MAINE AQUACULTURE ASSOCIATION

Maine Aquaculture

Financing Resources Manual

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Funded in partnership with:
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OVERVIEW

Despite its ancient roots, aquaculture continues to be seen as a recent addition to modern food production systems. Much like many terrestrial foods (vegetables, grain, livestock, etc.), aquaculture products are produced by farmers who raise their product from seed to market. The only difference is that their products are grown in an aquatic setting. Similar to terrestrial farms, **some aquaculture farms also need additional financing for their specific method of production, and to reach or surpass their breakeven point to achieve their desired level of production and financial returns.** Financing an aquaculture business remains a challenging situation, but one that has become more attainable in the past five years. **Financing sources are varied in the types offered (loans, grants, economic development funds, tax incentives, investment/equity), and funding sources (private vs. public).** They also shift with different types of operations (species, production method, business structure, etc.).

This document summarizes all known financing resources available to Maine aquaculture producers – whether farmers are new, experienced, or prospective. Financing options exist for all types, sizes, and shapes of aquaculture operations in Maine.

The most important question – is what works for you?

INTRODUCTION

Disclaimer: first and foremost, farmers should always consult with their financial, legal, and tax advisors before they choose a business structure and select the appropriate financing option(s).

Aquaculture businesses **need financing for a variety of reasons – business construction, business expansion, or sometimes in part to meet cash flow needs during such growth phases**. Before choosing to proceed with financing options, it is important to **make a business and production plan** to verify that you are in sound financial standing, will produce a profit, and will be able to fulfill promises made as part of the financing process. For example, if you are rapidly losing money this year, and plan to change nothing next year or the following year, it is likely that your business is not profitable, and that you will not be able to pay back a loan. It would not be wise to apply for a loan in this circumstance, at least without a business consultation first. Unless you have an **aquaculture business and production plan**, including a balance sheet and an income statement (also known as a profit and loss [P&L] statement), it can be extremely challenging to know your current financial standing, and what it will look like over the next three to five years.

Financing provides many different types of opportunities to help you reach your business goals. As mentioned in the overview, financing types include loans, grants, economic development funds, tax incentives, and investment/equity.

STARTUP/TRAINING PROGRAMS

As a part of financing, **startup and/or training programs can serve to both help applicants, and to possibly open doors for further sources.** As an example, through taking a homebuyer education course, a first-time homeowner in Maine becomes eligible for $5,000 in financing towards purchasing their first home. Prior education, training, and mentorship are advantageous in that they show lenders that you are serious about your business and have received education to enhance it. **Maine's Small Business Development Centers** have a brief, comprehensive list of options and resources here, including live and on-demand training opportunities. **The Maine Service Corps of Retired Executives (SCORE)** also offers similar programs).

The Maine Aquaculture Association offers customized aquaculture business and production plans and one-on-one training with Christian, along with other related resources.

The Maine Center for Entrepreneurs (MCE) offers business training programs that provide training, education, and mentorship through Top Gun, a program for entrepreneurs to grow their business and achieve long-term success, which has also hosted aquaculture-specific programming. **The Maine Aquaculture Association offers** one-on-one meetings in Maine aquaculture-specific business and production planning. Other courses, such as the Aquaculture in Shared Waters course, help to introduce new, beginning, and prospective farmers in how to operate all aspects of an aquaculture farm in Maine. All of these courses also help to establish networks and connections with other farmers and potential lenders. **Farm Credit East** has on staff farm consultants that can help with startups and creating a business plan and projections. **The CEI Women's Business Center** and **Veterans Business Outreach Center** are also valuable resources.

FINANCING OPTIONS & SOURCES

Funding can come from a variety of sources and can be available in many different forms. They include loans, grants, economic development funds, investment/equity, and risk management. Within each category the sources further break down into specific types of funding. They also differ based on their eligibilities and geographic origins. **Many options exist, and more than one can be considered at one time.**

Loans

Money given in exchange for future repayment of the loan value plus interest and other finance charges

Sources

- Federal funding
- State funding
- Private funding

Grants

Money given that does not need to be repaid

Types

- Federal
  - USDA
  - Non-USDA
- State of Maine

Tax incentives

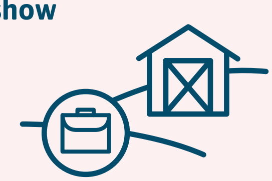
Reductions in taxes to incentivize and encourage a particular economic activity

Types

- Exemptions
- Reductions
- Refunds
- Rebates
- Credits

Economic development funds

Programs that assist businesses in the creation or retention of jobs, or target business types that show opportunity for economic growth



Equity investment

Money given in exchange for shares of the business

Types

- Traditional equity investment
- Venture capital
- Angel investors
- Impact investors

When it comes to choosing a funding source, or financing method, you must carefully weigh your options. You need to **choose the best fit for you and your business**. Each option must be compared to ensure that you **select the right method based on your business plan, business structure, goals, and personal financial situation**. The importance of carefully weighing options to choose the right financing method for you and your business cannot be emphasized enough.

It is also suggested that you **speak with your family, business partner(s), lawyer, lender, and accountant before making any final decisions**. Such conversations strengthen the decision-making process by providing feedback from multiple perspectives, mitigating oversight, and ensuring that all parties involved are on board and in agreement with your financial decisions.

LOANS & LOAN GUARANTEES

Loans are a traditional method of acquiring capital for a business. When somebody thinks of traditional financing, this is likely what comes to mind. **It can be as simple as going to a local bank**, meeting with their loan officers, filling out the paperwork, proving that you are a worthy case to receive a loan, and then receiving the funds. **However, when it comes to aquaculture, it is often not that simple**.

Many banks are not familiar with aquaculture but are familiar with agriculture and fishing (e.g. lobstering). In some cases, banks/credit unions may still be willing to work with you. In some areas, banks may also have more familiarity with aquaculture where it is more prevalent, such as in the Damariscotta River region. Loans do not only come from traditional banks, credit unions, or a cooperative lender.

Some regional, national, and public sources exist as well. In this context, they could be loans provided through the **USDA Farm Service Agency**, the **Small Business Administration**, or **Farm Credit East**. In many of these cases, the institutions shop around to find the best rate that they can for you given your business and any benefits that they can leverage through their networks and generous, government-backed terms.

