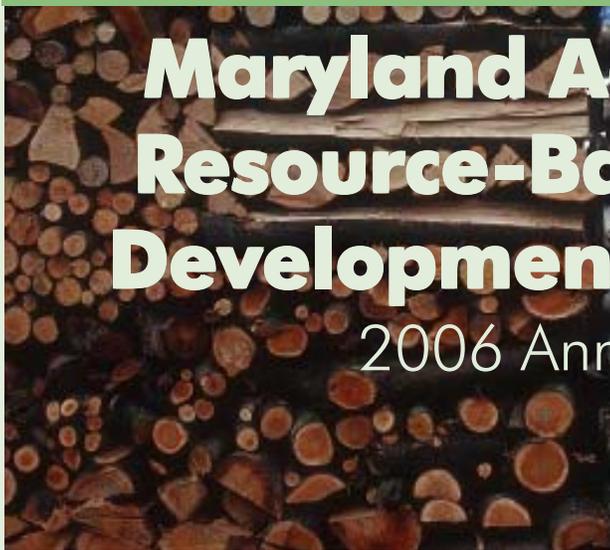


# Innovations



## Maryland Agricultural & Resource-Based Industry Development Corporation

2006 Annual Report



# The Vision



Chair  
**Robert Frazee**  
CEO, MidAtlantic Farm Credit



Vice-Chair  
**Janet Stiles**  
Owner, Shenandoah Jerseys

## Promoting Innovation to Sustain Maryland's Agriculture & Resource-Based Industries

In 2004, MARBIDCO existed only on paper — a good idea with a crucial mission but without operating form or function. With the expertise and hard work of a committed and dedicated Board, we have worked through the many details to create an organization that now stands ready to begin one of the most important undertakings in Maryland: To help preserve our agricultural and resource-based industries by providing innovative rural enterprises and those producers transitioning to niche-market and value-added endeavors with the financial and business development assistance they need to survive and thrive.

During the past year, the Board spent much of its time with policy makers, testifying before various legislative committees of the General Assembly, urging them to fund MARBIDCO and support the Agricultural Stewardship Act of 2006 — a bill that also authorizes MARBIDCO to help the next generation of farmers acquire farmland. We also supported the timely work of the Maryland Agricultural Commission and its “Statewide Plan for Agricultural Policy and Resource Management.” We congratulate both Governor Ehrlich and the General Assembly, as well as many in the agricultural and environmental communities, for coming together to develop concrete proposals to support our farming and resource-based industries.

In the year ahead, MARBIDCO will make our first round of low-cost loans to several farm, forestry and seafood businesses with innovative ideas. We plan to take calculated risks, partner with commercial lenders as much as possible, and provide appropriate business development assistance. Moreover, MARBIDCO will work with the Maryland Agricultural Land Preservation Foundation to develop programs that protect critical farms, assist beginning farmers, and devise creative financing structures that benefit landowners who want to protect their land permanently.

The MARBIDCO Board understands the enormity and the importance of its mission. The challenges confronting our agricultural and resource-based businesses are many, and the solutions are varied. We are focused on being innovative and nimble, efficient and responsive. MARBIDCO Board members are committed to doing everything possible to ensure the long-term viability and profitability of Maryland's agricultural, forestry and seafood industries.



**MARBIDCO**  
*growing rural ventures™*

*The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) is currently staffed by The Rural Maryland Council, 50 Harry Truman Parkway, Annapolis, MD 21114 Ph: 410-841-5772 [www.rural.state.md.us](http://www.rural.state.md.us)*

# The Leadership

## Leading from Concept to Reality

**M**ARBIDCO Board members were appointed by the Governor in January 2005 and confirmed by the Maryland Senate the following month. The Board immediately began work.

### Agency Representatives (Ex-Officio)

#### S. Patrick McMillan

Assistant Secretary,  
Maryland Department of Agriculture

#### Michael Slattery

Assistant Secretary, Maryland  
Department of Natural Resources

#### Greg Cole

Maryland Department of Business  
and Economic Development

#### Donald Darnall

Executive Director,  
Maryland Food Center Authority

#### Stephen McHenry\*

Executive Director,  
Rural Maryland Council

#### James Hanson

Associate Director,  
Maryland Cooperative Extension

\* Mr. McHenry also serves as interim executive director of MARBIDCO.

