Maryland Agricultural and Resource-Based Industry Development Corporation
Meeting of the Board of Directors
Thursday, June 3, 2025 (10:00 a.m. to 1:00 p.m.)
Virtual Conference Via Zoom
OPEN SESSION MINUTES

Members Present:
Ms. Charlotte Davis, Executive Director, Rural Maryland Council
Mr. Paul Goeringer Esq., Principal Faculty Specialist and Extension Legal Specialist, University of Maryland Department of Agricultural and Resource Economics
Ms. Phyllis Kilby, Former Owner, Kilby Creamery
Mr. A.C. Alrey, Business & Community Advocate
Dr. Douglas Lipton, Senior Research Economist, National Marine Fisheries Service National Oceanic and Atmospheric Administration (NOAA)
Ms. Mary Shank Creek, Chair, Owner, Palmyra Farm Ayrshires & Holsteins
Mr. Dan Rider, Forest Stewardship & Utilization Program Manager, Maryland Department of Natural Resources Forest Service
Mr. Mark C. Krebs, Secretary/Treasurer, Executive Vice President & Chief Financial Officer, Farmers, and Merchants Bank
Mr. Steve Connelly, Deputy Secretary, Maryland Department of Agriculture
Mr. John Jastrzembski, Vice-Chair, Regional Business Developer – Northern Virginia, Davey Business Development Team, The Davy Tree Expert

Members Absent:
Ms. Sarah O'Herron, Owner, Black Ankle Vineyards
Ms. Victoria Brown, Owner, Shop Cove Aquaculture, LLC
Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension
Mr. Berran Rogers, Project Director/Small Farm Coordinator, University of Maryland Eastern Shore
Mr. Wayne Richard, Regional Vice President of Ag Lending, Horizon Farm Credit

Guest from the Office of Agriculture, Frederick County:
Katie Stevens, Director

MARBIDCO Staff:
Mr. Steve McHenry, Executive Director
Ms. Tina Wilkins, Senior Accounting Coordinator
Ms. Stacy Kubofcik, Assistant Director
Ms. Jill Zarend, Communications Specialist
Ms. Allison Roe, Financial Programs Officer, and Program Coordinator
Mr. Brian Cadden, Financial Programs Specialist
Ms. Sierra Criste, Financial Programs Specialist
Ms. Brittay Rawlings, Financial Programs Specialist
Mr. Munachi Nsofor, Assistant Attorney General, Office of the Attorney General (OAG), Department of Commerce

Call to Order
Chair Creek called the meeting to order at 10:07 a.m. and welcomed attendees.

Ms. Creek and Mr. McHenry introduced guest speaker Katie Stevens, Director, Office of Agriculture, Frederick County. Ms. Creek commented that she has known Ms. Stevens for years and is impressed with how she has risen in the agricultural industry. Mr. McHenry mentioned also that she is a LEAD Maryland graduate.

Ms. Stevens is the Director of the Office of Agriculture. Under the leadership of the current County Executive, a new Office of Agriculture was established about one year ago. The county has 188,832 acres of farmland and 1,367 farms, and the market value of agricultural products is $184 million. She added that the County is working to preserve farmland and made a goal to permanently preserve 160,000 acres.

Office of Agriculture provides business support, marketing support, workforce development, as well as agriculture land preservation to the agriculture community. Frederick County created an Agriculture Innovation Grant using the local recordation tax as a source of funding. The county has awarded $1.7 million to 77 projects throughout the county. Every dollar of county investment has created $3.50 of private investment.

The Office of Agriculture markets Frederick County agriculture through its publication Homegrown Frederick, which shares stories about local farmers, women farmers, craft beverages, and restaurants that buy local, for example. There is a website to search for local farms to purchase goods, as well as promotion through social media.

Value-added agriculture is also being supported through their office. The office started craft beverage support by putting together the *Wine, Brew and Shine in 10 Steps* program to connect wineries and breweries with information. Other assistance includes regulatory reforms, marketing, and a passport program with Downtown Partnership and Visit Frederick. It also supports Farm-to-School programs to get local produce in Frederick County schools.

The County, community stakeholders, and farmers are conducting an update to the county's agriculture strategic plan. It includes five focus areas: regulation, value chain support, infrastructure development, workforce and outreach and marketing.

The Office of Agriculture is in the process of developing the Kanode Farm Park, which includes 175 acres of land donated to the county along with a $1 million endowment to establish an agriculture education center. Construction will begin next year.

Mr. McHenry thanked Ms. Stevens for her presentation. She answered questions from the Board on agriculture in Frederick County.

A roll call of the Board members present indicated a quorum was present.

Chair Creek asked for consideration and approval of the February Board meeting minutes.

