



Promoting the Sustainability of Maryland's Rural Businesses



Helping to Preserve Farm and Forest Land



Supporting Maryland's Food and Fiber Producers

**The Maryland
Agricultural and
Resource-Based
Industry
Development
Corporation**

**FY 2008
Annual Report**

Maryland Agricultural and Resource-Based Industry Development Corporation

The Fiscal Year 2008 Annual Report

MARBIDCO is an economic development agency with a unique mission to provide much-needed specialized financing and business development assistance to support the continued viability of Maryland's agricultural and rural industries, and in the process help preserve more than 3 million acres of open space and ensure a safe and plentiful supply of locally grown food and fiber. Our clients are rural business entrepreneurs, food/fiber producers and harvesters, and farm and forest landowners. We work closely with commercial lenders, cooperative extension agents, local economic development officers, state agency marketing and land preservation staff, and other rural business service providers to make our financial and business planning services available to those that need them. In this, our first full year of operation, MARBIDCO directly assisted some three dozen farms and rural businesses in 14 counties. MARBIDCO's Board of Directors consists of 17 people representing government agencies, food and fiber producers and processors, commercial lenders, and public finance and economic development professionals. The Governor, with the advice and consent of the State Senate, appoints private sector members while six are appointed by state agencies.

APPOINTED BY THE GOVERNOR

J. Robert Frazee (Chair), President, MidAtlantic Farm Credit. Representing Commercial Lending Institutions

Phyllis Kilby (Vice Chair), Owner and Operator, Kilby Cream and Dairy Farm. Representing Agricultural Producers

Peter Alexander, Mill Supervisor (Retired), Glatfelter Pulp Wood Company. Representing Timber & Forest Products Industries

Joseph Chisholm, Bank Vice President (Retired), Representing Commercial Lending Institutions

Faith Elliott-Rossing, Director of Economic Development & Agriculture. Representing Rural Economic Development

William Gerweck, General Manager (Retired), Winbak Farms. Representing Agricultural Producers

Dr. Howard Leathers, Associate Professor, Dept. of Agricultural & Resource Economics (University of Maryland). Representing Public Finance

Karen Oertel, Co-Owner, Harris Crab House, Inc. and W.H. Harris Seafood, Inc. Representing Aquaculture Producers

A. Orrell Saulsbury, III, Former Owner, Saulsbury Brothers Company. Representing Commercial Food & Fiber Processing

W. David Thompson, Founder & President, Foxborough Nursery, Inc. Representing Agricultural Producers

STATE AGENCY REPRESENTATIVES

Gregory Cole, Director of Rural Region Financing Programs, Maryland Department of Business and Economic Development

Donald Darnall, Executive Director, Maryland Food Center Authority

David Jenkins, Executive Director, Rural Maryland Council

S. Patrick McMillan, Assistant Secretary, Maryland Department of Agriculture

Dr. Nick Place, Associate Dean/Director, Maryland Cooperative Extension

Emily Wilson, Director of Government Affairs, Maryland Department of Natural Resources

STAFF

Stephen McHenry, Executive Director

Kristen Robinson, Financial Programs Officer

Christina Wilkins, Bookkeeper/Loan Processing Assistant

Shannon Chesla, Administrative Assistant



BLACK ANKLE VINEYARDS. SEE PAGE 6

Maryland Agricultural & Resource-Based Industry Development Corporation

Completing Our First Full Year of Operations and Looking Ahead



CHAIRMAN'S MESSAGE:

J. ROBERT FRAZEE
CHAIR, MARBIDCO;
PRESIDENT,
MIDATLANTIC FARM CREDIT

A Vision Being Realized

Disappearing rural working landscapes, global agricultural sector market competition, an aging farmer population, and a lack of access to affordable capital for young farmers and business innovation, had long been of concern in Maryland. Thanks to a decade of hard work by savvy rural community advocates and far-sighted public officials, we saw the culmination of this effort this year when a new era of economic development support for farming and rural business was fully realized in Maryland. With the strong backing of the O'Malley Administration and the General Assembly, MARBIDCO has accomplished all that was expected and more during its first full year of operation. This Annual Report documents many of MARBIDCO's successes during Fiscal Year 2008.

A uniquely chartered financial intermediary and business development agency, MARBIDCO brings together resources from the federal, state and local governments, as well as the private sector, to help farming, forestry and seafood businesses with an eye toward the long-term sustainability of these industries. Our state agency partners – MDA, DBED, DNR, RMC, MFCA, MEA and MCE – have added greatly to this effort, as have our allied rural business organizations in the private sector. Many commercial banks participated in our business finance projects, and our federal partners at USDA-Rural Development (and the NRCS and FSA) provided significant resource leveraging opportunities for our clients. With the contributions of our dedicated Board of Directors and Loan Review Committee, I could not be more pleased with our collective efforts and the progress we have made.

Of course, much of this success is due to the efforts of our small team of dedicated employees, led by Executive Director Steve McHenry. We are grateful to them for the outstanding job they do to serve Maryland citizens.

While we experienced great success this year, MARBIDCO's work is just beginning. We invite you to join us on the journey towards sustaining a vibrant rural land and water heritage that produces a cornucopia of high quality food and fiber products that benefit all Marylanders.