The Board appointed an **Administration Committee** to develop and implement a process for hiring professional staff by the end of the year. That committee was chaired by Don Danall. Other members were Bob Frazee, Steve McHenry, Janet Stiles, Pete Alexander and Jim Hanson.

A **Programs Committee** worked to refine criteria and recommend how to implement the programs described on page 6. That committee was chaired by Joe Chisholm. Other members were Greg Cole, Steve McHenry, Pat McMillan, Dan Rider of the Department of Natural Resources, Kenny Bounds of MidAtlantic Farm Credit, and Bob Tjaden of the University of Maryland Cooperative Extension.

### Appointed by the Governor

#### J. Robert Frazee (Chair)

President, MidAtlantic Farm Credit  
(Westminster) *Representing  
Commercial Lending Institutions*

#### Janet Shank Stiles (Vice Chair)

Owner, Shenandoah Jersey's  
(Boonsboro) *Representing  
Agriculture Producers*

#### Peter Alexander

Mill Supervisor, Glatfelter Pulp  
Wood Company (Salisbury)  
*Representing Timber and Forest  
Products Industry*

#### Joseph Chisholm

Retired Bank Vice President  
(Pocomoke) *Representing  
Commercial Lending Institutions*

#### William Gerweck

General Manager, Winbak Farm  
(Chesapeake City) *Representing Ag,  
Forestry, Seafood or Economic  
Development*

#### W. David Thompson

Founder & President, Foxborough  
Nursery, Inc. (Street)  
*Representing Agricultural Producers*

#### Karen Oertel

Co-owner, Harris Crab House, Inc.  
and W.H. Harris Seafood, Inc.  
(Centreville) *Representing  
Commercial Seafood Harvesting  
and Processing*

#### A. Orrell Saulsbury, III

Former Owner, Saulsbury Brothers  
(Ridgely) *Representing Commercial  
Food or Fiber Processing*

#### Howard Leathers

Associate Professor, Department of  
Agriculture & Resource Economics  
(College Park) *Representing Public  
Finance*

## About the Board

MARBIDCO has a 17-member Board. **Six members** serve in an ex-officio (voting) capacity. They are the:

- (1) Secretary of Agriculture or a designee;
- (2) Secretary of Natural Resources or a designee;
- (3) Secretary of the Department of Business and Economic Development or a designee;
- (4) Executive Director of the Maryland Food Center Authority;
- (5) Executive Director of the Rural Maryland Council; and
- (6) Director of the Maryland Cooperative Extension.

**Eleven members** are appointed by the Governor with the consent of the Maryland Senate.

- Two ag producers representing two different farm commodities;
- Two representatives from commercial lending institutions;
- One from timber and forest products industry;
- One from aquaculture;
- One from commercial seafood;

Individuals with knowledge and experience in:

- Operating commercial food or fiber processing facilities;
- Public finance;
- Rural economic development or ag marketing; and
- Ag, forestry, or seafood industries or agritourism in Maryland with economic development experience.



# YearInReview

## Laying the Foundation for the Future

Traditional economic development assistance and financing programs tend to measure success principally by how many jobs they create. Since about 1950, however, global economic pressures, technological advances, and competing land use needs have had a substantial impact on ag and resource-based businesses both in Maryland and around the world. Yet these industries continue to underpin the economies of the State's rural communities, and State leaders recognize the importance of retaining them for practical economic, as well as societal and environmental reasons. Maryland has long needed an economic development entity that focuses exclusively on the unique needs of traditional rural businesses (i.e., farming, forestry and seafood). The State is poised to meet this need with MARBIDCO.

**MARBIDCO's mission is to help Maryland's farm, forest, seafood, and related rural businesses achieve sustainable profitability today and well into the future.**

### 2006 in Brief

**In January**, at the start of the Maryland General Assembly's session, all 55 members of the Legislative Rural Caucus signed a letter supporting funding for MARBIDCO.

"Maryland agriculture is nearing a critical juncture in terms of its future viability," the letter stated. "With an aging farmer population and skyrocketing real estate prices, much farmland, and the resulting opportunity for agricultural production on that land, may be in danger of disappearing forever."

