

Maryland Agricultural and Resource- Based Industry Development Corporation

2021 Maryland Land Preservation Conference

*“Helping to Finance the Next
Generation of Farmers”*

July 13, 2021

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MARBIDCO
growing rural ventures™

Today's Presentation will cover:

- ▶ Intro about **MARBIDCO**, who we are and what we do
- ▶ Overview of **Maryland agriculture** and rural land base today
- ▶ Overview of **MARBIDCO Loan and Grant Incentive Programs** that help young and beginning farmers
- ▶ Overview **MARBIDCO's** relatively new “**Next Generation Program**” and “**SANG – Small Acreage Next Program**” that helps beginner farmers both purchase their first farms and help preserve them at the same time.

What is a Resource-Based Business?

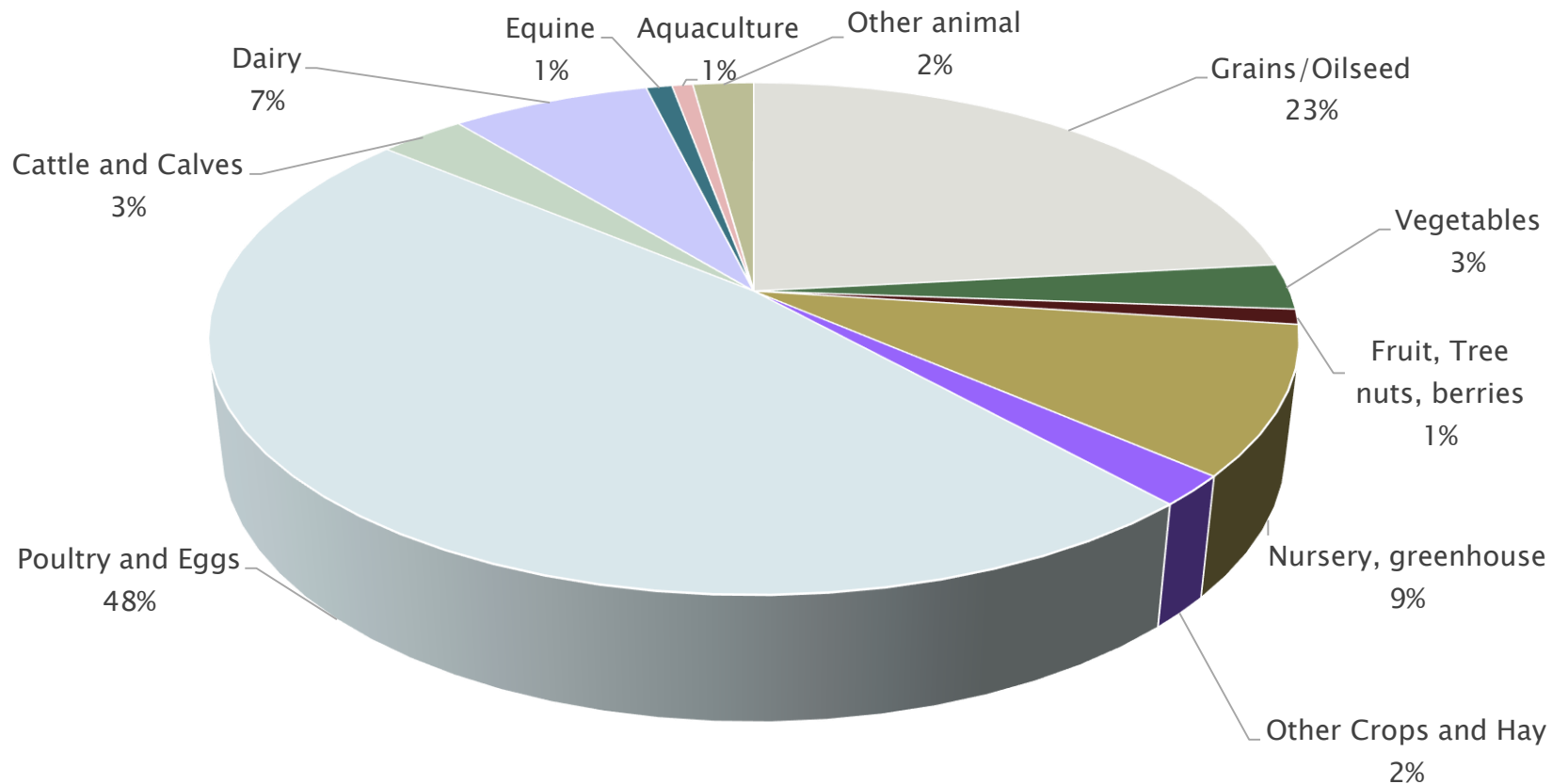
- ▶ From MARBIDCO's perspective, a Maryland resource-based business (Ag/RBI) utilizes the land and water in a responsible manner to provide food, feed and fiber for the benefit of our people (including food/nourishment, daily-use items, home/shelter/heat, open space benefits, recreation, etc.).
- ▶ **Good Stewardship of the resource is required by law:** Ag/RBI businesses tend to be rather heavily regulated and operate under numerous Federal, State and local regulations that are aimed at protecting public health and the environment.
- ▶ **“Mother Nature” and national and international market conditions often have a substantial impact on whether a resource-based business is profitable (and sustainable).**
- ▶ **Most Ag/RBI business enterprises are small and family-owned and operated** and comprise the backbone of the of the resource-based industry production.