<u>Approval of Previous Board Meeting Minutes</u>
<u>Action 1:</u> Mr. Goeringer made a motion to approve the February 6, 2025, meeting minutes as presented. Mr. Jastrzembski seconded the motion. All members voted in favor and the motion passed.

<u>Financial, Budgetary and Legislative Items</u>
Mr. McHenry provided a summary of the FY 2025 Budget (YTD).

- Mr. McHenry informed the Board that MARBIDCO has received its full appropriation for the year - $2.3 million for Core programs (the final year of such funding); $435,000 for Local Farm Food Aggregation Grants; $400,000 for Livestock Equipment Processing grants; $500,000 for WPIEI grants; and $500,000 for Maryland Watermen's Microloans.
- Core loan principal repayments are coming in ahead of schedule, while specialty principal repayments are a little behind what's budgeted. Program income is ahead of what was predicted because of Next Generation repayments; and CD interest earnings is doing better than expected.
- Expenditures are on target for the year. Legal expenses are little higher than originally projected.
- Programmatically MARBIDCO has approved $6.2 million in Core loans and anticipates lending another $1 million in projects to be approved by the end of June. Specialty loans, specialty grants and core grants are

coming in under what was budgeted. The Next Gen Programs are coming in at about half of what was budgeted.

<u>FY 2025 YTD Programmatic Activities Overview</u>

Mr. McHenry stated that:

- MARBIDCO has closed or approved 16 core loans, while four loan requests were withdrawn before or after being approved.
- MARBIDCO has approved 12 specialty loans and closed 8 of them.
- MARBIDCO has closed or approved 61 Core grants.
- MARBIDCO has closed or approved 34 Specialty program grants and are no longer offering the SMADC equity grant fund as that fund has run out of money. There has been no conversation on replenishing this to date.

<u>Updates on the Loan Loss Reserve and the Average Loan Interest Rate</u>

Mr. McHenry said that the current loan loss reserve is 2.53% as of April 30, 2025. The average loan portfolio interest rate of 4.363% is very favorable. Due to lower interest rates during the pandemic, the average loan portfolio rate dropped significantly below our target portfolio rate of 4.00% (the average rate thought to be necessary to cover MARBIDCO's operating expenses).

<u>Update on Early Loan Repayments</u>

Mr. McHenry stated that 267 loans have been repaid since 2010. In FY 2025 so far, we received 5 early MRBIFF loan payoffs totaling $1,061,381.

<u>Update on Legislation supported by MARBIDCO during the 2025 Session</u>

Mr. McHenry provided an update on legislation MARBIDCO supported during session.

- *Legislation - HB0397:* Revisions were made to MARBIDCO's Oyster Shucking House Loan Program - lowered the number of years a person needed to have a seafood dealer license to qualify and allowed the borrower to qualify for $25,000 for each new "seasonal full-time" employee, as well as a full-time employee.
- *Legislation - HB0286*: New State Planning Principles (with the MARBIDCO-supported amendment) - MARBIDCO and RMC had expressed concern over the lack of recognition of working farm and forest land in the principles, as over one-half of the state's land area consists of privately owned farm and forest land. In the end, MARBIDCO's amendment to the Land principle was included in the bill that passed.
- *Legislation - SB0177*: Maryland State Department of Education – Local Food Purchasing Program (Vetoed) - Bill would have created a procurement preference for the purchase of local farm food. While the bill was vetoed, MSDE is going to continue to build a platform to support this.
- $300,000 was included in the State's Operating Budget for FY 2026 for the MARBIDCO Livestock Processing and WPIEI Grant Programs.

Other Budget Issues of Interest:

- About $6.1 million for the RMC's Rural Prosperity Investment Fund and MAERDAF Grant Programs was included in the FY 2026 State Budget. Moreover, $1 million in mandated funding for SMADC (a unit of the TCCSMD) is being continued despite the Administration's original plan to phase out SMADC's funding beginning next year.
- Funding from the State's real estate transfer tax revenues for Program Open Space Funding and other POS-related programs (including MALPF) was cut by $100 million over four years (at $25 million annually). The reduction to MALPF will likely negatively impact Next Generation easement option purchase repayments during these years.

Mr. McHenry also discussed the Chesapeake Bay Legacy Act, an Administration bill that passed during session. One of the bill's provisions is to create a new MDA program called the "LEEF Program" – Maryland *Leaders in Environmentally Engaged Farming*. MARBIDCO participated in discussions held by MDA on what this program should include. Under the program, farmers will get recognition for adopting best management practices around such priorities as environmental sustainability and other positive considerations. The program will include different tiers or levels of recognition. MDA has asked its partners to determine how they can support the program. MARBIDCO staff has suggested an interest rate reduction of 25 basis points (1/4 of one percent) for loan applicants that reach the highest tier and 12.5 basis points (1/8 of one percent) reduction for the second tier. This would help new borrowers only that have attended this recognition.