One drawback of loans is that they typically have to be repaid with interest. When it comes to paying interest, that means that you will be paying back more than you originally borrowed. While you may have only taken out a $10,000 loan with a 6% interest rate, you may end up paying a total of over $14,000 over the life of the loan, meaning that about 30% of the total payments went to interest, before including processing and origination fees. An online loan payment calculator can be accessed here.

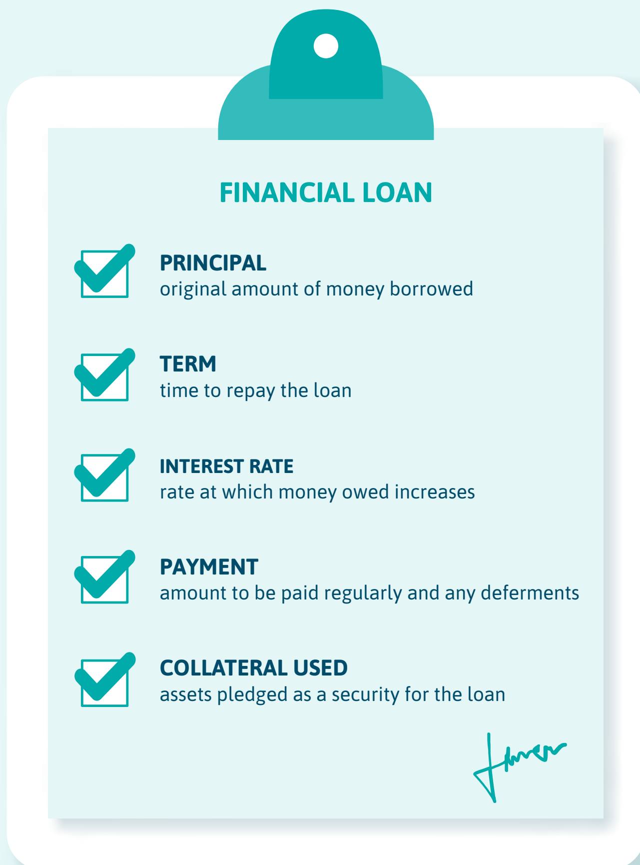
Loans are often secured by equity, assets, or a guarantee. Secured loans have traditionally been common in Maine aquaculture, meaning that the loan is backed by collateral, such as a lobster boat or real estate. Sometimes, other items such as an aquaculture work boat or gear are considered. If you are unable to pay back the loan, the bank can collect the unpaid portion of the loan asset that was held as collateral (e.g. lobster boat).

Such loan financing can be especially challenging for start-up businesses, that lack notable assets to serve as collateral (large boat, etc.). The lack of notable assets leaves some business owners resorting to leveraging personal assets, such as a house. In this case, a farmer could take out a home equity loan, meaning that they use the equity in their home as collateral for the loan. It must be noted and considered that the home could be taken if the borrower cannot pay back the loan. Rather than put their home at risk, **some startup business owners turn instead to a guaranteed loan**.

Guaranteed loans typically come from a personal, corporate, or other, such as government, source. In a guaranteed loan, typically a third party (e.g. USDA) agrees to pay if the borrower were to default. However, a personal guarantee could be made by the business owner or a family member of the borrower. A corporate guarantee is backed by a company that has sufficient capital to justify the agreement. Other guarantees, such as those put forth by government agencies or development banks, support entrepreneurs by providing guarantees through a variety of methods. That being said, the USDA and other guarantors often require collateral to reduce the likelihood that the guarantee will be needed to repay the lender. A government guarantee does not necessarily mean that collateral will not be needed too, though. Government guarantees generally only pay out after collateral has been liquidated and there remains a balance still owed on the loan. Also, they do not make monthly payments for borrowers if they are unable to pay.

Loans are often used as a method to fund the expansion of operations. They can be used to finance the purchase of new equipment and gear, and to cover labor costs once production increases but before the product reaches market size.

Several important aspects of a loan include the principal – the original amount of money borrowed; the loan term – the amount of time to repay the loan; the interest rate – the rate at which money owed increases; loan payment – the amount expected to be paid on time each week, month, quarter, and any permissible deferments; and the collateral used to secure the loan.



Applying for a loan – as the borrower, you may be required to provide specific details such as your financial history (e.g. income, credit score, debt-to-income ratio, assets), social security number, a business plan, and more. It will be reviewed by the lending institution, who will assess your creditworthiness. It is to your benefit to **be as prepared as possible**, as having the correct documents shows how much planning you have done to ensure that you and your business will succeed. These factors can all help influence your probability of receiving a loan and possibly its terms.

Loans can also be described as revolving or term loans. **A revolving loan can be spent, repaid, and spent again, similar to a credit card**. This is in contrast to **a term loan, which is a loan paid off in equal monthly installments over an agreed upon period** (e.g. a car loan). Loans may include "**balloon" payments which are designed to allow a borrower to pay off larger portions of the loan during a period when they have greater cash flow such as harvest season**. Balloon payments may be helpful but they may also be problematic if harvests or prices are lower than expected or harvest timing shifts.

A traditional line of credit is a flexible loan, similar to a credit card, that consists of a **defined amount of money that you can access as needed and repay either immediately or over time**. Interest is charged as soon as money is borrowed. They are often used to cover gaps in income irregularities or to finance a project whose costs cannot be predicted. One example could be to finance equipment repairs of unknown magnitude and cover payroll for a growing aquaculture farm. Interest begins accruing as soon as a charge occurs.

Lending Programs

Many programs exist to serve specific communities through lending. Although aquaculture may not be a prime target, it is often included in other programs, especially those pertaining to agriculture. Other targeted communities, such as beginning farmers and ranchers, are applicable as well.

Funding typically comes from federal, state, or private sources.

Federally-Funded Loans

- **Small Business Administration (SBA) Lender Match Tool**

The SBA offers the SBA lender match tool to **help you be matched to SBA-backed funding in only two days. It also provides other resources on how to best prepare to apply for a loan**. The SBA does not provide direct loans to businesses other than in cases of man-made or natural disasters. Otherwise, the SBA **provides loan guarantees to lenders to reduce the risk exposure to the lender and facilitate accessing capital to for-profit small businesses** to help them grow.

USDA Loans

Nationally, the **United States Department of Agriculture (USDA)** leads in terms of national-level programs offered, most often within USDA Rural Development. They include:

- **Business and Industry Loan Guarantees**

Loan guarantees are often required by lenders to provide strength for more challenging applications. Such borrowers and their projects may be seen by lenders to be riskier than others.