The Importance of Maryland Farm and Resource-Based Businesses

- ▶ **Resource-based industries are important to all Marylanders** (which includes commercial farming, forestry and seafood businesses).
- ▶ **It's more than just economics:** Every Marylander needs adequate food (and shelter, clean water, energy, etc.) – mostly provided from “rural” resources.
- ▶ **Half of the State's land area is comprised of privately-owned rural “working land”** (3.5 million acres out of 6.2 million).
- ▶ **Ag/RBI business is also very important to our culture and heritage, tourism and the overall quality of life.**
- ▶ **Resource-based industries underpin the economies of many rural counties.** (Especially in Western Maryland and the Eastern Shore, where these rural industries are estimated to comprise approximately one-third of all economic activity).

Maryland Agriculture at a Glance

Based on Sales, from the 2017 USDA Census of Agriculture
(Does not include forestry or seafood businesses)



Maryland Agriculture at a Glance

- ▶ Number of farms in Maryland in 2017: **12,429 Farms**
- ▶ Land in farms: **1,990,112 acres** *Average farm size is: 160 acres*
- ▶ Avg. farmland value/acre: **\$7,861** *55% of farms less than 50 acres*
- ▶ Principal farm producers: Male – **8,748 (70.4%)**
(Previously called “operators”) Female – **3,681 (29.6%)**
Principal producers in 2012: Male– 9,980 (81.3%) Female– 2,296 (18.7%)
- ▶ Farming is primary occupation (out of 12,429): **5,948 (47.9%)**
- ▶ Number of all Maryland farm producers: **21,279**
Number of all Maryland farm producers in 2012: **19,055**
- ▶ All farm producers by sex: Male – **13,131 (61.7%)**
(Up to max 4 farmers per farm) Female – **8,148 (38.3%)**
- ▶ Average age of the Maryland farmer: **57 years old**
- ▶ Average age of MD Beginning farmer: **45 years old**

Source: 2017 Census of Agriculture

Top Ag/RBI Business Development Concerns

- ▶ Access to affordable credit and capital for food and fiber producers and processors
- ▶ Information/referral/business planning assistance
- ▶ Help for young/beginner/diversifying farmers (and watermen/foresters)
- ▶ Loss of rural working land

“Mar_BID_Co” is Created (2004 – 2007)

- ▶ The Maryland General Assembly passed legislation in 2004, 2005 and 2006 to establish and ultimately provide financial support to launch MARBIDCO. MARBIDCO opened its doors for business in April 2007.
- ▶ MARBIDCO is a nimble economic development financial intermediary organization serving all of Maryland (with no geographic limitations).



