannon Dill

Talbot County Extension Director
University of Maryland Extension

Ms. Stacy Kubofcik

Tax Specialist
Office of Finance Programs
Maryland Department of Commerce

Mr. S. Patrick McMillan

Assistant Secretary
(retired)
Maryland Department of Agriculture

Mr. Matt Parker

Aquaculture Business Specialist
University of Maryland Extension

Mr. Dan Rider

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

Mr. Karl Roscher

Assistant Director, Aquaculture
Maryland Department of Natural
Resources Fisheries Service

Ms. Pamela Saul

Owner
Rolling Acres Farm & Equine Business
Services, LLC

Mr. Charles M. Wright, IV

Owner
Cornerstone Farms, Inc.
and Wright's Market

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Mr. W. David Rawle, Esq.

Assistant Attorney General
Counsel to MARBIDCO

Maryland Urban Agriculture Commercial Lending Incentive Grant Program Recipient:

Sam Malriat (for Atwater's Farm)

What was once part of a muddy lot behind Atwater's food production warehouse in Baltimore City, is now testament to restaurant owner Ned Atwater's great idea. His plan was to construct an urban vegetable farm on the unused, slightly less than 1/2-acre of land behind the facility known as Atwater's "Big Kitchen," and to provide fresh food for his customers and community. With the help of full-time commercial farmer, Sam Malriat (pictured below middle), Mr. Atwater's idea has bloomed into reality...Atwater's Farm.

At the beginning of the farm operation, Mr. Malriat created a raised-bed, outdoor growing system on the farm, initially growing cover crops of rye grass and crimson clover. He knew he would need additional structures to house, protect plants, and expand the farm, so he applied for financial assistance from a local lender and MARBIDCO's Maryland Urban Agriculture Commercial Lending Incentive Grant Program. The purpose of the Maryland Urban Agriculture Commercial Lending Incentive Grant Program is to provide an incentive for beginning and expanding urban farmers to seek commercial lender financing for the development of their food production enterprises that are located within cities and towns. This incentive program provides up to 20% of the agricultural project cost, but not more than 25% of the amount of the participating bank's commercial loan (with a cap of \$7,500 on the grant amount).



Atwater's Farm was awarded the grant in November of 2015, and along with loan funds provided by MidAtlantic Farm Credit, Atwater's was able to purchase and construct two 20' X 100' gutter-connected greenhouse structures; one house for propagation and the other for a high tunnel for growing salad and vegetable crops. At the end of February 2016, the two structures were complete. The propagation house raises transplants (to later be planted in the high tunnel and the outdoor raised beds); and allows Atwater's Farm to eliminate its dependence on another grower, thus reducing operating costs. The high tunnel allows for season extension and for growing crops that require a controlled environment such as heirloom tomatoes.

During this first year of farm operation, Mr. Malriat has grown chives, rosemary, thyme, salad mix, basil, kale, and tomatoes; and, despite the loss of several pounds of kale to hungry wildlife, Atwater's Farm has reaped the benefits. Mr. Atwater says that his urban farm serves as a reminder of how interconnected we all are to the natural world and invites the community to share in Atwater's Farm's bounty; direct from their backyard farm, to the ingredients served in Atwater's restaurants. A true successful example of urban farm to table!



2016 Commercial Lender Leverage Amounts

In FY 2016, MARBIDCO lent more than \$6 million (in conjunction with commercial banks, Farm Credit Associations, and the USDA Farm Service Agency) to 21 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers and one Urban Agriculture Commercial Lending Incentive (UACLIG) grantee. This enabled MARBIDCO to leverage more than \$26.6 million in commercial lender funds, resulting in a more than 4-to-1 leverage ratio.

Borrower Type	MARBIDCO Program	MARBIDCO Loan or Grant Amount	Commercial Lender Loan Amount
Grain	MRBIFF	\$230,000	\$270,000
Grain	MRBIFF	\$300,000	\$854,500
Poultry	MRBIFF	\$250,000	\$610,000
Poultry	MRBIFF	\$300,000	\$1,350,000
Poultry	MRBIFF	\$400,000	\$2,664,000
Poultry	MRBIFF	\$300,000	\$1,401,000
Poultry	MRBIFF	\$400,000	\$650,000
Poultry	MRBIFF	\$100,000	\$265,000
Poultry	MRBIFF	\$333,000	\$725,000
Poultry	MRBIFF	\$400,000	\$2,817,000
Poultry	MRBIFF	\$400,000	\$1,735,000
Poultry	MRBIFF	\$206,000	\$206,000
Poultry	MRBIFF	\$150,000	2,268,140
Poultry	MRBIFF	\$350,000	\$1,182,900
Poultry	MRBIFF	\$388,000	\$1,552,000
Poultry	MRBIFF	\$150,000	\$245,000
Poultry	MRBIFF	\$62,500	\$300,000
Poultry	MRBIFF	\$250,000	\$805,000
Poultry	MRBIFF	\$450,000	\$3,100,000
Poultry	MRBIFF	\$200,000	\$1,555,300
Poultry	MRBIFF	\$450,000	\$2,100,000
Vegetable	UACLIG	<u>\$7,500</u>	<u>\$39,000</u>
TOTALS		\$6,077,000	\$26,694,840