Background

Maryland leaders have increasingly recognized the importance of retaining and expanding the state's agricultural and resource-based industries that underpin rural economies and provide important societal and environmental benefits. In 2004, the state took an important step toward enhancing the sustainability and profitability of these industries by creating the Maryland Agricultural and Resource-Based Industry Development Corporation. A quasi-public economic development entity, MARBIDCO brings together public and private partners to focus exclusively on delivering enhanced business development and financial services to agriculture, forestry and seafood businesses. MARBIDCO is charged with helping to keep farmland in production by assisting young and beginning farmers acquire increasingly expensive agricultural land, and by assisting state and local rural land conservation agencies with their farm and forest land preservation efforts. MARBIDCO has been fully operational since 2007 thanks to the strong support of Maryland's Governor and General Assembly.

Our Vision

MARBIDCO expects to play a vital role in helping Maryland's food and fiber producers and processors, and other resource-based businesses, to innovate and thrive, now and into the future. By working collaboratively with its public and private sector partners, MARBIDCO will be the "go to" place to obtain rural business development assistance, including help accessing capital and credit, business planning information and referral, and rural working lands preservation.

Our Mission

To help Maryland's farm, forestry, seafood and related rural businesses achieve profitability through the provision of targeted services and a specialized infrastructure that helps retain existing resource-based industry production and commerce, promotes rural entrepreneurship, and nurtures emerging industries.



THE DIRECTOR'S MESSAGE:

STEPHEN MCHENRY
EXECUTIVE DIRECTOR
MARBIDCO

A Remarkable First Year

MARBIDCO has just completed its first full year of operation, and what a remarkable year it was! Our clients are rural entrepreneurs, businesses that produce or process food and fiber products, and landowners selling rural working land preservation easements. We work with commercial lenders, economic development offices, state and federal agencies, and rural business service providers.

Thanks to resources provided by the State of Maryland, MARBIDCO made almost \$3 million in direct financial investment in nearly three dozen rural businesses in 14 counties during FY 2008. This investment was provided through low-interest loans and partial matching grants for farm energy efficiency, value-added processing, and county agricultural cost-share projects.

We are also pleased to report that a forward-looking General Assembly passed Senate Bill 662, which lays the groundwork for the future funding of our long-planned Next Generation Farmland Acquisition Program. (See page 14.)

MARBIDCO's most popular offering in 2008 was the Maryland Resource-Based Industry Financing Fund, which makes low-interest loans available in partnership with commercial banks and the farm credit system. Under this program, every dollar MARBIDCO invested in rural business projects leveraged almost three dollars in commercial lender financing. As a result, we helped several young and beginning farmers start businesses and other enterprises to diversify or expand.

While we just concluded a great year, we're just getting started. We see opportunities ahead to aid both resource-based business and the environment. Under development now are programs to invest in farm renewable energy projects, oyster aquaculture enterprises, and working forest land conservation. Clean air and water, a safe and healthy local food supply, thriving rural communities, and pastoral vistas are what we work to sustain for many generations to come.

MARBIDCO's FY 2008 Rural Business Development Grant Programs

In its first full year, MARBIDCO helped three dozen farms and rural businesses in 14 counties with low-interest loans and grants.

MARYLAND FARM & PRODUCER VIABILITY PROGRAM

. . . helps improve the financial viability of producers/processors or early stage or expanding rural enterprises by providing operational and risk assessments and enhanced business plan development assistance. Through this program MARBIDCO is able to engage specialized business consultants to assist rural enterprises with their value-added processing projects or other business activities.

MARYLAND VALUE ADDED PRODUCER GRANT

. . . encourages participation in the USDA's annual and highly competitive Value Added Producer Grant Program. To be eligible for MARBIDCO funding, the applicant must also be eligible under the USDA program. Each applicant to the USDA program requires a financial matching commitment and a "verification of matching funds". MARBIDCO's grants are awarded for up to one-third of the matching requirement of the USDA award.

RURAL BUSINESS ENERGY EFFICIENCY GRANTS AND LOAN INTEREST RATE BUY-DOWNS

. . . help agricultural producers purchase equipment or technology to lower farm and business-related energy consumption. Grants of 10% of a project's cost (up to a maximum of \$5,000) are available. Funds are provided as either a direct grant or as a 400-basis point loan interest rate buy-down. A third party energy audit is required.

LOCAL GOVERNMENT AGRICULTURAL/RBI PROJECT COST SHARE PROGRAM

. . . supports local and regional rural business development efforts that substantially support Maryland's farming, forestry, or seafood industries. MARBIDCO's participation cannot exceed that of a unit of local government or regional development council. (The only exception to this is in a "One Maryland" designated jurisdiction, which may qualify for up to 200% of a county's contribution.)

MARBIDCO's FY 2008 Rural Business Development Loan Programs

MARYLAND RESOURCE-BASED INDUSTRY FINANCING FUND

... offers low-interest (2% APR initially) loans to agricultural and other rural businesses to purchase land and capital equipment for production and processing activities. The maximum loan amount is \$250,000 (or \$350,000 for land acquisition). MARBIDCO provides up to 50% of needed financing. A commercial lender and/or public instrumentality must have an equal financial commitment in any transaction. This is MARBIDCO's most popular lending program.

RURAL BUSINESS WORKING CAPITAL LOAN FUND

... offers below market rate loans to agricultural, forestry or seafood businesses for working capital and equipment purchases. The maximum loan amount is \$75,000. A letter of referral from a commercial lender is required and certain eligibility restrictions may apply if USDA-Rural Development funds are being used in addition to MARBIDCO funds.

