

# Maryland Agricultural and Resource-Based Industry Development Corporation

## MEDA Presentation

Brief Overview of USDA and MARBIDCO Financial Programs

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**WEBSITE: [www.marbidco.org](http://www.marbidco.org)**



# In Maryland, did you know...

- Economic Impact for the **Food/Feed/Fiber Production sector of Maryland's Economy** totals over **\$20 billion** (in 2015\*), including:
  - Agriculture contributing **\$15.8 billion**;
  - Forestry contributing **\$3.5 billion**;
  - Equine (horses) contributing **\$1 billion**; and
  - Seafood and Aquaculture contributing **\$355 million**.

*\*Source: 2018 Economic Impact Study by the Business Economic and Community Outreach Network (BEACON) at Salisbury University.*

- *About one-third of the Western Maryland & Eastern Shore economies are Ag/RBI dependent.*
- *The food system comprises about 14% of Maryland's economy (about half of this is primary production/processing and half is retail distribution).*

# USDA: An Overview

## Departments within USDA



# USDA Rural Development

## USDA's Rural Development Mission Area



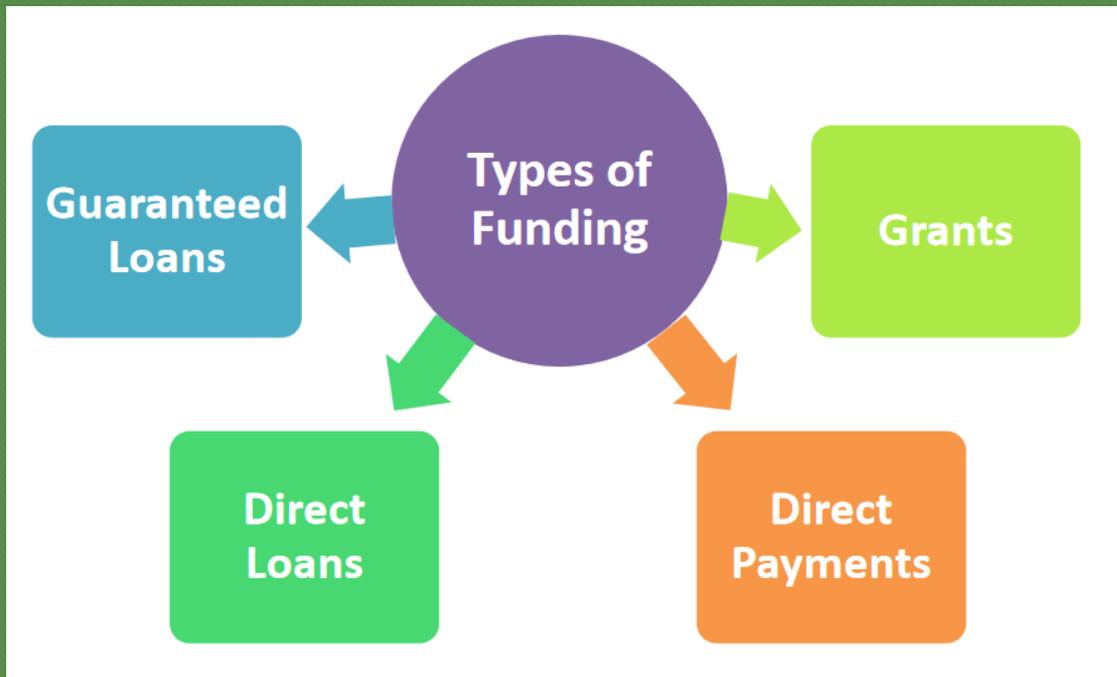
- Homeownership Loans
- Home Repair Loans & Grants
- Mutual Self-Help Technical Assistance Grants
- Multi-Family Housing Loans
- Housing Preservation Grants
- Community Facility Loans & Grants

- Electric Program
- Water & Environmental Programs
- Telecommunications & Broadband Programs