MARBIDCO FY 2016 Statement of Net Position*

June 30, 2016 and 2015

	Assets	2016	2015
Current Assets:			
	Cash and cash equivalents	\$ 4,886,170	\$3,214,443
	Investments	\$ 937,727	\$ 937,352
	Accounts Receivable	\$ 900	\$2,000
	Current portion of loans receivable	\$1,644,647	\$1,389,269
	Accrued interest receivable	\$142,482	\$126,007
	Other Assets	\$18,752	\$4,892
Noncurrent Assets:			
	Restricted investment	\$ 762,377	\$762,377
	Loans receivable, net of current portion and Allowance of \$1,321,385 and \$1,264,866 for 2016 and 2015, respectively	\$15,174,660	\$14,393,818
	Capital assets, net	<u>\$27,337</u>	<u>\$34,405</u>
	Total Assets	\$23,595,052	\$ 20,864,563
	Liabilities	2016	2015
Current Liabilities:			
	Accrued expenses	\$49,588	\$ 51,714
Noncurrent Liabilities:			
	Long-term debt	\$762,377	\$762,377
	Other liabilities	\$ 7,760	<u>\$8,360</u>
	Total Liabilities	\$819,725	\$822,451
	Net Position		
	Invested in capital assets, net	\$27,337	\$34,405
	Unrestricted	<u>\$22,747,990</u>	<u>\$20,007,707</u>
	Total Net Position	\$22,775,327	\$20,042,112
	Total Liabilities and Net Position	\$23,595,052	\$20,864,563

* From Audited Financial Statements

MARBIDCO Rural Business Investments in FY 2016

FY 2016 Loan Programs

	Applicants	Loan Amount	Status
Maryland Resource-Based Industry Financing Fund	11	\$2,863,500	Settled
Maryland Resource-Based Industry Financing Fund	10	\$3,206,000	Approved
Rural Business Energy Efficiency Improvement Loan	1	\$30,000	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	1	\$35,000	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	4	\$254,928	Approved
Total Loan Applications Settled or Approved	27	\$6,389,428	
Total Loan Applications Withdrawn (Before/After Approval)	7	\$1,343,000	
Total Loan Applications Denied	3	\$199,250	
Total All Loan Applications	37	\$7,931,678	
Percent of Loan Applications Settled or Approved	73%		

FY 2016 Rural Business Incentive Grants

	Applicants	Grant Amount	Status
Local Government Ag/RBI Cost Share Program	3	\$10,100	Approved
Maryland Value-Added Producer Grant – Capital Assets Option	11	\$132,399	Approved
Maryland Value-Added Producer Grant – Capital Assets Option	3	\$43,500	Closed
Maryland Value-Added Producer Matching Grant (USDA Option)	2	\$29,249	Approved
Maryland Urban Agriculture Commercial Lending Incentive Grant	1	\$7,500	Settled
Special Project Grant (MPT Series)	1	\$35,000	Settled
Ag/RBI Economic Impact Research	1	\$20,000	Approved
Total Grant Applications Settled or Approved	22	\$277,748	
Total Grant Applications Denied/Withdrawn/Incomplete	2	\$14,700	
Total All Grant Applications	24	\$292,448	
Percent of Grant Applications Settled or Approved	92%		



Pictured at left: Maryland Secretary of Agriculture Joe Bartenfelder and MARBIDCO Executive Director Steve McHenry participated in a regular Tri-County Council for Southern Maryland (TCCSMD) meeting in June 2016. Secretary Bartenfelder was the featured speaker at the meeting, where he addressed the topic of the future of agricultural development in Maryland and the progress MDA is making in helping farmers and consumers.

MARBIDCO has also been assisting the TCCSMD and the Southern Maryland Agricultural Development Commission (SMADC) with the effort to bring a livestock processing facility to the region. This is currently a top priority for Southern Maryland farmers.