FARM DROUGHT AND WEATHER EVENT RECOVERY ASSISTANCE LOAN FUND

... offered low-interest loans to farmers that suffered income and production losses due to bad weather in 2007. Loans up to \$75,000 were available (\$150,000 if real estate was used as collateral security). This program was launched in response to the serious drought that affected agricultural in most areas of the state. Evidence of loss due to the draught was required for eligibility.

MARBIDCO's Loan Review Committee

The Loan Review Committee plays one of the most important roles at MARBIDCO. This Committee, which typically meets each week, has the demanding task of reviewing and approving all applications for financial assistance, both grants and loans. Although the Board of Directors makes the final decision on how and when MARBIDCO funds are distributed, the Board relies heavily upon the recommendations of the Loan Review Committee. MARBIDCO is indebted to all the members of the Committee for their exemplary service and generous commitment of time.

MARBIDCO LOAN REVIEW COMMITTEE MEMBERS

Joseph Chisholm, Poultry Farmer & Vice President (retired),
Mercantile Peninsula Bank

Kenny Bounds, Vice President of Business Development, MidAtlantic
Farm Credit

Gregory Cole, Director of Rural Financing Programs, Maryland
Department of Business & Economic Development

S. Patrick McMillan, Assistant Secretary, Maryland Department of
Agriculture

Dan Rider, Associate Director, Maryland Forest Service, Maryland
Department of Natural Resources



PARTNERS IN SUPPORT OF AGRICULTURE: (FROM LEFT)
Maryland Secretary of Agriculture Roger L. Richardson; Chapel's
Country Creamery Owner Erick Foster, and MARBIDCO Chair-
man and MidAtlantic Farm Credit CEO Robert Frazee.

Maryland Resource-Based Industry Financing Fund (MRBIFF) A Sampling of MARBIDCO Success Stories

BLACK ANKLE VINEYARDS: A MARBIDCO LOAN PROGRAM SUCCESS STORY

*"This is not your father's Maryland wine."
– Washington Post.*

Black Ankle Vineyards of Frederick County came to MARBIDCO looking for a Maryland Resource-Based Industry Financing Fund Loan (MRBIFF) in 2008 to build a straw bale building to house a wine tasting room and a sales facility that would allow them to market their wine directly to consumers.

MARBIDCO worked with the local Farm Credit Association to provide them with the

financing they needed to expand their business. Black Ankle Vineyards' Tasting Room is a unique, eco-friendly building, built almost exclusively from materials found or grown on site, including wood, straw, clay, stone, and grapevines, and featuring a living roof and solar paneling. The Tasting Room is a super-insulated building for which Black Ankle anticipates being awarded a LEED Platinum certification.

In the short time that Black Ankle Vineyards have been operational, its wines have garnered rave reviews and won several awards, including the prestigious Maryland Governor's Cup, a Gold Medal at the Atlantic Seaboard Wine Competition, and a Best in Show at the 2008 Winemasters' Choice Awards.



BLADES ORCHARD: LOAN KEEPS FRUIT FARM IN BUSINESS WITH PLANS TO EXPAND

Eastern Shore Maryland residents Stephen and Lynda Blades, with financial assistance from MARBIDCO's Maryland Resource-Based Industry Financing Fund Loan Program, purchased a 52-acre peach orchard in Caroline County. This farm family plans on taking the existing fruit farm business and growing it into a wholesale, retail, organic, and u-pick business. Blades Orchard is establishing an aggressive u-pick operation consisting of apples, peaches, strawberries, red and black raspberries, watermelons and pumpkins. The Blades also plan to build a retail stand as another means to market their delicious Maryland grown harvest. In addition, they are increasing their wholesale and retail operations by extending the harvest season with the addition of new crops like pumpkins and watermelons. Blades Orchard is another successful rural business continuing to produce quality food items for the benefit of Maryland consumers.



JASON SCOTT FARM: HELPING YOUNG FARMERS

Jason Scott, age 26, has helped manage his family's farm since 2003. Since then, he has been responsible for everything from planting to maintaining equipment to marketing and record keeping.

He always planned to own his own farm one day and, with MARBIDCO's help, Jason was able to purchase a 181-acre farm next to his family's farm in Dorchester County in 2007.

In today's market it is extremely difficult for young farmers to purchase farmland. Jason's story is an example of MARBIDCO working with a bank to make the needed financing available.

Maryland Farm and Producer Viability Program (MFPVP)

Providing Business Planning Services for New Enterprises

The Maryland Farm and Producer Viability Program provides specialized business planning assistance designed to improve the financial viability of producers and processors or fledgling rural entrepreneurs. The program helps early stage enterprises with operational and market risk assessment and with enhanced business plan development after an initial basic business plan has been developed by the business owner.

Rural businesses that complete the program can expect to improve the economic competitiveness of their enterprises and to be better prepared to receive financial assistance from commercial lenders and other providers of capital and credit.

MARBIDCO's overall goal is to provide farmers and other rural business owners with specialized business consulting assistance in order to increase start-up and growth rates, and reduce failure rates, ultimately sustaining and creating jobs in rural and non-rural areas. The program strives to increase the profitability of all resource-based businesses and contribute to the retention of rural working lands

across the state. Recent participants in the program include:

A grape-growing cooperative in St. Mary's County which received a specialized market assessment and analysis and a financial feasibility plan to help start up a wine-making production and retail facility at the Port of Leonardtown (at the southern terminus of the Southern Maryland Wine Trail);

A dairy goat producer in Western Maryland who received specialized business planning assistance in herd management and goat milk processing and bottling; and

A rural regional development council on the Eastern Shore which received support to develop a feasibility assessment and business plan for a vineyard management operation which will be run as a private enterprise. (Two such companies are planned.)