Commercial Activity for MARBIDCO Eligibility Includes:

- ❖ **Food Production and Processing**, including:
 - commodity crops (includes human food & animal feed)
 - table crops (includes vegetables, fruits & specialty crops)
- ❖ **Seafood & Aquaculture** (commercial fisheries, farm-raised fish & shellfish, and related commercial seafood processing)
- ❖ **Horticulture (greenhouse/nurseries) and equine (horses)**
- ❖ **Fiber production/processing:**
 - timber/wood products (lumber, pallets, flooring, pulp, pilings, etc.)
 - wool (from sheep & alpacas)
 - hemp (new)





MARBIDCO Partners

- ▶ **Commercial Banks & Farm Credit System**
(Note: there are 3 Farm Credit Associations serving different regions in Maryland)
- ▶ **State Agencies** (MDA, DNR, Commerce, UME, MEA, etc.)
- ▶ **USDA** (FSA, RD, & NRCS, and other Federal agencies)
- ▶ **Rural regional tri-county development councils**
(the five “tri-county councils” and SMADC)
- ▶ **Local economic development offices** (and especially the “AMPs”)
- ▶ **Farm and commodity groups**
- ▶ **Rural industry associations**
- ▶ **MD Agricultural Land Preservation Foundation (MALPF)**
- ▶ **Private foundations and local rural land trusts**

Key MARBIDCO Functions

▶ **MARBIDCO is authorized to:**

1. Help develop food, feed and fiber production industries and markets
2. Assist with rural working land preservation efforts; and
3. Alleviate the shortage of nontraditional capital and credit available at affordable interest rates.

MARBIDCO is a nimble financial intermediary organization that “works at the speed of business”.

- ▶ Today, MARBIDCO offers **15 financial programs**, often working in conjunction with commercial lenders. A majority of these are low- or moderate-interest loan programs, but MARBIDCO does provide a few small incentive grants for targeted activities as resources permit (e.g., “value added processing”).
- ▶ MARBIDCO also **facilitates “silo connecting”** among public and private sector service providers to leverage knowledge and develop provider network connections (usually as a convener).

MARBIDCO's financial assistance programming fall into three broad categories

- ▶ **Core Rural (and urban/suburban) Ag/RBI Business Development**
 - Several loan and grant financing programs that are funded as a result of the *Agricultural Stewardship Act of 2006* and subsequent State appropriations.
- ▶ **Higher Risk Specialty Lending** (and some small grant-making)
 - Revolving loan programs that are funded by partnering agencies (DNR, MEA, county governments, etc.) for targeted purposes (e.g., farm energy efficiency, shellfish aquaculture, and Southern Maryland revolving agricultural loans).
- ▶ **Rural Land Preservation Facilitation**
 - **Next Generation Farmland Acquisition Program** (which is both a Young/Beginning Farmer land purchase assistance program and a rural land preservation program) and the new **“Small Acreage” Next Generation Farmland Acquisition Program**.

MARBIDCO “Core” Loan Programs

- ▶ **Maryland Resource–Based Industry Financing Fund (“MR BIFF”)**
- ▶ **Pandemic Recovery Equipment and Working Capital Loan Fund (in FY 2021)**
- ▶ **Maryland Vineyard/Hops/Tree Fruit Planting Loan Fund**
- ▶ **Forestry Equipment and Working Capital Loan Fund**

Maryland Resource-Based Industry Financing Fund (MR BIFF)

MARBIDCO's "Workhorse Program" – with 207 loans since FY 2008

▶ **Offers low-interest loans for purchase of land and capital equipment**

- Initially, 3.25% APR for first three years & higher thereafter;
- NOTE: the interest rate has been reduced to 2.25% due to the COVID-19 Pandemic.

▶ **Maximum loan amounts:**

- \$250,000/buildings or
- \$500,000/real estate purchases
- & up to \$750,000 for a large project needing over \$3 million

▶ **Bank financial commitment:**

- A commercial lender and/or a partnering public agency must have an equal commitment in the project.
- Usually, 60–80% bank / 20–40% MARBIDCO

▶ **MARBIDCO is in the subordinate lien position/collateral in most situations.**

▶ **Benefits:**

- Flexible loan terms to match and/or enhance commercial lender terms.
- Complements the financing offered by commercial banks by helping to make business "gap" financing both available and affordable. This is because MARBIDCO is lending money where a bank would normally expect to see significant down-payment "equity."