They are often **used by borrowers with poor credit or limited financial resources, as it helps to minimize the risk of loss for the lender**. Typically, the maximum received will be an 80% loan guarantee.
This program **provides government loan guarantees to lenders on behalf of U.S. citizens and business in rural areas who apply for a loan for business expansion, equipment, debt, and more**. The loan can last up to 40 years with interest rates set by the lender.

Learn more.

- **The Meat and Poultry Intermediary Lending Program (MPILP)**

MPILP provides grant funding to intermediary lenders who finance – or plan to finance – the start-up, expansion, or operation of slaughter, or other processing of meat and poultry. The MPILP's objective is to strengthen the financing capacity for independent meat processors, and to create a more resilient, diverse, and secure U.S. food supply chain.

Learn more.

- **Food Supply Chain Guaranteed Loan Program**

The Food Supply Chain Guaranteed Loan Program is a part of **USDA's Build Back Better** initiative to strengthen critical supply chains and our food system. This program **guarantees loans of up to $40 million for qualified lenders to finance food systems projects, specifically for the start-up or expansion of activities in the middle of the food supply chain**.
The program will **support new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling, and distribution** to increase capacity and create a more resilient, diverse, and secure U.S. food supply chain. This program is fully funded by the **American Rescue Plan Act**.

Learn more.

- **Farm Service Agency Loans (FSA)**

The **FSA's** mission is to equitably serve all farmers, ranchers, and agricultural partners through the delivery of effective, efficient agricultural programs for all Americans. They have many programs available for aquaculture, many of which have become popular amongst Maine's aquaculture farmers.

The FSA offers **two types of loans – guaranteed loans and direct loans. The guaranteed loans provide lenders with up to a 95% guarantee on the principal of the loan**. Similar to the USDA-guaranteed loan, in this case the FSA will guarantee the loan, which is acquired through a private source. For **direct loans, the loan is directly through the FSA, who also provides credit counseling and loan supervision to enhance the success of the borrower**.
An overview of all loans and programs available can be found on their website.

Learn more.

Guaranteed **Farm Loans include**:

- **Farm Ownership loans** - which may be used to **purchase farmland, construct or repair buildings, or refinance debt.**

- **Farm Operating loans** - which are designed to **purchase livestock, equipment, seed, fuel, insurance, and other operating expenses.**

- Both the Farm Ownership and Operating loans can last up to 7 years with a $1,825,000 limit with a variable interest rate with a 7.5% maximum.

- The **EZ guarantee program** is for **smaller loans for farm ownership or operating purposes** with the same terms as above and streamlined underwriting, but a $100,000 limit.

- **Direct Loans**

Direct Farm Ownership Loans are loans directly through the FSA that provide financing to buy, enlarge, or improve a farm. Eligibility is limited to beginning farmers and/or minority and women applicants. Loan terms are up to 40 years with an interest rate currently at 3.75%, and a maximum principal of $600,000.

Direct Farm Operating Loans are designed to aid in the success of farm operations. These are more broadly applicable to U.S. Citizens, managerial ability, and farm businesses. **Funds can be used for costs associated with reorganizing to improve profitability; purchase of livestock and farm equipment; operating expenses, and more**. Loan terms are up to 7 years, with a limit of $400,000 with an interest rate currently at 3.63%.

There are regular, joint financing, down payment, and micro financing programs ($50,000 limit) available within these programs. For further details, it is suggested to explore here.

The Farm Storage Facility Loan provides low-interest financing for producers to store, handle, and/or transport aquaculture products. Small and mid-sized farms are eligible, including new farmers. **Funds can be used on equipment, renovation, safety, and more**, with a limit of $500,000 and a 12-year term.

These loans have regular reporting requirements.

Information can be found by contacting the Farm Service Agency State office at **(207) 990-9140** or by identifying your local office.

- **Farm Credit East Loans**

Farm Credit East is part of the **Farm Credit network** - a nationwide network of borrower-owned lending institutions that offers several types of loans to satisfy farm financial needs, including those of aquaculture producers, and has special programs and incentives for young, beginning, and small farmers.

For more details it is best to contact Farm Credit directly at **207-784-0193** or visit their **website**.

One program they run is the **Farm Start program**, which makes working capital investments of up to $75,000 in Northeast agriculture ventures showing promise of success. **It targets those with limited financial resources and those generally not eligible for conventional lending programs. Funds can be used on working capital or startup costs**, up to $75,000 up to 5 years. Interest does not begin until the first harvest and is two percentage points above the Prime rate.

Learn more.
Discover Beginning Farmer Programs.

- **National Oceanic and Atmospheric Administration (NOAA)**

The **NOAA** also offers the **Fisheries Finance Program, which finances or refinances fishing vessels, shoreside facilities, aquaculture facilities, and facility equipment**. Eligibility is limited to U.S. citizens with a 3-year history of ownership. The loan cannot exceed 80% of project costs. The loan can be long-term, with rates of 2% over U.S. Treasury cost of funds (2.57% as of November 2022).

More information can be found here or by calling or by contacting the Northeast Financial Services branch at **(978) 281-9154.**

It is suggested to call and speak with staff at the Northeast Financial Services before proceeding.

The federal grants program document can be found here: Guide to Federal Aquaculture Grant and Financial Assistance Services 2021 | NOAA Fisheries.

State-Funded Loans & Programs

Maine offers loans at the state level. Even though some funding may originate from federal or national sources, these loans are targeted towards Maine businesses. They are more likely to put an aquaculture producer in contact with individuals more familiar with aquaculture in Maine.

- **Maine Agricultural Marketing Loan Fund**

The Maine Agricultural Marketing Loan Fund is designed to **improve manufacturing, marketability, and production of farm products**. Eligible farms include both agriculture and aquaculture farms. The fund can be used to finance equipment, diversification, expansion, to design/construct/improve docks/wharf/pier/vessel/marketing facility. The loan can be for up to 30 years with a 5% fixed interest rate and a limit of $250,000, and the assets being financed as collateral.