**In February**, the Maryland Agricultural Commission, charged with developing a statewide plan for advancing agriculture, released a series of draft recommendations, which included funding MARBIDCO and the services it would provide. Later that month, at the Governor's Agricultural Forum (at right), farmers and other ag-related leaders weighed in on how they would prioritize the report's recommendations. Among 13 recom-



mendations associated with providing better business development assistance, funding MARBIDCO was among the top two priorities chosen by the nearly 250 participants. MARBIDCO also placed near the top in another category focusing on support for young farmers.

**In March**, Governor Ehrlich included a much-needed \$1 million in start-up funding for MARBIDCO in his FY 2007 Supplemental Budget. The General Assembly concurred.

**In April**, with unanimous bipartisan support, the General Assembly passed the Agricultural Stewardship Act of

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2006, which Governor Ehrlich signed in May. This act, which includes several items that support good agricultural practices and business profitability, includes mandatory funding of \$3 million to \$4 million annually for MARBICO over the next 14 years. It also encourages, but does not require, an additional \$5 million a year for the Next Generation Farmland Acquisition Program.



## Rural Business Assistance in 2006

**In May and June**, with the promise of funding secured, the MARBIDCO Board continued working diligently to develop criteria for the business assistance programs it would begin offering in the fall of 2006. Preliminary work also began on the rural land preservation programs that are expected to become operational in 2007. Commercial lenders are expected to underwrite and service loans. The programs to be launched late in 2006 are:



**The Maryland Resource-Based Industry Financing Fund** will offer low-interest loans to established ag and resource-based industry firms for the purchase of land and capital equipment for production and processing activities. Priority will be given to value-added and niche market-oriented projects as well as beginning or transitioning producers and processors. MARBIDCO may provide up to 45 percent of needed financing. A commercial lender and/or another public financing body must have an equal financial commitment in any transaction.

**The Rural Business Energy Efficiency Loan Program** will make available low-interest loans to established firms and producers to purchase equipment or technology that lowers farm and business-related energy consumption. MARBIDCO may provide up to 90% of needed financing. An energy audit by a qualified third-party energy consultant is required.

**The MARBIDCO Rural Business Working Capital Fund** will offer low-interest loans to established resource-based businesses and producers for working capital. Loans may only be offered in Maryland's 18 rural counties. A commercial lender will underwrite and service a loan, which will likely require approval from USDA-Rural Development, a partner in this effort. (In 2006, this fund may be limited to participants in the Maryland Farm and Producer Viability Program.)

**The Maryland Farm and Producer Viability Program** is designed to improve the financial viability of producers and processors and to assist fledging rural entrepreneurs by providing specialized business planning assistance and preferred access to MARBIDCO's low-interest loan programs. The Farm and Producer Viability Program will help early-stage enterprises with operational and market risk assessments as well as with formal business plan development. In addition, once a viable business plan is developed, a program participant should be able to find a commercial lender to finance a portion of the new enterprise to be undertaken.

# Coming Soon

## Preserving the Rural Landscape

During summer of 2005, many participants in the Agricultural Listening Sessions, hosted by the Maryland Agricultural Commission, noted that high land costs were a major impediment to young and beginning farmers. Legislation enacted in 2006 authorizes MARBIDCO to work with the Maryland Agricultural Land Preservation Foundation (MALPF) to assist in agricultural land preservation efforts. These programs are being developed now and are expected to be operational later in 2006 or 2007.

### Next Generation Farmland Acquisition Program

MARBIDCO will work with commercial lenders to help qualified beginning or young farmers purchase farmland for sustainable agricultural uses. Initially, the program expects to employ a financing tool called an “easement purchase option” to help farmers obtain mortgage financing. Using this tool, MARBIDCO would help a prospective farmer meet the equity requirements of a financial lender by buying the development rights of the land that that farmer is purchasing at the time of settlement. Such a transaction would enable that farmer to purchase land that he/she would not otherwise be able to afford. Representatives from MARBIDCO, the Young Farmers’ Advisory Board, MALPF, and commercial lenders are currently working to refine the programmatic details.