The program is offered annually and the business projects selected may be located anywhere in Maryland. A review panel made up of rural business professionals selects up to four business projects for assistance.

RURAL BUSINESS ENERGY EFFICIENCY GRANT PROGRAM (RBEE)

Farm Energy Efficiency A Focus of MARBIDCO

MARBIDCO established the Rural Business Energy Efficiency (RBEE) Grant Program to help agricultural and resource-based businesses install equipment or make improvements that reduce the consumption of energy. The goal of the program is to help rural businesses reduce energy consumption while increasing profitability. Businesses may apply for a grant up to 10% (up to \$5,000) of the cost of purchasing and installing equipment or technology that lowers business-related energy consumption. Or MARBIDCO may buy down the interest rate by 4% (or 400 basis points) on a qualified loan made by a commercial lender, up to a maximum loan of \$50,000. A qualified third-party energy audit is required.

In FY 2008, MARBIDCO awarded six RBEE Grants totaling more than \$7,000. MARBIDCO helped dairy farmers purchase vacuum pump variable speed drives and compressor heat recovery systems, and helped poultry farmers reduce energy consumption by installing fiber glass and cool pad insulation, radiant tube heaters, brood curtains, and energy efficient fans and light bulbs in poultry houses. A RBEE grant also helped a greenhouse nursery become 100% solar powered. MARBIDCO hopes to assist more rural businesses as energy costs continue to rise and the state strives to lessen its dependency on fossil fuels.



ED BOYCE CUTS RIBBON, CELEBRATES OPENING OF BLACK ANKLE VINEYARDS' TASTING ROOM

Pictured left to right: Frederick County Commissioner Kai Hagen; Black Ankle Vineyard owner Ed Boyce, Maryland Deputy Secretary of Agriculture Buddy Hance; Frederick County Agriculture Development Specialist Colby Ferguson; MARBIDCO Executive Director Stephen McHenry; and Black Ankle Vineyard owner Sarah O'Herron with her children, nieces and nephews.

MARBIDCO and USDA Assisting Maryland Enterprises

MARBIDCO Contributes to 2008 Value Added Producer Grants

USDA-RURAL DEVELOPMENT'S 2008 VALUE ADDED PRODUCER GRANT PROGRAM (VAPG) selected four Maryland agricultural enterprises for funding. In recognition of this achievement, MARBIDCO awarded each of these rural businesses a matching grant amounting to one-third of the federal grant under its Maryland Value Added Producer Grant Program (MVAPG). USDA grants totaled \$445,228. MARBIDCO matched these funds by \$148,409. Almost twice as many Maryland providers made application to the VAPG program this year compared to last year.

MVAPG was established to make supporting grants available to producers pursuing assistance through the USDA's highly competitive VAPG. MARBIDCO has made grants available to eligible applicants to provide up to one-third of the matching requirement under the USDA program. These funds must be used for planning or working capital purposes in accordance with USDA regulations, which include determining appropriate marketing techniques and creating business plans or paying operating costs before a business has sufficient cash flow from operations.

Eligible applicants are independent producers, agricultural producer groups, farm or ranch cooperatives, or majority-controlled producer-based business ventures (all defined terms under federal regulations).

In addition, applicants must be making a product that is "value added" which is a product that 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; and 4) economic benefit realized from the production of farm- or ranch-based renewable energy.

The USDA VAPG program screens all applications for technical feasibility of the value added activity, the overall ability to operate efficiently, improvement to the rural economy, qualifications of personnel performing the proposed task, a demonstrated track record of performing similar activities, and a work plan that incorporates the appropriate tasks to meet the stated business objective.

Each eligible applicant is then competitively rated in a nationwide competition. MARBIDCO only provides partial matching monetary awards to those applicants who successfully obtain USDA VAPG funds.

2008 VALUE ADDED PRODUCER GRANT RECIPIENTS

CASCIA VINEYARDS

USDA Grant: \$99,856; MARBIDCO Grant: \$33,285

CHAPEL'S COUNTRY CREAMERY, LLC

USDA Grant: \$32,500; MARBIDCO Grant: \$10,833

ELK RUN VINEYARDS

USDA Grant: \$263,000; MARBIDCO Grant: \$87,666

TERRAPIN STATION WINERY, LLC

USDA Grant: \$49,872; MARBIDCO Grant: \$16,624



(from left) USDA Rural Development State Director Marlene Elliott Brown, Elk Run Assistant Winemaker and Vineyard Manager Neil Bassford, MARBIDCO Executive Director Stephen McHenry, Elk Run Vineyard Owners Fred and Carol Wilson; and Julianna Albowicz, representative for Senator Barbara Mikulski.

ELK RUN VINEYARDS: EXPANDING OPERATIONS

This vineyard and winery operation grows 24 acres of premium grapes in Frederick County, many with unique flavors. During the last 25 years, the winery has received more than 500 national and international awards. On average, an acre of vineyard grapes will produce about \$6,000 in grapes, but up to \$50,000 worth of wine. The grant will help Elk Run with its business expansion planning that includes improving on- and off-premise sales, adding four employees to its workforce, and improving the energy efficiency of the winery and the agricultural sustainability of the vineyard.