More information can be found here, by calling **207-287-3491**, or by emailing **dacf@maine.gov.**

- **Efficiency Maine Commercial and Industrial (C&I) Prescriptive Incentive Program**

Efficiency Maine offers the C&I Prescriptive Incentive Program to **reduce the cost of project that help businesses use energy more efficiently**. This could especially be beneficial for **land-based systems** such as hatcheries, processing plants, and recirculating aquaculture systems (RAS). It is eligible for **businesses in Maine using energy efficiency solutions**. The limit is $10,000 per program per year.

Information can be found here.

- **Speculative Buildings Program (CIB)**

The program from the Maine Rural Development Authority provides communities and their local development corporations with financial assistance in the form of loans for the **construction and associated costs of speculative commercial and industrial building**. Loans for the program up available for up to $500,000.

Learn more.

- **Finance Authority of Maine (FAME) Direct Loan & Regional Economic Development Revolving Loan Program**

The **FAME** direct loan exists to **serve when traditional loans are not the solution**. It is designed to **help Maine businesses that have exhausted other sources of capital**. The loan has a $500,000 limit, terms up to 5 years, a rate of the Wall Street Journal Prime rate (7.5% as of December 2022) plus two percent, and uses assets being financed as collateral.

FAME also offers the **Regional Economic Development Revolving Loan Program**, which provides **loans for micro businesses (<15 employees)** among other types of businesses. The loan will cover 100% of project costs up to $50,000, and up to 50% of project costs from $50,000 - $350,000.

More information can be found for both programs by contacting **207-623-3263** or by visiting their **website**.

- **State Trade Expansion Program (STEP)**

The Maine International Trade Center (MITC) offers the **STEP** to **reimburse funds for exported products**. It is designed **for small businesses in Maine** and eligible for use on expenses related to international business development, export skills, export marketing, e-commerce, and digital marketing.

More information can be found or by contacting **207-541-7400** or by visiting their **website**.

Private Sector-Sourced Loans

- **Sea Farm Loan – Coastal Enterprises, Inc.**

The Sea Farm Loan is different in that it may be offered statewide, but is provided by a non-state entity – Coastal Enterprises, Inc. It is designed to **help grow your aquaculture operation by restructuring debt, purchasing boats, gear, and equipment; renovating or constructing infrastructure, acquiring land, and operating capital**. It has a $150,000 limit with an up to 10-year term, competitive rates, and collateral equal to the loan.

Further information can be found by contacting
Nick Branchina - **207.504.5862** - **nick.branchina@ceimaine.org**
Hugh Cowperthwaite - **207.535.2920** - **hugh.cowperthwaite@ceimaine.org**
or by visiting their **website**.

- **Downeast Commercial Fisheries Loan Fund (DECFF)**

The DECFF **provides gap financing to qualifying borrowers in commercial fisheries and marine-related businesses**. The loan fund offers two options. The first option is for higher-risk clients looking for loans of up to $2,500, where DECFF acts as the primary lender and provides up to 80% of the loan request. The second option covers loans ranging from $2,500 to $10,000. DECFF provides up to 50% of the loan request with the client providing the remaining 50% from other sources.

DECFF funds may be used **for boat and gear purchase/improvements; creation and/or expansion of value-added products/services; training and education; marketing assistance; energy/efficiency improvements; and assistance with start-up capital**. Loan fund requirements include but are not limited to: applicant must be a resident of coastal Washington County; have ownership in a commercial fishery and/or marine-related business; creating or keeping a job(s); denial of other credit sources.
Loans will not be made for debt consolidation, general operating expenses, or existing debt.

Discover all programs.

- **Agri-Access**

Although Agri-Access does not directly provide loans to farmers, they do **provide secondary market financing for agricultural businesses across the nation**. Agri-Access helps community banks and financing providers strengthen their borrower relationships by providing a full range of competitive commercial and mortgage financing products. Their products, services, approach, and expertise are specifically designed to help ag lenders retain business with existing clients and cultivate new client relationships.

In Maine, please contact Matthew Senter (**matthew.senter@agri-access.com**) for more information.

Learn more.

- **SBA Lender Match Tool**

The SBA also offers the **SBA lender match tool** to **help you be matched to SBA-backed funding** in only two days. It **also provides other resources on how to best prepare to apply for a loan**. The SBA does not provide direct loans to businesses other than in cases of man-made or natural disasters. Otherwise, the SBA **provides loan guarantees to lenders to reduce the risk exposure to the lender and facilitate accessing capital to for-profit small businesses** to help them grow.

- **Banks and Credit Unions**

The following banks have a history of making loans in the aquaculture sector. This does not guarantee that you will receive a loan, only that these banks likely possess a stronger understanding of financing in the aquaculture sector.

- Bangor Savings Bank
- Machias Savings Bank
- First National Bank
- Five County Credit Union
- Atlantic Federal Credit Union

GRANTS

Are grants free money? No. That is a myth.

What is a grant? **A grant is a way that the government and other organizations fund ideas and projects to provide public services and stimulate the economy**. They can be from public or private funds. Individuals apply for grants, and awards are granted on a competitive basis.

Grants may serve as a useful source of funds as long as **their purpose fits within your business plan** and **does not distract you from your core business purpose and goals**. Grants typically are received by farmers or business owners **to conduct research, including experiments, gear trials, etc.**, or to expand production and create jobs. In order to apply for a grant, you must be eligible. Eligibility differs for every grant, whether public or private source. The process of becoming eligible often requires a significant amount of time, phone calls, and paperwork.

The application process can sometimes take more work than anticipated, as often there are dozens of documents that must be completed along with a narrative convincing the grant reviewers why they should select your application for funding. Some grants offer simple, more streamlined processes as well, and some are less competitive than others.

If you are selected for funding, you must then set aside additional time for managing the grant. This includes expense tracking, invoicing, reporting, and often mandatory final reports and presentations. In many cases, matching funds are required, meaning that you must pledge a specified amount of money e.g. cash, labor, etc. in proportion to what funding you would receive. Some applicants hire a grant writer to prepare the application and administer a grant, which can be worthwhile depending on expected levels of funding.

In some cases, labor can be covered as a part of the grant funding. But, **in many cases, grants will only cover direct project expenses (e.g. gear), and not labor. Grants often focus on novel approaches in aquaculture**. This means that while they may help your farm with purchasing certain equipment or trialing new methods, they may require additional time to implement (e.g. purchase, build, and install new, previously un-tested gear) and must be carefully considered as to how they fit into your business.

Grants should be used to help with projects that you want to do – not to find a project because a grant is available for it.

