

Maryland Agricultural and Resource-Based Industry Development Corporation

Presentation for the
MD Shellfish Aquaculture Conference
11/10/2010

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“Mar_BID_Co”

○ “A New Kind of Rural Development Agency Serving All of Maryland”

○ Focus on

- Farming
 - Forestry
 - Seafood
- Business & Industry



Maryland law authorizes MARBIDCO to:

- 1. Alleviate shortage of affordable, non-traditional capital and credit for resource-based businesses.**
- 2. Develop ag industries & markets.**
- 3. Assist with rural working lands preservation.**

MARBIDCO has been fully operational since early 2007.

MARBIDCO's programming fall into three broad categories

- **Core Rural (and urban-edge) Business Development** – several loan and grant financing programs that are funded as a result of the *Agricultural Stewardship Act of 2006*
- **Rural Land Preservation Facilitation** – programs that are funded from "special funds", or that are offered with others (conduit finance)
- **Higher Risk or Micro-Credit Lending** – loan programs that are funded by partnering organizations for targeted purposes (e.g., energy efficiency and shellfish aquaculture)

Maryland Shellfish Aquaculture Financing Fund (w/ DNR)

- The Maryland Department of Natural Resources (DNR) has formed a partnership with MARBIDCO to provide affordable financing to watermen and other parties who want to start or expand commercial shellfish aquaculture operations.
- The University of Maryland Extension (UME) and the Maryland Department of Agriculture (MDA) are also contributing to this effort by providing training and business planning assistance to current and prospective shellfish growers.

MSAFF – Loan Program Overview

- Maryland's new aquaculture loan program is basically a subsidized program with below-market- rate loans being offered.
- Loans of \$5,000 to \$100,000 will be available on a competitive basis (meaning the Committee will select the projects that have the best chance of being successful).
- Applicants will need to submit both production and business plans, including pro forma financials ,with their applications.

MSAFF – Shellfish Aquaculture Financing Committee

- An interagency Shellfish Aquaculture Financing Committee including representatives from DNR, MDA, UME, a Maryland farm credit association, and MARBIDCO is being established to evaluate applications and proposed business plans (and financials).
- Adequate “cash flow coverage” needed.

MSAFF – Unsecured Loans with Funds Revolving

- The loans are being offered on an unsecured basis, no collateral security is required -- only the loss of the lease is directly at risk (although all loans will be personally guaranteed so we will try to collect payments that are due and the credit bureaus will be contacted if there is a continuing problem).
- Additionally, all principal payments will be returned to a revolving fund to support additional rounds of future aquaculture funding.

MSAFF – Money Available

- At least 2.2 million will be available initially in a Revolving Loan Fund, with approximately two-thirds of this funding reserved for commercial watermen.
\$1.5 million of this amount is for:
 - Hatchery Larvae/seed
 - Habitat Substrate/shell
- Another \$1 million is coming from the NRCS in a couple months for oyster habitat restoration grants. These funds will be used to reduce loan principal balances and thereby make more funds available in the lending program.

MSAFF – Lease Application Deadline

- The demand for funding is expected to exceed available financial resources in the short-term. Therefore, MARBIDCO and DNR intend to give priority to applicants who will begin shellfish production operations in 2011.
- Those who plan shellfish production operations next year must hold a DNR shellfish aquaculture lease, or must have applied to DNR for a shellfish aquaculture lease by no later than Monday, November 15, 2010.

MSAFF – Financing Application Deadline and Interest Rates

- Applications for the financial assistance are now being accepted by MARBIDCO, and the deadline for applications to be submitted is Tuesday, November 30, 2010.
- The loans are priced well below market: just 3% APR during the interest-only period and 4.5% during the amortization period when both P and I is being paid (though the principal is cut by 40% thus lowering the cost significantly).

MSAFF – Eligible and Ineligible Items

- Eligible expenses in the proposed plan include:
 - substrate/shell
 - seed/larvae
 - equipment (cages, floats, up-wellers, etc.)
- *Invoices and receipts required!*
- (& direct payment of vendors is possible)
- Not eligible under this program are:
 - labor costs
 - motor vehicles (boats and trucks)

MSAFF – Loan Terms and Conditions

- The loans will be structured with an interest-only feature to allow for the 18-month to three-year growing period between oyster seeding and growth of the crop to market size.
- The loan program also offers a partial loan forgiveness element for borrowers in good standing (40% of the principal balance will be forgiven - basically a grant - at the beginning of the loan amortization period).

What Does a Borrower Need?

- ▶ A shellfish aquaculture plan
- ▶ A business plan (including the production plan, markets, labor needs, etc.)
- ▶ Realistic pro forma cash flow projections (income & expenses looking out 3-5 years) w/ positive cash flow

MFAFF – What else is needed?

- ✓ At least 10% borrower equity (contribution) is required. Existing purchases including commercial workboats can help satisfy this requirement.
- ✓ Principal borrower should have a credit score of at least 640 and no recent history of bankruptcy.
- ✓ Borrowers must provide a copy of the last year's income tax return, and must personally guarantee the loan as well.

MSAFF – Example

- A \$10,000 loan is needed for a \$11,100 shellfish aquaculture project. (Borrower is providing \$1,100 of her own money.)
- \$5,000 is going to be used to buy shell and larvae, and \$5,000 eligible equipment.
- Loan term is for three years, with the first two years as interest-only. (8 quarterly payments of \$75 would be due then.)
- At the beginning of the 3rd year, principal would be due (\$10,000), but 40% would be forgiven (\$4,000) leaving only \$6,000 to be repaid during the amortization period.

Maryland Shellfish Aquaculture Financing Fund – Getting Help

- People are available to help answer questions and assist with production and business planning:

MDA Aquaculture Coordinator: Karl Roscher

DNR Leasing: Steve Schneider and Katie Busch

Extension: Don Webster, Mutt Merritt, Shannon Dill and Matt Parker (and others)

MARBIDCO: Steve McHenry and Kristen Robinson

- Useful Websites:

www.dnr.maryland.gov/fisheries/oysters/industry/funding.asp

www.marbidco.org

Thank You For Listening....Questions?



www.marbidco.org