MARBIDCO “Core” Grant Incentive Programs

MARBIDCO offers four grant incentive programs that are designed to leverage federal, county or private capital dollars for eligible business projects:

- ▶ **Local Government Ag/RBI Project Cost Share Program** *(Open and available year-around)*
- ▶ **Maryland Value Added Producer Matching Grant – USDA Leveraging Option Program*** *(Available at one-time annually)*
- ▶ **Maryland Value Added Producer Grant – Capital Assets Option (Equipment) Program** *(Available at one-time annually)*
- ▶ **Maryland Urban Agricultural Commercial Lending Incentive Grant Program** *(Open and available year-around)*

MARBIDCO “Specialty” Loan Programs

- ▶ Maryland Shellfish Aquaculture Financing Fund (*DNR and NOAA*)
- ▶ Remote Setting Shellfish Aquaculture Loan Fund (*DNR and MPA*)
- ▶ Rural Business Energy Efficiency Improvement Loan Fund (*MEA*)
- ▶ Southern Maryland Agricultural Revolving Loan Fund (*SMADC*)

MARBIDCO “Specialty” Grant Programs

- ▶ Southern Maryland Agricultural Loan Equity Incentive Matching Fund
- ▶ Upper Shore Region Agricultural Loan Equity Incentive Matching Fund

NEW

Local Farm Food Aggregation Grant Program

- ▶ Purpose:
 - Support the development of a local food aggregation infrastructure to meet wholesale and institutional market demand for locally produced food products
 - Support the State's new procurement goal of purchasing 20% local food
 - Create opportunities for small farmers to sell products to wholesale and institutional markets
 - Demonstrate how the investment of funds can help to grow and strengthen Maryland's local food system

MARBIDCO Rural Land Preservation Facilitation Programs

- ▶ Next Generation Farmland Acquisition Program (*Next Gen*)
- ▶ **NEW!** Small Acreage Next Generation Farmland Acquisition Program (*SANG*)

The Next Gen Program and the SANG Program were designed to assist young and beginning farmers with the purchase of farmland, while at the same time extinguishing the development rights on the land being purchased.

Since FY 2018, and continuing until FY 2027 , the State has appropriated \$2.5 million each year to the Next Gen Program. In FY 2021, MARBIDCO allocated \$1 million to launch the new SANG Program.

Next Generation Farmland Acquisition Program (The “Original” Next Gen Program)

- ▶ Established to help young/beginning farmers who have trouble entering the agricultural profession due to high farmland costs and have a lack of access to adequate financial capital.
- ▶ Focus in on “**Beginner Farmers**” (10 years or less of farm management experience) to help purchase farmland AND temporarily preserve the land all at the same time. (More experienced farmers may be eligible too but will rank lower in the application scoring.)
- ▶ Approved applicants enter into an “**easement purchase option contract**” for the property to be purchased (and hopefully preserved).
- ▶ **MARBIDCO will pay up to 51% of the Fair Market Value (FVM) of the agricultural land (only), with a cap of \$500,000.**
- ▶ Beginning farmer will have a **period of 4 or 7 years** (depending on default easement holder) to **sell the permanent conservation easement** to a rural land conservation program. Funds that are repaid revolve in the Next Gen Program.

The “Original” Next Gen Program

▶ Target Audience:

A “Beginner Farmer” is defined as one who:

- Has not owned a farm or ranch (or currently owns less than 20 acres of ag land); AND
- Has not operated a farm or ranch as a principal operator for more than 10 years; AND
- Has at least one year of farming experience (or has completed a qualified farm management–training program that includes substantial fieldwork experience); AND
- Expects to substantially participate in the farm operation on the subject property.

▶ Target Farmland:

- The farm property must be eligible for the Maryland Ag Land Preservation Foundation Program (MALPF).
- Typically for MALPF, property's must be:
 - a minimum of 50 acres in size (or contiguous), and 50% Class I, II and III soils; OR
 - contiguous to already preserved property.

1) How Does the Next Gen Program Work?

- ▶ MARBIDCO will award selected applicants with an “**easement option purchase**”.
 - The “**easement option purchase**” is a contractual agreement that requires the “**Next Gen Farmer**” to use the purchased property for ag purposes and stops future development.

- ▶ For the option purchase, MARBIDCO will pay up to 51% of the **Fair Market Value (FMV)** of the land only (with a cap of \$500,000).
 - The FMV is determined by an appraisal (requested and paid by MARBIDCO).
 - The option purchase money is used as an equity down-payment at a real estate settlement.
 - **This money enables a commercial lender to make a loan to help with the purchase of a farm and a commercial bank or Farm Credit Association participation is required for all Next Gen projects.**

2) How Does the Next Gen Program Work?