They are meant to bolster a specific need, not provide a perpetual funding source. Some farms will accidentally take on more grants than their farm or their personnel can handle. In that case, the work cannot be completed, and the funding will not be received. Furthermore, it can become impossible to complete the necessary activities of running the farm as a business.
This can have a serious impact on the financial well-being of you and your farm.

Grants should not be relied upon as a foundation of income. Grant funding is temporary. It is meant to bolster a specific need and cannot be guaranteed as a long-term source of funding. If your farm is only surviving because you are receiving grant funding, then your farm is not profitable, and you need to reconsider your business plan.

Since 2020, more grants have begun to appear in response to recovery from the COVID-19 pandemic and to diversity, equity, inclusion, and underrepresented communities. Often, these grants are worth consideration by those eligible. It is **recommended that you call or email grant sponsors** to discuss what you would like to do as a part of the grant funding. It can save a lot of time for both parties involved. Some funders help applicants through the grant funding process from start to finish.

It is a good idea to **start the registration process at least a month before any application deadline**. Especially for your first national grant, it could take even longer, as you must be pre-registered with the System for Award Management (SAM) and grants.gov, along with obtaining your unique entity identifier (UEI).

Grants can provide a great opportunity for funding projects that a business plans to take on, and that fits within grant requirements. Receiving a grant can also provide great advertising, as grant recipient announcements are almost always announced through press releases.

Federal Grants

Grants.gov provides a helpful short summary of federal grants here.

The USDA has **several different agencies that offer many different programs** pertaining to specific parts of agriculture, aquaculture, nutrition, economics, and much more. Through these programs, there are a variety of approaches that could be applicable to aquaculture businesses in Maine. Some programs are annual, while others may be one-time programs or have years of gaps between their funding.

All federal grants can be found on grants.gov. A search bar makes a very user-friendly approach to find programs relevant to your business.

It is also worthwhile to reach out directly to the congressional and senate offices of Maine, as their staffers often can help constituents identify relevant federal grant programs.

- Contact U.S. Representative Chellie Pingree
- Contact Senator Angus King
- Contact Congressman Jared Golden
- Contact Senator Susan Collins

United States Department of Agriculture (USDA)

- **USDA and National Institute of Food and Agriculture (NIFA) Grants**

For any questions regarding funding through the USDA for aquaculture, contact the USDA NIFA aquaculture representative Timothy Sullivan **(timothy.sullivan@usda.gov; 816-527-5434)**

- **USDA NIFA Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SBTT) Program**

The USDA SBIR/STTR programs focus on transforming scientific discovery into products and services with commercial potential and/or societal benefit. The programs **support small businesses in the creation of innovative, disruptive technologies and enable the application of research advancements from conception into the market**. The STTR program aims to foster technology transfer through formal cooperative R&D between small businesses and nonprofit research institutions.

Projects dealing with agriculturally related manufacturing and alternative and renewable energy technologies are encouraged across all SBIR/STTR topic areas. USDA SBIR/STTR's flexible research areas ensure innovative projects consistent with USDA's vision of a healthy and productive nation in harmony with the land, air, and water.

Different from most other investors, the **USDA SBIR/STTR Programs fund early or "seed" stage research and development that has a commercial potential**. The programs provide equity-free funding and entrepreneurial support at the earliest stages of company and technology development.

SBIR/STTR offers phase I and phase II awards as businesses work from assessing feasibility to continuing research and development efforts.

Learn more.

- **USDA Value-Added Producer Grant**

The value-added producer grant **helps producers enter into value-added activities related to processing and marketing of new products**. Farmers and farmer groups are eligible, as are expenses including planning and working capital costs such as feasibility studies, business plans, processing costs, and marketing expenses. The grant has a term of up to 3 years. The award ceiling during the last iteration was $250,000.

For more information, Ivana Hernandez Clukey can be contacted at **207.990.9127.**

Learn more.

- **Special Research Grants USDA NIFA**

The special research grants pertain to the aquaculture research program within USDA NIFA, whose purpose is to **support the development of an environmentally and economically sustainable aquaculture industry in the U.S. and generate new science-based information and innovation to address industry constraints**. The call for proposals highlights different areas of particular interest each year, but all address the goals mentioned above. Awards range from $50,000-$300,000.

Learn more.

- **The USDA Agriculture Research Service (ARS)**

ARS offers grants to **support the vision of science-based use of our natural resources to meet the seafood demands of a growing global population**, conducting research and delivering technologies that improve domestic aquaculture production efficiency and product quality while minimizing impacts on natural resources.

Learn more.

- **The Agriculture and Food Research Initiative (AFRI)**

AFRI offers grants to **improve rural economies, increase food production, stimulate the bioeconomy, mitigate impacts of climate variability, address water availability issues, ensure food safety and security, enhance human nutrition, and train the next generation of the agricultural workforce.**

Learn more.

- **The Conservation Innovation Grant**

The Conservation Innovation Grant of the Natural Resources Conservation Service (NRCS) supports the **development of new tools, approaches, practices, and technologies to further natural resource conservation on private lands.**

Learn more.

- **Rural Energy for America Program (REAP)**

The REAP offers grant funding to **agricultural producers or rural small business for renewable energy systems (RES) or for energy efficiency improvements (EEI) for commercially available technology**. Grants are available for up to 50% of total eligible project costs are now authorized by the Inflation Reduction Act.

Learn more here or contact Brian Wilson at **207.990.9125** for further information.

- **Northeast Sustainable Agriculture Research and Education Program (SARE)**

SARE offers several types of grants each year, typically including **(1) farmer grants; (2) research and education grants; and (3) novel approaches grants.** All grants are related to sustainable agriculture, including aquaculture. The farmer grants Northeast SARE offers grants to farmers to **explore new concepts in sustainable agriculture and aquaculture conducted through experiments, surveys, prototypes, on-farm demonstrations or other research and education techniques**. Farmer Grant projects address issues that affect farming with long-term sustainability in mind.

Learn more.

Non-USDA Funding Sources

Competitive proposals explore new ideas and techniques or apply known ideas in new ways or with new communities. Reviewers look to fund projects that are well-designed to meet proposed objectives and promise the greatest benefit to farming communities.