- Business & Industry Guaranteed Loans
- Rural Business Development Grants
- Intermediary Relending Program
- Rural Energy for America Program
- Value Added Producer Grants
- Cooperative Development Assistance

# USDA Rural Development

- 500 offices with locations in every state
- 6,000 professionals
- 40 loan and grant programs



# Rural Development Contacts in Maryland (and Delaware)

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# Rural Development:

## Safe & Affordable Housing Programs

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### • Single Family Homes

- Home Mortgages
- Home Repairs

### • Multi-Family Homes

- Rental assistance for families, elderly, and disabled residents
- Farm Labor Housing

# RD Business & Cooperative Programs

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Supports the creation and expansion of businesses and cooperatives in rural areas.

- Loans, Loan Guarantees, Grants and technical Assistance
- Leverages financial resources with public and private sources
- Creates and preserves quality jobs

# RD Funding Opportunities:

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- **Business and Industry Loan Guarantees (B&I )**
  - Guaranteed loans by eligible lenders to rural businesses
  - Maximum \$25 million per borrower
  - One-time guarantee fee of 3%; 0.50% annual fee
  - Real Estate: 30-year term
  - Equipment: 15-year term
  - Working Capital: 7-year term
  - Guarantees of varying percentages available depending on loan size

# RD Funding Opportunities

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## Intermediary Relending Program (IRP)

- Recipients are nonprofit, public agency, tribal or cooperative intermediaries – 1% loan for 30 yrs. (Max is typically \$750,000)
- Ultimate Beneficiaries are typically for profit private businesses
  - Market rate for the ultimate recipient loan
- Maximum loan to beneficiary is \$150,000 or 75% of project cost.

# RD Utilities Programs

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Financing to develop reliable telephone, electric, telecommunication, and broadband services in rural areas.

Electric Loans

Broadband Loans

Community Connect Grants

Distance Learning Grants

Telecommunications Loans

# RD Community Programs

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## Quality of Life Improvements:

- Vital community infrastructure
- Community facilities and services
- Utilities, healthcare, emergency services and equipment, etc.
- Direct Loans, Loan guarantees, and Grants

## Improve Water and Wastewater Systems

- Loans and Grants
- Available to public bodies and non-profit organizations
- Serving locations with less than 10,000 in population of the service area.

# RD Water & Waste (WEP)

## Loans & Grants

- Can be used to build, repair and improve public water systems, waste collection and treatment systems, and storm sewers.
- Public bodies, non-profits, or tribal entities
- Up to 40 year repayment for loans
  - Interest rates fixed for direct loans
  - 3 tiers of interest rates (currently 1.75% - 2.875%)
- No prepayment penalties
- Grants available of MHI < 100% of MHI
  - Grants up to 45% -75% of project costs.

### Example:

#### Sewer Treatment Plant

- \$2,900,000 Water Loan
- \$1,000,000 Sewer Grant
- \$350,000 Sewer Loan
  
- \$4,250,000 million total project

# RD Community Facility Loans & Grants

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Public bodies, non-profits or tribal entities

- Up to 40-year repayment for loans
  - Interest rates fixed for direct loans (3.125 – 4.0%)
  - Interest rates set by market for guaranteed loans
- Loan amounts dictated by repayment ability
- Grants Available if MHI < 90% of state MHI
  - Grants are small and usually used for equipment
  - Grants range from 15%-75% of project costs depending on MHI for project location.

# RD Funding Opportunities

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## ● **Rural Business Development Grant (RBDG)**

- Combines the Rural Business Enterprise Grant (RBEGr) and the Rural Business Opportunity Grant (RBOG)
- Eligible applicants: non-profits, tribal enterprises, state agencies, local governments.
- Finds used for Technical Assistance and evolving Loan Funds, etc., to spur business development.
- Cannot go directly to a business
- Application deadline February 28<sup>th</sup> Annually.

