



MARBIDCO
growing rural ventures™

MARYLAND AGRICULTURAL AND RESOURCE-BASED
INDUSTRY DEVELOPMENT CORPORATION
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Mary Shank Creek, *Chair* / Stephen R. McHenry, *Executive Director*

TESTIMONY STATEMENT

BILL: Senate Bill 826 (Economic Development - Maryland Watermen's Microloan Program - Establishment)

COMMITTEE: Senate Finance

DATE: March 1, 2022

POSITION: Support

The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) supports SB 826 which establishes the Maryland Watermen's Microloan program to be administered by MARBIDCO. **MARBIDCO respectfully requests a Favorable Report for Senate Bill 826.**

For generations Maryland watermen have labored to harvest delicious fish and shellfish products from the Chesapeake Bay for the benefit of consumers in this State and around the country and world. Maryland's iconic seafood industry has contributed greatly to Maryland's economy and stature as a wonderful tourist destination, and a great place to live. Maryland watermen – now a rapidly aging cohort – have historically had a difficult time accessing affordable commercial capital and credit and have faced many challenges in recent years and were especially hard-hit during the COVID-19 pandemic due to the loss of markets (particularly restaurants).

Bill Summary

Senate Bill 826 creates a Maryland Watermen's Microloan Program to be administered by MARBIDCO with favorable terms to help watermen access capital to purchase boats, mechanical equipment, fishing gear, fishing quota, among other items. The program will provide low-cost unsecured loans between \$7,000 and \$15,000 during the first two years of the program to commercial watermen as described in the legislation. MARBIDCO anticipates that loan terms would include a 6-month interest only period, be amortized over four years and provide for the final year to be forgiven if the borrower makes all payments on time. Under this scenario, for a waterman that borrows \$15,000, the total amount of debt to be forgiven in the fourth year of the term is: \$3,994. (And factoring in all the interest payments, the net grant amount received by the waterman would be \$2,868.)

During the first two years of the program, a loan can only be made to a "Generational Waterman" which is a licensed commercial waterman who can demonstrate that 50% of the waterman's annual income was derived from commercial seafood harvesting. After the first two years, loans can be made to Generational Watermen, Beginner Watermen (a waterman with at least two, not more than 10, years of experience in commercial seafood harvesting) and Seafood Processors. The bill provides that the Governor would put \$750,000 into the State Budget to fund the program in fiscal years 2024 and 2025.

MARBIDCO Background

MARBIDCO was established by the Maryland General Assembly 15 years ago as a relatively specialized economic development financial intermediary instrumentality of the State to enhance the sustainability of the State's agricultural and resource-based industries to help support locally produced food and fiber products, bolster local economies, and preserve working farm and forest land for future generations. MARBIDCO is governed by a Board of Directors that consists of 17 individuals who bring a wide range of perspective and experience to the Corporation's operations. MARBIDCO employs a small staff consisting of experienced agribusiness credit underwriters and loan/grant servicers.

Since 2007, MARBIDCO has:

- Cumulatively approved **1,058** project financings totaling **\$80 million** for food and fiber business projects located in of all Maryland's counties (including in Baltimore City).
- Invested in **395** agricultural/rural business lending projects (with \$64 million deployed) and leveraged nearly **\$170 million** in private commercial loan capital (approaching a 3-to-1 leverage of MARBIDCO's debt capital).
- Helped **541** young or beginning farmers buy their first farms or expand their business operations (with \$59 million deployed).
- Assisted with funding **277** value added food or fiber processing enterprises (\$7 million deployed).
- Financed **85** specialty shellfish aquaculture (oyster farming) projects (\$5.2 million deployed).
- Funded a total of **234** seafood and aquaculture projects combined (\$6.6 million deployed).
- Assisted **33** "beginner farmers" recently with purchasing their first farms (\$9 million deployed) and at the same time helped put 3,080 acres of good quality farmland on a path to become permanently preserved through the Next Generation Farmland Acquisition Program.

Today, MARBIDCO offers more than a dozen agricultural and rural business financial assistance programs. Assisting young and beginning farmers are a special focus for MARBIDCO, as is farm operation diversification (through value added processing activities). Commercial urban farming has also become an increasingly important focus of MARBIDCO's efforts. MARBIDCO also endeavors to support Maryland's watermen and seafood processors where it appropriately can as well.

MARBIDCO's lending and agribusiness development incentive programs are designed to help fill an important economic development void by promoting commercial business start-up and expansion in the agricultural sector. Moreover, the Corporation aims is to help agricultural and resource-based businesses to innovate, diversify and exploit emerging market opportunities. MARBIDCO does this, in part, by filling gaps in privately provided capital, and by helping rural businesses to leverage federal, regional, and local government support to sustain or increase operational sustainability and profitability.

MARBIDCO currently receives an annual appropriation to help capitalize its "Core" revolving loan programs, which are used to make secured (collateralized) loans to eligible agribusiness borrowers. This funding is scheduled to cease in FY 2025. MARBIDCO's basic operating framework for its Core programming balances two key objectives: 1) Help make higher risk capital and credit available to qualifying agricultural, forestry and seafood enterprises at affordable interest rates; and 2) Conduct the organization's financial affairs in such a manner that it can reach self-sustainability after FY 2025 (with respect to its Core programs). MARBIDCO is on track to meet this self-sustainability requirement.

MARBIDCO also receives grants from various other public and private sources from time-to-time to offer "Specialty" loan and grant incentive programs. Today, the Corporation offers four specialty loan programs and three specialty grant programs. All of these programs are designed to eventually be self-liquidating. The **Maryland Watermen's Microloan Program will fall into this category** and is being modeled after the Remote Setting Shellfish Aquaculture Loan Program (funded by DNR) and the Southern Maryland Agricultural Revolving Loan Program (funded by SMADC / TCCSMD).

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