- **National Oceanic and Atmospheric AdministrationSaltonstall-Kennedy (NOAA SK)**

The NOAA offers the annual, highly-competitive SK grant, which leads **research in the promotion, development, and marketing of U.S Fisheries products, including aquaculture**. The award maximum is $300,000. Projects can last up to 2 years. NOAA also offers other opportunities in different areas including climate change, education, aquaculture, technology, and more.

Learn more.

- **Small Business Innovation Research (SBIR) Program**

This grant program **encourages small businesses to engage in R&D with potential for commercialization**. NOAA also administers its own SBIR – an SBIR program but related specifically to oceans, coasts, and fisheries.

Learn more.

- **Small Business Technology Transfer**

Small Business Technology Transfer enables **small businesses to explore their technological potential and provide incentive to profit from its commercialization**. Central to it is the partnership between small businesses and nonprofit research institutions. It is funded through the Small Business Administration and the SBIR.

Learn more.

- **U.S. Department of Commerce Minority Business Development Agency**

The U.S. Department of Commerce Minority Business Development Agency offers a variety of **programs pertaining to minority business development**, including formerly incarcerated persons, people of color, women, and more.

Learn more.

- **Atlantic States Marine Fisheries Commission (ASMFC)**

ASMFC and NOAA Fisheries' Office of Aquaculture issue grants to fund **marine aquaculture pilot projects focusing on sustainable aquatic farming techniques and regional business practices to grow U.S. domestic seafood**.

Learn more.

- **Island Institute Business Resilience Grant 2.0**

The Island Institute Business Resilience Grant 2.0 can be used to **hire a consultant to help you improve your business; invest in supplies or infrastructure that allows you to operate your business more effectively; make improvements that allow your business to become more resilient to social, economic, and climate-related disruptions; develop new marketing strategy or projects; or to obtain training or professional development**. Awards are up to $1,500.

Learn more.

- **Sea Grant**

Several programs exist to fund aquaculture, often with new ones each year relating to fishing and aquaculture opportunities. Maine Sea Grant also offers **Maine-specific opportunities**. In some cases Sea Grant will also put out specific in-state or regional requests for proposal for topics pertinent to sea businesses in a given area, including through the Maine Aquaculture Hub.

Learn more and discover all **funding opportunities**.

- **Northeast Regional Aquaculture Center (NRAC)**

The NRAC offers annual grants and mini-grants **addressing barriers to entry in aquaculture and to support aquaculture development**. NRAC has a technical advisory group, and becoming a member helps influence the NRAC response to industry needs.

Learn more.

State of Maine Sources

- **Maine Agricultural Development Grant**

The Maine Agricultural Development Grant provides cost-share grants to conduct **market promotion, research and development, value-added processing, and technology demonstration projects**. Grants range from $10,000 to $50,000.

Learn more.

- **Maine Farms for the Future**

The Maine Farms for the Future program provides selected farms with **business planning assistance, and investment support**.

Learn more.

- **Maine Aquaculture Innovation Center (MAIC)**

The Maine Aquaculture Innovation Center (MAIC) often releases grants targeted at **fostering innovation within Maine's aquaculture sector**.

Learn more.

- **Maine Technology Institute (MTI)**

The MTI offers grants funding **research in marine technology and aquaculture**. It is suggested that you contact MTI directly to begin a conversation and find what may or may not work best for you. MTI also offers **grants, loans, equity investments, and services to businesses, organizations, and individuals** to support Maine's innovation economy.

Learn more.

ECONOMIC DEVELOPMENT FUNDS AND TAX INCENTIVES

Many incentives exist to draw financing and funding to Maine, its communities, and the businesses that comprise them.

While there are development funds, tax credits, and more, that exist on the national and regional level, the following are focused on Maine. Although these funds and incentives may generally be more applicable for larger businesses, incentives such as tax exemptions on seed, fuel, and depreciable machinery highlight that these are not to be overlooked.

Economic Development Funds

Economic development funds or programs are similar to grants in that they **provide specific communities and/or business types with funding**. However, instead of focusing on research, economic development programs tend to **focus on assisting businesses in the creation or retention of jobs for low-and moderate-income persons**. They may also **target particular activities or business types that demonstrate significant opportunity for economic growth**. Aquaculture has, in some programs, been identified as a priority area because of its potential for growth as a sector.

In many cases, **economic development programs may use grants as the mechanism to deploy funding**. Some grant funding may go to **municipalities**, for example, who could help to acquire, relocate, construct, or install public infrastructure that would be both owned by the municipality and in support of an identified business. An example could be development funds used to offer improved municipal power infrastructure to a new RAS facility.

Other funds may **offer direct business support via the municipality**, which could help to improve sites, construct industrial buildings, or aid with working capital and job training. In Maine, for example, all economic development program funded projects must document that a minimum of 51% of all jobs created or retained must be taken/held by persons of low and moderate income.

These programs tend to be geared towards larger businesses that would create a notable number of jobs in a certain area. RAS or processing facilities provide a good example. **The programs require a significant amount of paperwork and planning in order to ensure that a business is eligible in a specific community and that it will meet its target**.

Further details and program specifics can be found below in the Tax Incentives section.

Tax Incentives

Tax incentives come in several different forms at both state and federal levels. **They include tax exemptions, reductions, refunds, rebates, and credits.** Tax exemptions allow a business to forgo paying a certain amount of taxes. Tax reductions lower the amount of tax that a business must pay, or they may give a tax "break" to investors that invest in designated types of businesses. Tax refunds and rebates pay back businesses part of their taxes after they have already been paid. Tax credits are used to reduce tax burden for a business.

In order to qualify for these incentives, **businesses typically need to be part of a specific sector that has been identified under tax regulations, create a certain number of quality jobs, reach a level of payroll, invest a minimum dollar amount, and be located in a specific community**. In many instances, the incentives are intended, similar to economic development programs, to bring jobs in targeted growth sectors to areas of need. In this case, the method of doing that is for the government to reduce the amount of tax paid by businesses as an incentive for them to locate there and aid in the business' expansion, thus creating jobs for community members. In other instances, certain tax exemptions may be designed to reduce the cost of operation for a designated sector that has been identified as important to the state or nation. For example, equipment that uses diesel fuel but does not operate on roads (boats, tractors, fork lifts, etc.) may be exempt from taxes designed to support road maintenance.