CHAPEL'S COUNTRY CREAMERY

PAVING THE WAY FOR FARMERS TO ADD VALUE TO SAFE RAW MILK PRODUCTS



*Chapels Country Creamery
Owner Holly Foster and Rainey*

MARBIDCO and USDA Rural Development awarded Chapel's Country Creamery in Talbot County about \$43,000 to help its owners, Eric and Holly Foster, manufacture their own on-farm farmstead cheese and move their cheese business into the future. State laws currently prohibit the production of cheese from unpasteurized raw milk; however, in May 2007, Chapel's was one of five enterprises accepted into a five-year pilot project, authorized by Governor Martin O'Malley, to manufacture on-farm farmstead cheese. The grant from USDA and MARBIDCO will allow Chapel's to develop a feasibility study, business plan and market analysis evaluating the technologies and processes necessary to process raw milk into raw milk cheese. The grant funds will not only help increase profits for Chapel's but also for other Maryland dairy farms interested in converting raw milk product into a value-added commodity. "The competitive nature of agriculture in the past 50 years has dramatically increased the size of dairy operations," said Eric Foster. "In certain rural areas, a large dairy operation cannot occur due to suburban pressure and environmental issues. By partnering with USDA, MARBIDCO and state and local governments we will be able to directly market our product which will allow us to achieve a sustainable income from a value added farm commodity."



(From left) Owner of Terrapin Station Winery Morris Zwick, MARBIDCO Vice Chair Phyllis Kilby; MARBIDCO Executive Director Stephen McHenry; Maryland Secretary of Agriculture Roger Richardson; MidAtlantic Farm Credit Loan Officer J. Bruce Yerkes; Janet Zwick and Maria Zwick

TERRAPIN STATION WINERY

BUILDING INFRASTRUCTURE TO SUPPORT SALES

Terrapin Station, a relatively new family-owned vineyard and winery in Cecil County, grows most of its grapes on its 44-acre farm. Terrapin Station is using its grant to develop an infrastructure to support sales to customers, improve sales through distinctive branding and packaging, hire a professional winemaker, and acquire an inventory of winemaking products for the next vintage.



(from left) Queen Anne's County Commissioner Eric Wargotz, Director of Economic Development and Agriculture Faith Elliott Rossing, MARBIDCO Executive Director Stephen McHenry, Maryland House of Delegates Member Richard Sossi, and Cascia Vineyard Owners Mark and Kim Cascia.

CASCIA VINEYARDS:

CREATING QUALITY CONTROL STANDARDS

This vineyard and winery in Queen Anne's County strives to provide the complete "wine experience" and capitalize on the growing public interest in wineries and agri-tourism. Cascia will use its Value Added Producer Grant to obtain Accredited Valuation Analyst designation and to create quality control standards for grape production and winemaking. In addition, Cascia plans to staff and train tasting room personnel, staff the winery for cellar operations and vineyard tours, and hire a winemaking consultant.

By the Numbers: MARBIDCO Details Loan & Grant Making Activities

MARBIDCO LOAN-MAKING ACTIVITY

JULY 1, 2007 TO JUNE 30, 2008

| BUSINESS OR FARM DESCRIPTION | COUNTY | LOAN AMOUNT |
|--------------------------------------|--------------|--------------------|
| Peach, Apple and U-Pick Orchard | Caroline | \$280,000 |
| Poultry Farm | Caroline | \$250,000 |
| Corn and Soybean Farm | Caroline | \$ 48,370 |
| Corn, Soybean and Wheat Farm | Dorchester | \$250,000 |
| Aquaculture (Finfish) Operation | Dorchester | \$300,000 |
| Vineyard & Winery | Frederick | \$250,000 |
| Corn, Soybean, Wheat and Barley Farm | Kent | \$200,000 |
| Nursery Production and Services | Queen Anne's | \$90,000 |
| Corn, Soybean and Goat Farm | St. Mary's | \$10,101 |
| Grass-Based Dairy and Heifer Farm | Washington | \$250,000 |
| Dairy Farm | Washington | \$115,000 |
| Corn, Soybeans & Grain Sorghum Farm | Washington | \$111,000 |
| Grain and Heifer Farm | Washington | \$50,000 |
| Corn, Soybeans, Wheat & Barley Farm | Washington | \$68,500 |
| Soybeans, Corn, and Wheat Farm | Washington | \$73,960 |
| Poultry and Grain Farm | Wicomico | \$350,000 |
| TOTAL LOAN AMOUNT | | \$2,696,931 |

MARBIDCO GRANT-MAKING ACTIVITY

JULY 1, 2007 TO JUNE 30, 2008

RURAL BUSINESS ENERGY EFFICIENCY GRANTS

| BUSINESS FARM ASSISTED | COUNTY | GRANT |
|-------------------------------|------------|-------------------|
| Dairy Farm | Carroll | \$1,356.54 |
| Dairy and Grain Farm | Carroll | \$1,374.96 |
| Poultry Farm | Dorchester | \$1,612.50 |
| Poultry & Grain Farm | Dorchester | \$1,062.00 |
| Nursery & Christmas Tree Farm | Wicomico | \$1,420.50 |
| Poultry & Grain Farm | Wicomico | \$376.02 |
| TOTAL | | \$7,202.52 |

LOCAL GOVERNMENT AGRICULTURAL/RBI COST SHARE PROGRAM

| INDUSTRY/ASSOCIATION ASSISTED | PARTNERING COUNTY UNITS | GRANT |
|--|--|----------|
| Ag Viability / North County Preservation | Baltimore County Dept. of Economic Development | \$10,000 |
| Soybean Import and Export Facility | Carroll County Dept of Economic Development | \$25,000 |
| Equine Industry Support Enterprise | Carroll County Dept of Economic Development | \$23,000 |
| Ag Development | Mid Shore Regional Council (Caroline, Dorchester, Talbot) | \$20,000 |