# More RD Funding Opportunities

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## (REAP) Rural Energy for America Program Guaranteed Loans & Grants (Section 9007)

- Grant applications due Oct 31 and April 30
- Grants: 25% of project costs / 75% match
- Project Types:
  - Renewable Energy Systems (RES)
    - 25% of project cost/\$500,000 maximum grant
  - Energy Efficiency Improvement (EEI)
    - 25% of project cost/\$250,000 maximum grant
- Max \$25 million dollar loan guarantee
- Loans compete monthly

# REAP: Rural Energy for America Program

## ELIGIBLE BORROWERS:

1. Agricultural producers
2. Rural small businesses

## ELIGIBLE PROJECTS:

1. Purchase renewable energy systems
2. Make energy efficiency improvements

### Renewable Energy Systems:

Wind Turbines, Solar Panels, Renewable Biomass(biofuels, pellets, biomass boilers), Anaerobic digestion, Geothermal, Hydroelectric, Hydrogen.

### Energy Efficiency Improvements:

Lighting, Heating, Cooling, Ventilation, Fans, Automated Controls, Insulation

# Final RD Funding Opportunities

## • Biorefinery, Renewable Chemical, and Bio-based Product Manufacturing Assistance Program (Section 9003)

- 20-year term
- Guarantees of varying percentages
- Maximum \$250 million loan
- Up to 80% of the project cost

## • Value Added Producer Grants\*

- To assist in processing and/or making of bio-based value-added products and an Applicant must currently produce subject commodity
- Planning Grants maximum of \$75,000
- Working Capital grants maximum of \$250,000
- Grants max 50% of project costs
- NOFA published annually announcing application deadline

\*MARBIDCO offers a matching value added producer grants program

# USDA NRCS: Natural Resource Conservation Service

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## Improving Lives, Communities, and the Environment through Natural Resource Conservation

- The Natural Resources Conservation Service (NRCS) works with private landowners and others to:
  - Protect the land
  - Keep water clean
  - Improve air quality
- This work impacts all of our lives everyday, whether we live in the country or the city.

*NRCS State Office is located in Annapolis, along with FSA State Office*

# NRCS in very brief

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- Since the dust bowl NRCS has helped landowners:
  - Identify natural resource concerns
  - Write conservation plans addressing those concerns
  - Provide cost-share opportunities for installing conservation practices
- Have an understanding of local resource concerns to help with:
  - Improve water quality
  - Prevent flooding and keep soils in place
  - Promote wildlife habitat
  - Develop local economies

*The NRCS works closely with USDA-FSA, the 24 county soil conservation districts and MDA (Resource Conservation Unit)*

# USDA Farm Service Agency

**FSA offers many farm loan and disaster assistance programs:**

- **ARC/PLC:** Agricultural Risk Coverage/ Price Loss Coverage Programs
- **CRP/CREP:** Conservation Reserve and Enhanced Programs
- **ELAP:** Emergency Assistance for Livestock, Honey Bees and Farm Raised Fish
- **FLP:** Farm Loan Program
- **FSFL:** Farm Storage Facility Loan
- **LFP:** Livestock Forage Program
- **LIP:** Livestock Indemnity Program
- **NAP:** Non-insured Crop Disaster Assistance Program
- **TAP:** Tree Assistance Program

# FSA Farm Loans

## TYPES OF LOANS

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- Farm Ownership Loans – (Direct & Guaranteed)
- Farm Operating Loans\* (Direct & Guaranteed)
- Emergency Loans
- Micro Loans
- Youth Loans

\*FSA Loan Guarantees are used by banks and Farm Credit

## FUNDING DESIGNATIONS

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- Beginning Farmer
- Targeted Underserved

# In Maryland, do you know...

- Half of the State's land area is privately-owned rural working farm and forest land (over 3.5 million acres, out of 6.3 million acres)
- In Maryland, there are 12,450 farms on 2 million acres (*Average farm size: 160 acres*)



# Do You Know...

## What comprises “agriculture”?

- Row Crop Commodities
  - Corn, Soybeans, Wheat, etc.
- Table Crops
  - Vegetables, Tree Fruits, Small Fruits, etc.
- Animal Husbandry
  - Dairy (milk products), Wool (sheep & alpaca)
  - Meat (chicken, beef, goat, lamb, oysters)
- Urban Agriculture (small city farm plots)

So we have a MEDCO and a TEDCO

But have you heard of MARBIDCO?