- **Pine Tree Development Zones (PTDZ)**

Aquaculture and marine technology businesses are eligible to become certified as PTDZ. They then may qualify for **corporate income tax credits, sales and use tax exemptions, a withholding tax reimbursement of up to 80%, and reduced electricity rates**. Other eligibility requirements include the creation of new jobs paying wages that exceed the per capita income of the county in which the project is located. Incentives are available for up to 10 years.

Learn more.

- **Employment Tax Increment Financing (ETIF)**

This program helps Maine businesses **hire new employees by refunding from 30% to 80% of the state withholding taxes paid by qualified employees for up to 10 years**. The reimbursement rate rises with the level of local unemployment. Businesses with a PTDZ certification are eligible for an 80% reimbursement. Eligible businesses include those who plan to hire five or more new, full-time, qualified employees over a two-year period. PTDZ certified businesses who intend to create a least five such jobs with automatically be enrolled in the program.

Learn more.

- **Municipal Tax Increment Financing (MTIF)**

MTIF is used by municipalities in Maine to **leverage new property taxes generated by a specific project or projects within a defined geographic district**. Any portion of the new taxes may be used to finance projects for up to 30 years.

Learn more.

- **Opportunity Zones**

Although this is a federal tax incentive program, it offers **investment opportunities in Maine's underserved urban, suburban, and rural communities**. Incentives include: (1) temporary deferral of inclusion in taxable income for capital gains; (2) a step-up in basis for capital gains reinvested in an opportunity fund; (3) a permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an opportunity zone if the investment is held for a minimum of 10 years.

Learn more.

- **Maine Capital Investment Credit (MCIC)**

A credit is available to **businesses that place depreciable property in service in Maine during the taxable year**. The credit is equal to 1.2% of the federal bonus depreciation claimed for the taxable year under Internal Revenue Code 168(k) on that property. The credit is limited to the Maine income tax liability of the taxpayer, but any unused portion of the credit may be carried forward up to 20 years.

Learn more.

- **Market Access Program (MAP)**

Through the MAP, Foreign Agricultural Service partners with U.S. agricultural trade associations, cooperatives, state regional trade groups and small businesses to **share the costs of overseas marketing and promotional activities that help build commercial export markets** for U.S. agricultural products and commodities.

Learn more.

- **Maine Seed Capital Tax Credit Program**

Some Maine investors have called this **the best tax-based investment incentive in the country**. The Finance Authority of Maine (FAME) may authorize state income tax credits to investors for up to 40% of the cash equity provided to eligible Maine businesses. **Investments may be used for fixed assets, R&D, or working capital**. Credits are taken in increments of 25% of the credit per year beginning in the same year as the investment. For investments not made through private venture capital funds, credits used may not exceed 40% of the total tax due by the investor for that taxable year before application of the tax credit. To the extent this limitation requires the taxpayer to take the credit over more than four years, unused credits may be carried forward no more than 15 years. For private venture capital funds, credits are refundable.

Learn more.

- **Research Expense Tax Credit**

This credit is limited to 5% of the excess qualified **research expenses** over the previous 3-year average, plus 7.5% of the basic research payments, with respect to corporate taxpayers. The credit is limited to 100% of the first $35,000 in tax liability, and 75% of the tax liability that is more than $25,000. The credit cannot be carried back but can be carried forward up to 25 years.

Learn more.

- **Business Equipment Tax Exemption/ Reimbursement**

These two programs are designed to **encourage capital investment in Maine by allowing businesses to recoup local property taxes paid on most qualified business property**. The exemption is a 100% property tax exemption program for eligible property purchased on or after April 1, 2008. This has largely replaced the reimbursement, which was for equipment and property acquired between April 1, 1995, and March 31, 2007.

Learn more.

- **Commercial Agricultural and Aquacultural Production Tax Exemption**

Sales of feed **hormones, pesticides, antibiotics, and medicines** used in commercial agricultural or aquacultural production are exempt from sales or use tax. Sales of **fertilizer, seed, defoliants, insecticides, weed killers, fuel, electricity, and depreciable machinery and equipment** are also exempt from sales or use tax. The sale of **breeding stock and other activities** existing under animal agricultural production are also exempt from sales tax.

Learn more.

- **Research and Development Tax Exemption**

Sales of **machinery and equipment used directly and exclusively in R&D in the experimental and laboratory sense are eligible for a sales tax exemption**. Exemptions must be applied either at the time of purchase with the Industrial Users Blanket Certificate of Exemption, or a business may apply for a refund from Maine Revenue Services.

Learn more.

- **Commercial Facilities Development Program**

This program from the Maine Rural Development Authority provides financial resources to assist in the **development of new commercial facilities and the acquisition and redevelopment of nonproductive commercial facilities** for subsequent return to productive use through sale or lease.

Learn more.

- **Regional Economic Development Revolving Loan Program**

The Finance Authority of Maine (FAME) offers this program for **businesses that have sales under $10 million or employ 100 or fewer employees**, and conduct business in many categories. Some categories could apply to aquaculture businesses, including eligibility for micro-businesses (fewer than 15 employees), significant research and development, and significant export involvement. The loan can cover 100% of total project costs up to $50,000, and 50% of total cost for projects between $50,000 and $350,000. The interest rate is negotiated, with a loan term of up to 20 years and assets being financed as collateral.

Learn more.

- **Speculative Buildings Program (CIB)**

The program from the Maine Rural Development Authority provides communities and their local development corporations with financial assistance in the form of loans for the **construction and associated costs of speculative commercial and industrial building**. Loans for the program up available for up to $500,000.

Learn more.

The following services below are run through the USDA, and offer programs to help businesses grow along with job training, housing, and utilities for people living in rural areas.

- USDA Rural Business-Cooperative Service
- USDA Rural Housing Service
- USDA Rural Utilities Service

INVESTMENT/EQUITY

Investment in your business may be one of the first options that comes to mind when you think about financing your business. Just ask your friends and family to put their money into your business, and when you make millions you will pay them back, right? It is almost never that simple.

Investment in your business could come in the form a business loan, as discussed above. They loan you money, and you pay them back with interest. However, it also **could come in the form of equity, meaning you sell them a certain percentage of your company (shares) in exchange for money**.

Equity can be a method to quickly raise large sums of money. But it comes at the expense of needing to share control and profits of the business with shareholders - those who have purchased a certain percentage of your company. Furthermore, they expect a certain level of returns.