Approval of LEEF Participation

Action 2: ***Mr. Rider made a motion to give Mr. McHenry license to represent MARBIDCO at the LEEF discussions and to approve conceptually to permit a 25-basis point reduction of the interest rate for eligible new MARBIDCO loan applicants for the highest tier of the LEEF Program and a 12.5 basis points reduction for the second tier. Ms. Davis seconded the motion. All members voted in favor and the motion passed.***

Mr. McHenry stated that there is uncertainty from the federal government from a fiscal perspective that could impact Maryland. There may be significant losses in Medicaid revenues and SNAP benefits that the State may feel compelled to try to absorb to aid Marylanders. Mr. Connelly noted that two programs that help farmers have an uncertain future, including the Local Food Purchase Program that may not continue. MDA also receives a grant to administer the Food Modernization Act Produce Safety Rule, and the outreach and education funding portion has been cut. Fortunately, many agricultural programs are operating normally which is good news. Ms. Davis noted there are significant cuts proposed to Rural Development programs under USDA.

Mr. McHenry and staff provided various program updates.

Update on Core Loans

Mr. McHenry stated that MARBIDCO launched the new MRBIFF Participation Loan program with Horizon Farm Credit a few months ago (with special thanks to departing Board member Wayne Richard for his help facilitating this long process).

- MARBIDCO has approved 6 MRBIFF participation loans and 8 MRBIFF direct loans.
- MARBIDCO has signed all documents to work with Colonial Farm Credit on loan participation projects, and we are now ready to go.
- MARBIDCO also reached out to Virginia Farm Credit and will begin reaching out to regular commercial banks on a slightly different version of the loan participation offering.
- MARBIDCO approved one Large Animal Veterinarian loan recently.

Update on Maryland Livestock Processing Loan Fund

MARBIDCO approved one Maryland Livestock Processing Loan which is partially funded by a USDA RD – MPILP Grant. The loan was made to establish a blue catfish processing facility in St. Mary's County. Staff are in discussions now with another blue catfish processing facility as well as start-up slaughter facility in Cecil County. The USDAP MPILP grant has another year left before it closes and we anticipate using all the funds (i.e., $3.8 million provided by USDA and $1.3 million by MARBIDCO).

Update on Specialty Loans in FY 2026

- 12 Watermen's Microloans have been approved.
- Two Shellfish Aquaculture loans have been approved.
- One Oyster Shucking House loan withdrew before approval.
- One approved Southern Maryland Livestock Processing Loan with funding provided by SMADC. This program was approved conceptually at the previous board meeting and Mr. McHenry had provided the Board with the application form once it was finalized. MARBIDCO approved a loan of $250,000 to a USDA-approved meat processing (post slaughter) facility in St. Mary's County. The applicant also received a separate grant from SMADC of $200,000.

Update on Grant Incentives

Ms. Kubofcik gave a fiscal year overview on the grant programs that were active during the second, third and fourth quarters of FY 2025:

- Local Government Ag/RBI Cost Share Grants – 20 were approved for $51,000.
- Future Harvest Grad Grants – 10 were approved for $8,665.
- Equity Matching Grant related to the Livestock Processing Loan – 1 approved for $231,770 (but not yet closed).
- Maryland Value Added Producer Matching Grant – 1 approved for $25,000 as a match for a USDA Value Added Producer Grant.
- Southern Maryland Equity Incentive Grant- 3 approved for just over $43,000. This Fund has now run out of money.
- Maryland Livestock Processing Grant Program – 12 approved for a little over $409,000.
- Local Farm and Fish Food Aggregation Grant Program – In December 2024 MARBIDCO approved three small farm aggregation grants for $300,000 and gave preliminary approval to one public sector applicant, which received final approval in April. A second round was opened recently and MARBIDCO received four applications which are being reviewed now.

Update on the Next Generation/SANG Programs

Ms. Roe gave an overview of the original Next Gen easement option purchase program:

- There were four applications received so far in FY 2025, and all were approved. However, one withdrew after approval.
- An overall total of 43 option purchase contracts is now closed, and 4,522.61 acres have been preserved.

Ms. Roe also gave an overview of the SANG program:

- MARBIDCO received four applications in FY 2025 of which two are ready for closing and two are still in process.
- An overall total of 161.98 acres has preserved through six permanent conservation easements being purchased by MARBIDCO at the real estate transfer settlements.