Revenue and Expenses*

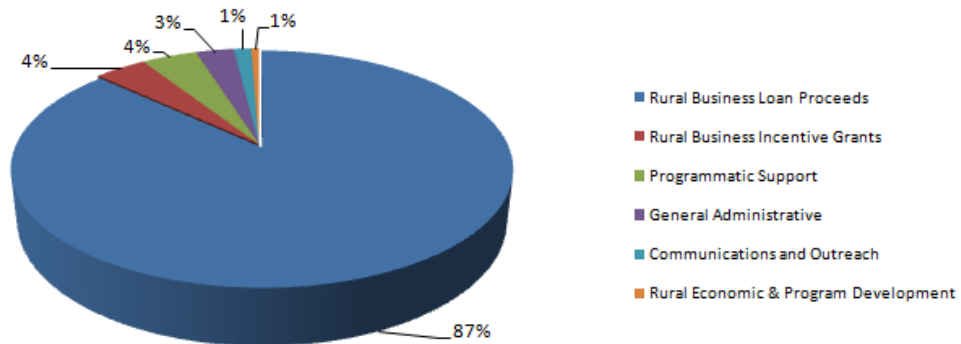
June 30, 2016 and 2015

	Year Ended	Year Ended
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Income		
State appropriation	\$ 2,875,000	\$2,875,000
Interest income	\$1,304	\$491
Interest income on loans receivable	\$635,291	\$595,587
Program revenue	\$ 31,988	\$32,923
Federal/State grants	\$239,928	\$129,600
Expenses		
Grants	\$220,825	\$143,006
Administrative	\$207,204	\$186,754
Salaries & benefits	\$454,613	\$393,996
Depreciation expense	\$7,068	\$5,381
Loss on disposal of asset	-	\$300
Provision for Loan Losses/Loan Forgiveness	\$160,586	\$336,099
Change in Net Position	\$2,733,215	\$ 2,568,065
Net Position, Beginning of Year	\$20,042,112	\$17,474,047
Net Position, End of Year	\$22,775,327	\$20,042,112

* From Audited Financial Statements

FY 2016 MARBIDCO EXPENDITURES, BY CATEGORY

Rural Business Loan Proceeds	\$ 6,389,428
Rural Business Incentive Grants	\$ 277,748
Programmatic Support	\$ 314,295
General Administrative	\$ 215,893
Communications and Outreach	\$ 99,387
Rural Economic & Program Development	\$ 43,370
Total	\$ 7,340,121



Maryland Shellfish Aquaculture Loan Program Recipient:

Great American Oyster Company

Good friends Christian Schou and Perry Summers, Jr. started their aquaculture business, Great American Oyster Company, in early 2016, bringing to their business, not only years of marine experience, but also a background entrenched in service to their country and community. Growing their oysters in Anne Arundel County on the South River, their business objective is to deliver a quality oyster product, as well as “improve our backyard in the process.”

Mr. Schou, an Annapolis native, is a career firefighter for Montgomery County Fire Rescue. He spent his early years (and later his free time) hunting and fishing in the Chesapeake Bay region. Mr. Summers, after having grown up in North Carolina and Delaware, is in the United States Coast Guard, with over five years of sea time and 10 deployments. He is currently still on active duty with the USCG, assigned to Curtis Bay's firehouse (in the Baltimore Yard). His intentions are to finish out his orders with the Coast Guard and work full time in the aquaculture business after his service commitment ends.

Mr. Schou and Mr. Summers met while both worked at a marine business in Delaware and, with similar long-term goals in mind, decided to start a 50-50 partnership oyster growing venture. The duo have branded their oysters as part of the “Homegrown by Heroes” program, the official farmer veteran branding program of America. The HBH logo serves to inform consumers that products donning the logo were produced by military veterans. In addition to growing oysters, Mr. Schou and Mr. Summers’ business includes designing and building aquaculture equipment (cages, tumblers, benders, and cutters) which are sold on their website.

Seeking financial assistance to grow their business, Mr. Schou and Mr. Summers applied for a Maryland Shellfish Aquaculture Financing Fund Loan earlier this year. MARBIDCO and DNR established this program to help make affordable, subsidized loan financing available to individuals wishing to start or expand shellfish aquaculture operations. With the funding obtained from MARBIDCO, Mr. Schou and Mr. Summers purchased oyster cages, an upweller, and a tumbler. They next purchased oyster seed from local hatcheries, including Hoopers Island and Horn Point, placing it in solar-powered floating upwellers with the hope of increasing the availability of food and oxygen (by having the solar-powered pumps pull bay water over the seed, which in turn contributes to increases in growth rates). Once large enough, the oyster seed is transferred to mesh bags and then placed in oyster cages they constructed (as a related part of their business enterprise). The oysters will then be harvested 18 months after planting.

After several months in business, Mr. Schou notes, “ The oysters are doing extremely well so far. We have had great luck with our setup.” At this point, they are planning to have the oysters moved from the upweller to their cages on their 5-acre lease in the South River where they will finish their grow-out process . Mr. Schou adds, “After that, it’s on to the market!”



Pictured above: Great American Oyster Company’s Christian Schou and Perry Summers construct a prototype cage and the upweller used for raising oyster seeds. The oysters will grow out in cages located on a lease on the South River.