### Critical Farms Program

Recent legislation requires MALPF and the Maryland Department of Planning to recommend how the new Critical Farms Program should be implemented and funded. One aspect of the program will provide bridge or interim financing for the acquisition of agricultural preservation easements or fee simple purchases in cases where critical land is under an immediate development threat. MARBIDCO has been assisting with this effort because of the program’s potential relationship with the Next Generation and other easement purchase programs.

### Installment Purchase Agreements (IPAs)

IPAs will enable MARBIDCO to provide structured tax-advantaged financial arrangements to help purchase easements on agricultural property likely to be lost to development. IPAs typically have a term length between 15 and 40 years, although 25- to 30-year terms seem to be preferable. Because MALPF is legally constrained from issuing bonds with terms longer than 15 years, MARBIDCO has been approached about facilitating the implementation of this program. A consultant has been hired to develop the IPA program and an interagency workgroup is in the process of assisting. It is hoped that the first IPAs will be made available in the fall of 2006.

# Supporting Partners

## Partners Help Bring MARBIDCO to Life

Many organizations, agencies, lawmakers and industry leaders have worked diligently during the last two years to bring MARBIDCO to the point where it can start doing the important work before it – helping Maryland’s rural producers and processors become profitable and stay in business for many years to come. MARBIDCO thanks all its partners, and especially the **Rural Maryland Council**, for providing important staff support during a formative time. Supporting entities include:

Chesapeake Bay Seafood Industries Association  
Maryland Cooperative Extension (University of Maryland)  
Maryland Department of Agriculture  
Maryland Department of Business and Economic Development  
Maryland Department of Natural Resources  
Maryland Farm Bureau  
Maryland Food Center Authority  
Maryland Forests Association  
Maryland Grain Producers Association  
Maryland Partnership for Sustainable Forestry  
MidAtlantic Farm Credit  
Mid-Shore Regional Council  
Rural Maryland Council  
Tri-County Council for the Lower Eastern Shore  
Tri-County Council for Southern Maryland  
Tri-County Council for Western Maryland  
U.S. Department of Agriculture  
Upper Shore Regional Council  
... and many other commercial banks, farm and commodity groups, rural industry associations, and local economic development agencies.



**USDA-Rural Development** State Director for Maryland and Delaware Marlene Elliott (center) presents a Rural Business Enterprise Grant of \$20,000 to Rural Maryland Council Chair Phyllis Kilby and RMC Executive Director Stephen McHenry to help support MARBIDCO’s first year activities. McHenry is serving as MARBIDCO’s interim executive director until a permanent director is hired later in 2006.



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

MARBIDCO is developing a website which will contain the latest information about the services being offered. It is expected to be online later in 2006.

# AgStewardship

## Bill Helps MARBIDCO Look to the Future

**M**ARBIDCO Board members and other ag leaders joined Governor Robert Ehrlich on May 2, 2006 as he signed into law the Agricultural Stewardship Act of 2006. The bill contains a number of important provisions and recommendations that will contribute to the long-term viability and sustainability of Maryland agriculture. Key among them is funding for MARBIDCO. The legislation provides \$3 million for MARBIDCO in FY 2008, \$3.5 million in FY 2009, and \$4 million in FY 2010 through FY 2020. The bill also strongly encourages, but does not require, an additional \$5 million



a year be appropriated to MARBIDCO for rural land acquisition and easement programs, including the Next Generation Farmland Acquisition Program. The bill also authorizes the Maryland Agricultural Land Preservation Foundation to provide MARBIDCO with grants for rural land preservation efforts. The bill was the result of work initially undertaken by the Agricultural Stewardship Commission and later refined through the efforts of several state agencies, farm and commodity groups, and environmental organizations. The Ag Stewardship Act was strongly backed by rural-serving organizations and passed both houses of the General Assembly with unanimous bipartisan support. Governor Ehrlich also provided \$1 million in the FY 2007 State Budget for MARBIDCO.



**MARBIDCO**  
*growing rural ventures™*

*The Maryland Agricultural and  
Resource-Based Industry  
Development Corporation  
(MARBIDCO)*

*c/o The Rural Maryland Council  
50 Harry S Truman Parkway  
Annapolis, MD 21114  
[www.rural.state.md.us](http://www.rural.state.md.us)*