- ▶ **At real estate settlement** to purchase the farmland,
 - MARBIDCO will bring the option purchase money to be used as an equity down-payment; and
 - The Next Gen Farmer will enter into an Option Purchase Agreement
- ▶ **During the “Option period”**, the Next Gen Farmer will then have a period of several years to sell the permanent conservation easement on the farmland to a rural land conservation program, such as the Maryland Agricultural Land Preservation Foundation (MALPF).
 - The sale of the permanent easement will extinguish the development rights on the property forever.

3) How Does the Next Gen Program Work?

Once the Next Gen Farmer sells the permanent easement, MARBIDCO will be repaid:
(using the money from the permanent easement sale)

- 100% of the original Next Gen Option Purchase amount, plus a 3% admin fee

AND

- the Next Gen Farmer will retain any additional money from the sale.

HOWEVER,

- ▶ If the permanent easement sale money is less than the 103% of the original Next Gen money, then the Next Gen Farmer is only obligated to forward the lesser amount that was paid for the permanent easement to MARBIDCO (and the difference is omitted).

OR

- ▶ If the Next Gen Farmer **cannot sell** the permanent easement within the option period, the option purchase will be exercised to grant the permanent easement to a “third-party default easement holder” for no additional money. The third-party default easement holder will either be: a county government; or a statewide or local land trust.

Small Acreage Next Generation Farmland Acquisition Program (“SANG” Program)

- ▶ **NEW:** The “Small Acreage” Next Gen Program (SANG Program) was launched (in September 2020).
- ▶ SANG targets young and beginning farmers wishing to purchase 10- to 49-acre farms. (Applicants cannot own more than 9 acres of farmland currently.)
- ▶ The SANG Program will provide 40% to 60% of the FMV of the farmland in exchange for a **permanent agricultural conservation easement** – which is used as a down-payment to purchase the farm property.
- ▶ The permanent easement is assigned to another agency or land trust to administer.
- ▶ The **SANG Program funding** (at least \$2 million) comes from:
 - **\$1 million in State Capital Budget funds** designated for Southern Maryland (working with SMADC/TCCSMD in the 5 Southern Maryland counties)
 - **\$1 million in MARBIDCO Next Gen Program funding** (for 19 counties)

Who to Contact about the Next Gen Program or SANG Program?

▶ **County Ag Land Preservation Staff:**

- You will need to be in contact with your respective county ag land preservation administrator or designee to discuss the subject farm property (as this individual will assist in the application process)
- Contact the county staff at least 30 days prior to any application deadline.

▶ **Bank or Farm Credit Lender:**

- MARBIDCO encourages you to contact your commercial lender soon
- You will need to have a loan commitment concerning your farm purchase and have a clear idea of the Lender's financing needs (Form 5 and commitment letter will be needed in the early fall)

▶ **MARBIDCO Staff:**

- Your contact is **Allison Roe**, Financial Programs Specialist, at aroe@marbidco.org or (410) 267-6807

The Next Gen or SANG application package (including ALL required attachments) must be submitted to the MARBIDCO office by the end of every month.

MARBIDCO Statewide Program Summary Activity (FY 2007 to Present)

Program Types	No. of Funded or Approved Projects	Total Amount (\$)	Average Project Amount Size (\$)
CORE Program Loans (MARBIDCO-funded, “fully” collateralized)	251	\$53,864,345	\$214,599
Specialty Loans (Other agency- funded, unsecured)	133	\$5,782,632	\$43,478
CORE Grants (MARBIDCO-funded)	261	\$2,800,851	\$10,731
Specialty Grants (Funded by others)	27	\$186,174	\$6,895
Pandemic Adjustment CARES Act & RELIEF Act	317	\$4,011,906	\$12,656
Next Generation and SANG Land Purchases	29	\$8,059,105	\$277,900
Total	1,018	\$74,705,013	