Referring Lender Profile:

Richard H. Van Gelder, Provident State Bank



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. Richard H. Van Gelder, Vice President of Provident State Bank, has been working for thirty-five years in a variety of financial roles; including stockbroker, commercial lender and as a small business owner. His prior bank experience includes Wilmington Trust FSB and Hebron Savings Bank, and he was Governor Donald Schaeffer's regional manager for economic development on the Lower Eastern Shore. Currently, he is a commercial lender with one of our newest commercial lending partners, Provident State Bank on Maryland's Eastern Shore.

When considering referring a loan applicant to MARBIDCO, Mr. Van Gelder first assesses the customer's needs, and after hearing about their contemplated business project, he reviews what resources may be necessary to bring a desired deal to fruition. In the case of an ag-related project, Mr. Van Gelder says, "I would immediately begin to evaluate the customer's deal with MARBIDCO as a supporting resource."

In fact, Mr. Van Gelder has referred several loan applicants to MARBIDCO (while working at both Provident State Bank and earlier, with Hebron Savings Bank), noting that he first became aware of MARBIDCO's programs six years ago while working with a family seeking to diversify their traditional farming business into a grape-growing and wine-making operation. He added that MARBIDCO's programs allow access to lower cost financial resources, offering tremendous staff support and outstanding terms and conditions for both the borrower(s) and lender. "The capital resources offered by MARBIDCO extend beyond what traditional capital markets are able to offer a customer based on today's regulatory underwriting constraints," said Mr. Van Gelder.

In addition, Mr. Van Gelder notes that there are several government-supported credit enhancement resources existing for lenders today, but says, "My personal experience is that MARBIDCO is the most user-friendly credit resource available in today's market, from both the lender and customer perspective. He continues, "That fact, coupled with tremendous staff responsiveness and support, would draw me to MARBIDCO whenever a potential agricultural credit scenario was present."

We thank Mr. Van Gelder for being a valued MARBIDCO partner!

Pictured at right: Richard Van Gelder, Vice President of Provident State Bank in Salisbury, stands with the Kahn Family of Wicomico County, in front of their new chicken house. The Kahn Family is a recipient of a 2016 MRBIFF Program loan (in conjunction with a loan from Provident State Bank).



Maryland Resource-Based Industry Financing Fund (MRBIFF) Recipient:

Ryan Rhodes

One of MARBIDCO's key objectives includes assisting young and beginning farmers. Recently, MARBIDCO was pleased to play a part (along with MidAtlantic Farm Credit) in helping young farmer Ryan Rhodes realize his dream of purchasing a 60-acre poultry farm in Queen Anne's County, through a Maryland Resource-Based Industry Financing Fund Program Loan.

Mr. Rhodes' agricultural working experience comes from 20 years of tending chickens, growing grain, and hauling manure on his family's farm, Deerfield Farms, LLC, in Centreville. After graduating from the University of Maryland Eastern Shore with a degree in General Agriculture from the College of Agriculture and Natural Resources, Mr. Rhodes returned to the family farm in 2009 as a fourth generation farmer, assisting his family with growing traditional commodity crops of corn, wheat, and soybeans, along with beef and poultry.

In 2015, Mr. Rhodes' and his wife Rachel decided to branch out and buy their own poultry farm, which includes 30 tillable acres. They also began leasing four poultry houses from Deerfield Farm, LLC. Two of the poultry houses (43' X 404') were constructed in 1993, and the other two houses (40' X 500') were built in 2000. The Rhodes' new farm also currently consists of a dwelling, four poultry houses, a manure shed, and a generator building.

Mr. Rhodes notes that, with the help of MARBIDCO and MidAtlantic Farm Credit, his family was able to start their own business with a low interest loan which works well for beginning farmers. He adds, "As a young farmer with no collateral or credit history to purchase such a big investment, it is hard to get started in the ag business. MARBIDCO and MidAtlantic Farm Credit have allowed us to establish a future for our family business. Since purchasing our farm we have been steadily improving."

Although a Spring 2016 wind storm came through his farm and demolished two of the chicken houses beyond repair, Mr. Rhodes has been able to quickly rebuild. He hopes to have a new flock in the houses by October 2016. He adds, "Farming is very important way of life to me, it is something that I have been doing since a young age with my mother, grandfather, uncle, and brother and is something I cannot wait to share with my son. I enjoy the challenges each day that change with every season and year."



Pictured at left: Ryan Rhodes stands in front of his farm in Queen Anne's County, Maryland. Mr. Rhodes purchased the over-60-acre poultry farm with assistance from MARBIDCO and MidAtlantic Farm Credit. Pictured at right: Two of the four poultry houses on the Rhodes' property in Centreville.



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