TOTAL AMOUNT LOCAL GOVERNMENT AG/RBI COST SHARE GRANTS AWARDED: \$78,000.00
TOTAL AMOUNT OF GRANTS AWARDED BY MARBIDCO (EXCLUDING MVAPG): \$85,202.52

By the Numbers: MARBIDCO Rural Business Investments

FY 2008 LOAN ACTIVITY, BY TYPE

| | APPLICANTS | LOAN AMOUNT | STATUS |
|---|------------|--------------------|-----------|
| MD Resource-Based Industry Financing Fund | 10 | \$2,335,000 | Funded |
| MD Resource-Based Industry Financing Fund | 4 | \$1,100,000 | Withdrawn |
| MD Resource-Based Industry Financing Fund | 2 | \$ 134,000 | Denied |
| Rural Business Working Capital Loan Fund | 1 | \$ 50,000 | Withdrawn |
| Rural Business Working Capital Loan Fund | 2 | \$ 100,000 | Denied |
| 2007 Farm Drought Assistance Loan Fund | 6 | \$ 361,931 | Funded |
| 2007 Farm Drought Assistance Loan Fund | 7 | \$ 358,520 | Withdrawn |
| 2007 Farm Drought Assistance Loan Fund | 3 | \$ 215,000 | Denied |
| Total Loan Applications Funded | 16 | \$2,696,931 | |
| Total Loan Applications Withdrawn | 12 | \$1,508,520 | |
| Total Loan Applications Denied | 7 | \$449,000 | |
| Total Loan Applications | 35 | \$4,654,451 | |

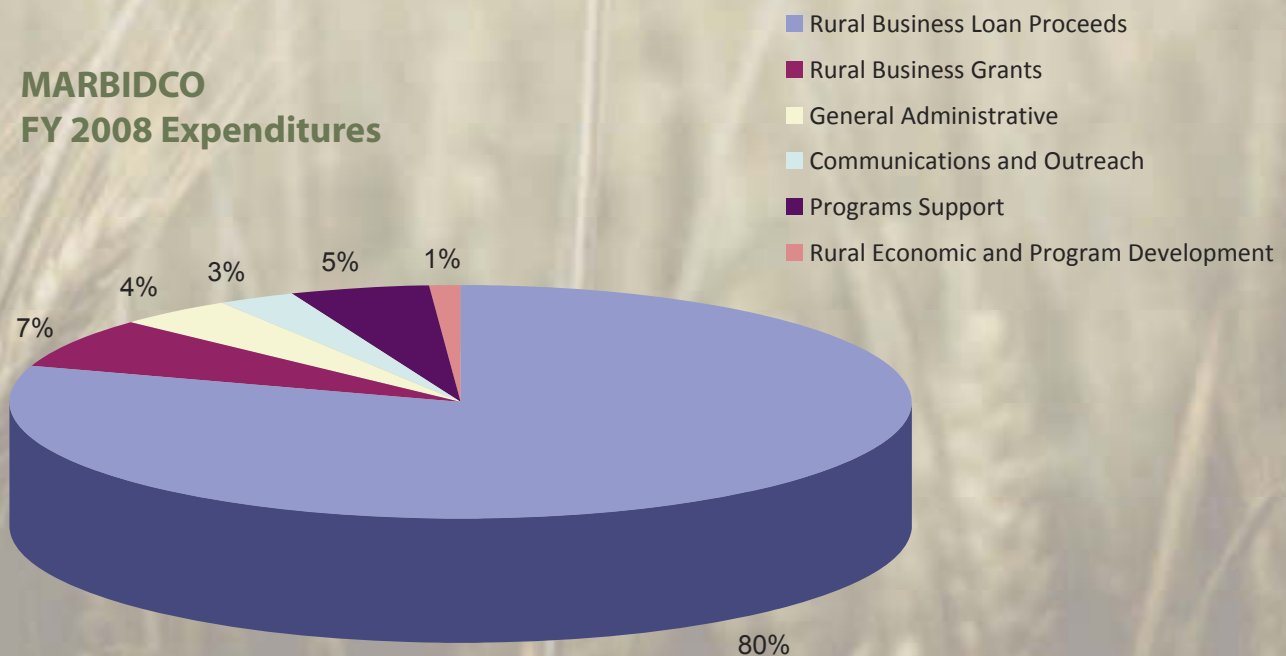
FY 2008 RURAL BUSINESS GRANTS

| | APPLICANTS | GRANT AMOUNTS | STATUS |
|---|------------|---------------------|--------|
| Rural Business Energy Efficiency Program | 6 | \$ 7,202.52 | Funded |
| Maryland Value Added Producer Grant Program | 7 | \$163,409.33 | Funded |
| Local Government Ag/RBI Cost Share Program | 4 | \$ 78,000.00 | Funded |
| Total Applications Funded | 17 | \$248,611.85 | |

FY 2008 MARBIDCO EXPENDITURES, BY CATEGORY

| | |
|-------------------------------|----------------|
| Rural Business Loan Proceeds | \$2,696,931.00 |
| Rural Business Grants | \$ 248,611.85 |
| General Administrative | \$ 118,222.10 |
| Communications and Outreach | \$ 97,309.52 |
| Programs Support | \$ 172,661.97 |
| Rural Economic & Program Dev. | \$ 21,956.41 |