A Rural Business Development Financial  
Intermediary and State Instrumentality  
Serving All of Maryland

# Why MARBIDCO...

- Top Ag/Resource-Based Industry Business Development Concerns:
  - Loss of rural land to development
  - Aging workforce and land ownership  
(Average Maryland farmer is 57 years old today)
  - Help for young/beginning/diversifying farmers  
(including oyster farmers)
  - Access to affordable capital and credit



# MARBIDCO Partners

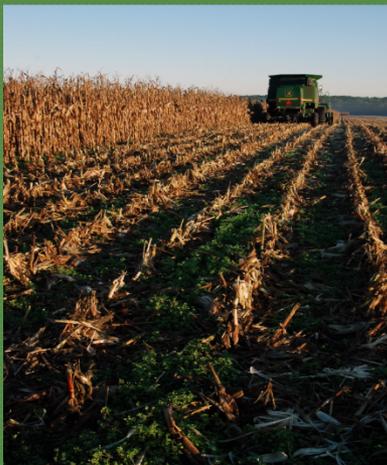
- Commercial Banks & Farm Credit System
- State Agencies (MDA, DNR, Dept. of Commerce, MCE, MEA, RMC)
- USDA (and other Federal Agencies)
- Rural regional development councils
- Local economic development offices
- Farm and commodity groups
- Rural industry associations
- MD Ag Land Preservation Foundation
- Foundations and local land trusts

# MARBIDCO's Business Activity

## FOOD, FEED & FIBER *PRODUCTION & PROCESSING*

### ○ Food & Feed:

- commodity crops
- table & specialty crops
- forage crops (hay)



### ○ Fiber:

- wool (from sheep & alpacas)
- timber/wood products
- lumber, pallets, floors, paper and pulp, etc.

Seafood & Aquaculture:  
(Wild harvesting or  
Farming in water)

# MARBIDCO Programs

## Three Broad Categories

- **Core Rural (and urban/urban-edge) Business Development**
  - Loan and small grant incentive programs that are funded as a result of the *Agricultural Stewardship Act of 2006* – Annual State Appropriation ending in 2024 (After which time MARBIDCO will be self-sustaining.)
- **Higher Credit Risk “Specialty Lending”**
  - Loan programs that are funded by partnering organizations for targeted special purposes (e.g., farm energy efficiency, shellfish aquaculture, and Southern Maryland revolving ag loans)
- **Rural Land Preservation Facilitation**
  - Easement-related programs that are funded from transfer taxes or other funds provided by State and local governments

# MARBIDCO's Loan Programs

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- 9 Different Lending Programs Altogether
- 5 Core Loan Programs
  - using MARBIDCO's own resources  
(all require collateral security)
- 4 Specialty Loan Programs
  - special purposes and higher level of credit risk  
(via unsecured lending)

# Maryland Resource-Based Industry Financing Loan Fund

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“MR BIFF” (Our most popular program)

- Offers low-interest (3.25% APR initially) loans for the purchase of land and capital equipment.
- Maximum Loan Amounts:
  - \$250,000 for building construction
  - \$450,000 for land purchase
  - \$650,000 for a major project (over \$2.5 million)
- Matching financial commitment from partnering lender is required
- MARBIDCO will accept a **subordinate (junior) lien** position in most situations.

# “MR BIFF” Loan Benefits

- Enhances commercial lender offerings by helping to make “gap” financing both available and affordable. (With flexible terms to help “graduate” borrowers.)