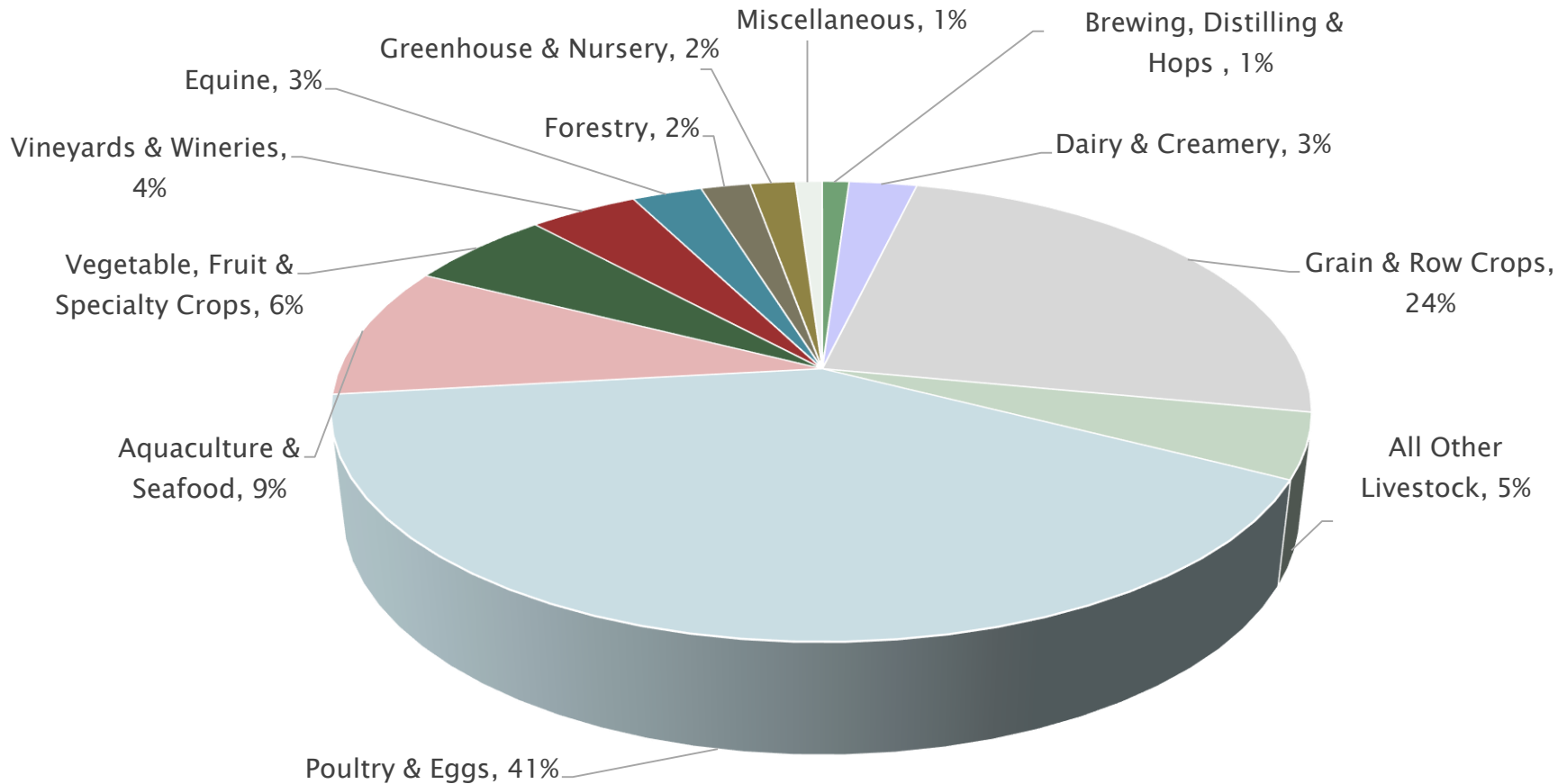
Supporting the Next Generation....

Helping to address these concerns:

- ▶ **Profitability and sustainability / Business succession**
- ▶ **Loss of rural working land** (farm & forest) to development, etc.
- ▶ **An aging workforce** and the concern about the future of the “Next Generation” of farmers (avg. age = 57)
- ▶ **Lack of Access to available & affordable business capital** for these typically small family-run enterprises – and especially young or beginner farmers and farmers trying to diversify their operations to help sustain or increase operational revenues.

As such, **MARBIDCO has a special focus on helping young and beginner farmers and farmers/rural businesses engaging in value-added processing.** Since 2007, MARBIDCO has funded 513 projects (totaling \$50 million) helping young and beginner farmers and funded 264 value-added processing projects (totaling \$6.5 million). ***75% of all projects***

MARBIDCO Projects by Business Type (By Amounts Funded – 10/2020)



NOTE: Includes Forestry and Seafood

I am happy to answer any questions you may have!



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