Project Acceptance Report

A "Formal" acceptance of the Grant, Loan and Next Generation Program requests that were approved since the previous Board meeting.

- Mr. McHenry stated that since the last meeting there have been 38 approved projects.

Approval of Project Acceptance Report

***Action 3:* Ms. Davis made a motion to accept the project acceptance report. Mr. Krebs seconded the motion. All members voted in favor and the motion passed.**

Review of the Proposed FY 2026 Operating Budget

- Mr. McHenry and Ms. Wilkins provided a summary of the proposed operating budget for next year. There will be no Core program or local farm food aggregation grant appropriations in the State Budget beginning in FY 2026. Projected income includes the following:
    - $3.8 million in Core loan principal repayments (which includes about $1 million in projected early loan payoffs).
    - $442,994 in Specialty loan repayments.
    - $2 million in loan interest income.
    - $69,000 in program income.
    - $326,000 in Next Gen option repayments flowing back into the Next Generation Program.
    - $400,000 of other income (largely CD interest).
    - $2.7 million USDA MPILP grant and $300,000 State appropriation for the livestock and WPIEI grant programs.
    - The projected Operating Income next year totals $2.57 million (which is higher than this year).
- Projected Expenditures include:
    - $1.8 million in operational expenditures, which includes $1.4 million in personnel expenses.

- $18.2 million in programmatic expenditures.

<u>Approval of FY 2026 Operating Budget</u>

<u>Action 4:</u> Mr. Jastrzembski made a motion to approve the FY 2026 Operating Budget as presented. Ms. Davis seconded the motion. All members voted in favor and the motion passed.

Mr. McHenry discussed the need to increase the Executive Director's ability to approve conference and event sponsorships greater than $2,500 (the current limit before Board approval is required). This limit has remained unchanged since MARBIDCO opened its doors 18 years ago.

<u>Action 5</u>: Mr. Krebs made a motion to increase the Executive Director's sponsorship approval limit from $2,500 to $4,000. Ms. Davis seconded the motion. All members voted in favor and the motion passed.

<u>Miscellaneous Updates</u>

Steve McHenry reported the following:

- MARBIDCO remains fully staffed today with the team members broadly trained to handle many needs.
- Mr. McHenry remains active and busy with two of three committees of the Food System Resiliency Council. He has also been asked to consider a committee leadership position.
- MARBIDCO helped facilitate the continuation of the Maryland Market Money program for three years after the Maryland Farmers Market Association folded. The program's daily operation is being fully transferred from SMADC (TCCSMD) to MDA in July, and it will continue to have the fund-raising support of the FFARMD Foundation (which MARBIDCO helped to launch two years ago).

Mr. McHenry acknowledged three long-serving Board members that are leaving, including Don Darnall – an original MARBIDCO Board Member – who spent 43 years at the Maryland Food Center Authority, as well as, Doug Lipton who "wins the award" for the highest number of electronic project approvals ever by a board member (and he was very often the first to respond too). We are also saying farewell to Wayne Richard, who spent a lot of time assisting MARBIDCO during two plus terms and was instrumental in helping to develop the MRBIFF Loan Participation program.

Mr. McHenry announced that two new Board members have recently been appointed and confirmed by the State Senate. Governor Moore selected Dr. Matt Parker, who has served on the MARBIDCO Aquaculture Loan Review Committee for more than a decade, to replace Dr. Lipton. He was an aquaculture business specialist for North Carolina Department of Agriculture before coming to Maryland to work for UME. Paige Hargett, a regional lending manager with Horizon Farm Credit (serving in Western Maryland), will also be joining the Board to replace Mr. Richard. Dr. Darnall's replacement is expected to be announced by the MFCA Board of Directors later this summer.

<u>Board Member Updates</u>

- Ms. Davis announced the Rural Maryland Summit will take place November 20, 2025, at the Double Tree in Annapolis.
- Mr. Connelly commented on the potential of the damaging effects on the agricultural economy of future HPAI outbreaks. The good news is that the outbreak occurring this year has been cleared up entirely, and the affected poultry houses on the Delmarva are taking birds back.

Chairwoman Creek thanked Mr. Richard, Dr. Lipton, and Dr. Darnall for their service on the Board over many years.

<u>Action 6:</u> Ms. Davis made a motion to move into a closed meeting to consider matters that concern:
A) proposals for a business or industrial organization to locate, expand or remain in the State;
B) to consider the investment of public funds; and
C) to consult with staff, consultants, or other individuals about pending or potential litigation.
And to adjourn the meeting thereafter.
Mr. Rider seconded the motion. All members voted in favor and the motion passed.

Final Adjournment occurred at 12:15 p.m.

Respectfully submitted by
Jill Zarend, Communications Specialist