MARBIDCO FY 2008 Expenditures



MARBIDCO Statement of Assets, Revenues, Expenses

STATEMENT OF NET ASSETS* JUNE 30, 2008 AND 2007

| Assets | 2008 | 2007 |
|------------------------------|--------------------|------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$1,359,749 | \$780,515 |
| Loan receivable - current | \$198,205 | -- |
| Noncurrent Assets: | | |
| Loan receivable, non-current | \$1,783,841 | -- |
| Capital assets, net | \$43,417 | \$36,881 |
| Total Assets | \$3,385,212 | \$817,396 |
| Liabilities | | |
| Accrued expenses | \$1,819 | -- |
| Total Liabilities | \$1,819 | -- |
| Net Assets | | |
| Invested in capital assets | \$43,417 | \$36,881 |
| Unrestricted | \$3,339,976 | \$780,515 |
| Total Net Assets | \$3,383,393 | \$817,396 |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS* JUNE 30, 2008 AND 2007

| | YEAR ENDED JUNE 30, 2008 | 7 MO. ENDED JUNE, 30 2007 |
|--------------------------------------|-----------------------------|------------------------------|
| INCOME | | |
| State appropriation | \$3,000,000 | \$1,000,000 |
| Interest income | \$72,966 | \$8,447 |
| Program revenue | \$5,600 | -- |
| Expenses | | |
| Grants | (\$102,419) | (\$22,500) |
| Administrative | (\$155,026) | (\$57,266) |
| Salaries & benefits | (\$248,181) | (\$110,364) |
| Depreciation expense | (\$6,943) | (\$921) |
| NET INCOME | \$2,565,997 | \$817,396 |
| NET ASSETS, BEGINNING OF YEAR | \$817,396 | -- |
| NET ASSETS, END OF YEAR | \$3,383,393 | \$817,396 |

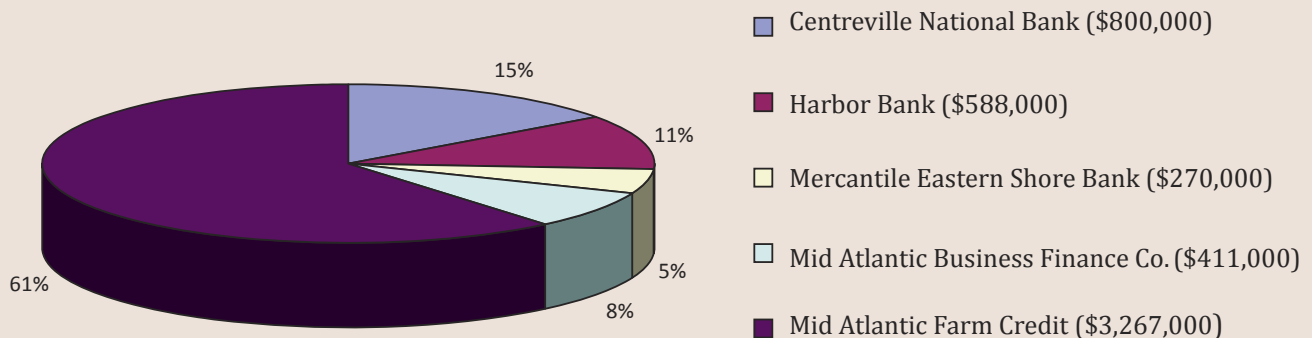
* From Audited Financial Statements

2008 Commercial Lender Leverage Amounts

In 2008, MARBIDCO lent more than \$2 million to 10 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers. This enabled us to leverage more than \$5 million in commercial funds and more than \$1 million from private investors.

| Borrower -- MRBIFF Loans | MARBIDCO LOAN | COMMERCIAL LENDER LOAN | PRIVATE LENDER AMOUNT |
|----------------------------------|-----------------------|---------------------------|--------------------------|
| Vinyard Operation (young farmer) | \$250,000.00 | \$350,000.00 | -- |
| Orchard Operation (young farmer) | \$280,000.00 | \$280,000.00 | -- |
| Poultry Farm | \$350,000.00 | \$622,000.00 | -- |
| Nursery Operation (young farmer) | \$90,000.00 | \$270,000.00 | -- |
| Dairy Farm | \$250,000.00 | \$470,000.00 | \$136,000.00 |
| Poultry Farm (young farmer) | \$250,000.00 | \$890,000.00 | \$60,000.00 |
| Grain Farm | \$200,000.00 | \$800,000.00 | -- |
| Dairy Farm | \$115,000.00 | \$115,000.00 | -- |
| Grain Farm (young farmer) | \$250,000.00 | \$540,000.00 | \$100,000.00 |
| Aquaculture Operation (finfish) | \$300,000.00 | \$999,000.00 | \$750,000.00 |
| Totals | \$2,335,000.00 | \$5,336,000.00 | \$1,046,000.00 |

Commercial Lender Leveraged Loan Contributions



Looking Toward the Future:

MARBIDCO to Help Young Farmers and Save Farmland Too!

The future viability of Maryland agriculture is approaching a critical juncture. Aging farmers and high real estate prices put existing farmland, and the resulting opportunity for agricultural production, in danger of disappearing forever. About half of the state's land area (more than 3 million acres) is undeveloped and privately owned crop, forage and forest land. Only about one-quarter of this land is held under a permanent conservation easement which prevents it from being developed. The Maryland Agricultural Land Preservation Foundation (MALPF) is a major holder of rural land conservation easements and has helped to preserve about 280,000 acres of farm and wood land all across the state.