# Other Loan Programs

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- Rural Business Equipment and Working Capital Loan
- Maryland Vineyard/Hops/Orchard Planting Loan Fund
- Forestry Equipment and Working Capital Loan Fund
- Agricultural Cooperatives Equity Investment Fund
  
- Maryland Shellfish Aquaculture Financing Fund
- Maryland Remote Setting Aquaculture Financing Fund
- Rural Business Energy Efficiency Improvement Loan
- Southern Maryland Agricultural Revolving Loan

# MARBIDCO Grant Programs

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- *Local Government Ag/RBI Project Cost Share Program (Partnering with local EDOs)*
- *Maryland Value Added Producer Grants\**
  - ***USDA Matching***
  - ***Capital Assets Option (Equipment)***
- *Urban Ag Commercial Lending Incentive Grants*

*(small farms in municipalities or inside the two beltways)*



# What is Value-Added Agriculture?

- A product that is value added has an incremental value realized by the producer as a result of:

- 1) change in physical state
- 2) differentiated production or marketing
- 3) product segregation

- Examples:

- on-farm wineries, breweries and distilleries;
- creameries; and
- for MARBIDCO only: certain secondary wood products and seafood products capital equipment expenses



# Rural Land Preservation Facilitation Programs



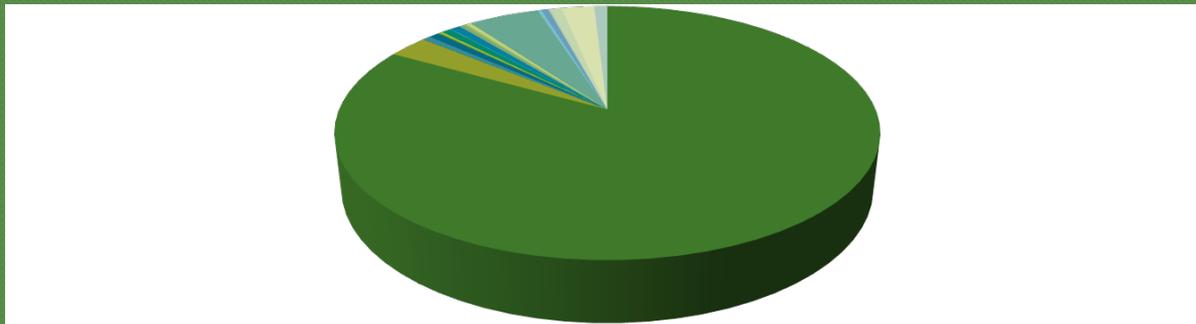
- ◎ **NEW - Next Generation Farmland Acquisition Program**
  - \$2.5 million starting last year (in FY 2018), and continuing now through FY 2022 (or longer??).
  - Next Gen Program applicants are selected on a competitive basis, but all eligible applicants have been approved thus far.

# Next Generation Farmland Acquisition Program “Next Gen Program”

- ❖ A rapid-response, farmland conservation easement option purchase program, designed to:
  - help qualified young/beginning farmers who seek to purchase farmland, but need some specialized financial assistance to enter (or continue in) the agricultural profession; and
  - effectively preserve the agricultural land from future development.
  - Up to \$500,000 is provided right at the farm real estate settlement, and Next Gen Farmer then has up to 7 years to sell the permanent easement to MALPF, Rural Legacy, a county land pres. program, etc.

# MARBIDCO Results – First 12 Years

- Since 2007, **MARBIDCO** has funded 510 farm and rural business projects, with over \$56 million in direct financing, in every county in Maryland (including Baltimore City). Nearly 300 of these have been projects involving young and beginning farmers.
- Partnered with 19 banks and 4 local government revolving loan funds, with a leverage of \$156 million in commercial lender financing.



# Some More Results...

- Assisted **290 young or beginning farmers** with loans, grants and/or easement option purchases.
- Funded over **170 on-farm value added processing** projects (including many creameries and wineries).
- Preserved **2,143 acres of farmland** (primarily through the Next Gen Program).



# Want To Know More?

[www.marbidco.org](http://www.marbidco.org)



Lena McBean of Edwin Remsberg Photographs