State and local entities do not have the money needed to protect the remaining rural land faster than it is being developed, and many young farmers can't afford to purchase agricultural land due to the substantial personal equity required by lenders.

Thanks to the leadership of Senator Thomas "Mac" Middleton and the strong support of agricultural and rural land preservation organizations, the 2008 General Assembly enacted legislation that: 1) increases available funding for rural land conservation easement purchases; and 2) provides financial assistance to young and beginning farmers seeking to purchase farmland, provided they permanently extinguish the development rights on that land.

Farmland that is taken out of agricultural production and sold for other uses is assessed an agricultural transfer tax, which is typically paid by the buyer/developer. Senate Bill 662, *Agricultural Land Transfer Tax - Rates and Distribution of Revenue*, imposes a 25% surcharge on the existing agricultural land transfer tax with all the new revenue going to support state-side rural land preservation efforts.

Funding from SB 662 targets two agricultural land preservation programs.



The innovative **NEXT GENERATION FARMLAND ACQUISITION PROGRAM**, to be offered by MARBIDCO in collaboration with MALPF and commercial lenders, helps aspiring young or beginning farmers purchase quality rural working land while permanently preserving it. The program will enable MARBIDCO to purchase an option to extinguish the development rights on farm

property being purchased by a qualified young farmer. By selling the easement option to MARBIDCO, the young farmer will be able to meet the equity requirement of a commercial lender. A revolving fund of more than \$20 million is expected to be needed to meet the anticipated demand for the Next Generation Program.

Senate Bill 662 also dedicates \$4 million to a jointly sponsored MARBIDCO/MALPF **INSTALLMENT PURCHASE AGREEMENTS (IPA) PROGRAM**, with the flexibility for the organizations to use these funds on a "leveraged" basis so that more MALPF easement purchases can be made sooner and at a lower cost. MARBIDCO will act as MALPF's agent in facilitating the agricultural easement sale transactions on a tax-advantaged basis through the purchase of U.S. Treasury securities. However, there is no requirement that MALPF use these IPA funds in a leveraged fashion. In fact, because the IPA program is new, a significant portion of the funds are expected to be used on a "self-funded" basis, in effect acting as a supplement to the existing MARBIDCO/MALPF IPA easement purchase program.

Senate Bill 662 was originally expected to generate \$2-3 million during FY 2009; however, because of the recent collapse of the real estate market, transfer tax collections have fallen considerably. In a robust economy, this legislation could generate as much as \$6 million annually in new rural land preservation funding.

Coming To Maryland in 2009

New Assistance Programs to Help Rural Businesses Thrive

MARBIDCO continuously monitors various public and private sector financial programs and services to make sure they meet the capital and credit (and other) needs of Maryland's farm, forestry and seafood businesses. To fill a void or tailor existing programs more appropriately, MARBIDCO has developed new programs that are expected to come on-line during FY 2009.



FORESTRY EQUIPMENT AND WORKING CAPITAL LOAN FUND offers low-interest loans up to \$150,000 to Maryland's forest products businesses for working capital and equipment purchases. A letter of referral from a commercial lender is required. (Note: Due to funding constraints, MARBIDCO's maximum outstanding aggregate portfolio balance under this loan program cannot exceed a total of \$400,000 in FY 2009.)

MARYLAND VINEYARD PLANTING LOAN FUND offers low-interest loans up to \$100,000 to rural landowners who want to plant grapes and develop wineries. An



interest-only option is available. A letter of referral from a commercial lender is required as well as a site evaluation approval letter from the wine/grape industry's viticulture committee. Loans must be related to the installation of new vineyards, including the prepping of land for vineyard installation, purchase of vines, vineyard equipment and supplies.

AGRICULTURAL COOPERATIVES EQUITY INVESTMENT FUND provides a portion of the patient capital investment needed by cooperatives that do not have the necessary equity available to obtain the commercial financing required during the period that business operations are beginning or significantly expanding. The maximum amount of equity funding that can be provided to an individual cooperative is \$100,000 a year. Equity contributions made to coops will be offered in the form of "preferred stock". A unit of federal, state or local government should have at least an equal amount of grant resources invested in the cooperative project to match MARBIDCO's equity funds.

SUSTAINABLE FORESTRY EMERGENCY LOAN FUND, currently in development, will provide low-interest loans

to forest landowners to assist with short-term family financial needs, such as medical emergencies and estate tax situations. Loans will be secured by private forest land operating under an approved sustainable forest management plan. A temporary land preservation easement will also be put into effect during the term that the loan. (MARBIDCO is also developing a "rapid-response" Forestland Easement Option Purchase Program, that can quickly place a conservation restriction on threatened working forestland.)

INSTALLMENT PURCHASE AGREEMENTS PROGRAM, working in conjunction with the Maryland Agricultural Land Preservation Foundation, will enable the purchasing of easements on agricultural properties using tax-advantaged financial arrangements structured to benefit both landowners and the State.

NEXT GENERATION FARMLAND ACQUISITION PROGRAM will enable MARBIDCO, working directly with commercial lenders and other state and local land conservation programs, to help young and beginning farmers purchase farmland while extinguishing the development rights on the land being purchased. Legislation, enacted during the 2008 Session (see page 14), directed that a portion of the State's share of the agricultural land transfer tax be provided to support this program.

For the latest information
about available programs,
including application forms
and guidelines, see:
www.marbidco.org



MARBIDCO
growing rural ventures™

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