The level of returns should be discussed in your agreement, as they vary between different types of investors such as venture capital, angel investing, and impact investing.

The sale of equity in your company may be regulated by both state and federal law. Laws will differ depending on your business structure and level of investment, among other factors. These laws and related contracts are highly technical and can be very complicated. **A business owner should always consult with a tax and business contract professional before executing any agreements.**

Sources

The main types of financing that occurs in terms of investment/equity arrive in the way of traditional investment, venture capital, angel investing, and impact investing.

Traditional investment typically arrives as loans, as discussed above. However, in this context, it is typically loans made from friends and family who expect the principal to be repaid, and potentially interest too. This can be a very straining process, as either you may not see returns in the timeline that you expected, if at all, or the individual providing the loan may request money paid back prior to the agreed upon timeline. Even when it all goes well, it can still be straining on personal and family relationships. But it is often an easy, and convenient way of financing a business, and it offers up-front payment received and regular payments to the loan issuer.

Equity investment is best suited for companies who want to grow aggressively and sell. Entrepreneurs are often expected to reach a certain level of revenue in a specified, short amount of time, with customers across the U.S. **Once an entrepreneur accepts equity investment, they need to be focused on creating an exit for the equity investor to receive back their money and returns**. Often, this happens through the sale of the company to a strategic acquirer.

Traditional Equity Investment

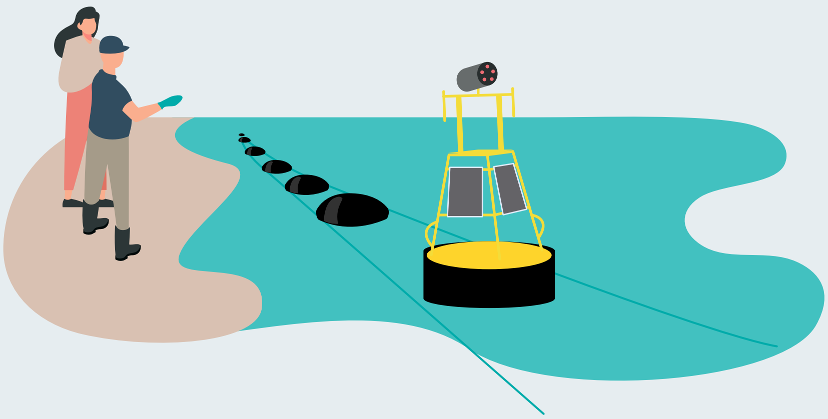
More investment comes in the form of equity investment, meaning that **somebody invests in a business with an expected stake in your business and its returns**. Typically, it involves working with investors. The TV show Shark Tank provides an example of investors attempting to secure equity financing, such as "I'll offer you $500,000 for a 25% stake in the company." The advantage of equity financing is that **the investor takes the risks, not you**.

If your business fails, you do not have to pay back the money. You will also have **more cash available, and no regular loan payments**. However, you will have to yield a percentage of your business, which means **less control over the operation of the business**, as you will need to consult your partners on any decisions affecting the company and share your profits.

Venture Capital

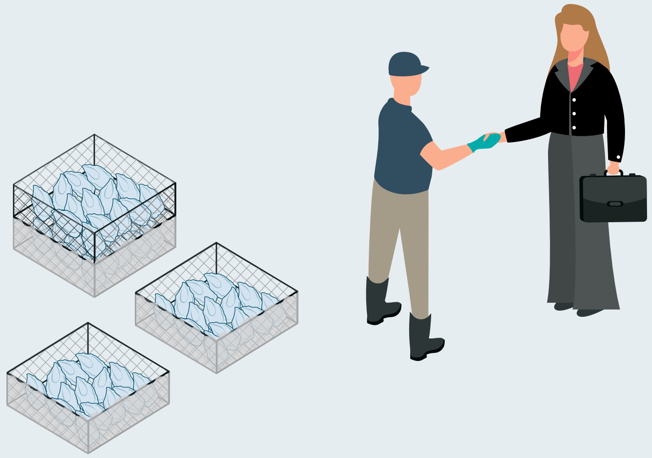
Traditional equity financing can be very tough to secure for small, early-stage businesses. Venture capital often targets **startup small businesses that are believed to have long-term growth potential**. It typically comes from wealthy investors, investment banks, and other financial institutions.

For the investor, venture capital, often referred to as VC, offers an above-average risk and an above-average potential for returns. Venture capital has become increasingly popular for new businesses with a limited history and with intentions to expand. **Due to high ROI expectations and relatively short investment horizons, VC may or may not be a good fit for startup aquaculture ventures.**



Angel Investors

Similarly, angel investors, who are often **high-net-worth people, provide financial backing for small businesses and entrepreneurs, typically in exchange for ownership equity**. Angel investors can be found through family and friends, or through the more-organized angel investor networks, such as the **Maine Angels**. Angel investor funds may be either a payment up-front or an ongoing payment to help the business launch, grow, and carry through its difficult early stages. Angel investors **tend to offer more favorable terms**, since they usually invest in the entrepreneur starting the business rather than the business itself. Angel investors are focused on **helping startups take their first steps, with possible profit being a secondary thought**. In this sense, they are the opposite of a venture capitalist. Many like to earn a return and exit within 1-2 years.



Impact Investors

Related to angel investing is impact investing. Impact investing seeks to **generate financial returns while also creating positive, typically social or environmental, impacts**. Angel and impact investing can have crossover, as they do in Maine, where for example a high-net-worth individual may invest in an entrepreneur and early-stage business that they think will have a positive social and environmental change and a potential for positive financial returns. In some cases, impact investing can also be in the form of **microfinance loans** (<$25,000), **which help people with little or no access to capital launch their business.**

Maine Investors

The following institutions provide a range of different types of investment within Maine, typically targeting Maine businesses. For any specific questions, please contact the institution of interest directly.

- **Maine Venture Fund**

The Maine Venture fund invests in **dynamic businesses that have the potential for significant growth and impact in Maine**. Its goal is to elevate Maine to national prominence in state-sponsored entrepreneurship support. Its current profile contains aquaculture companies. Its investments are divided between microfund investment – targeted toward early-stage businesses that may be pre-revenue looking for capital to launch, with funding between $10,000 and $50,000. Core investments are for businesses with some early revenues looking for capital to scale and grow. Funding ranged from $100,000 to $300,000, preferably in convertible preferred stock.

Learn more.

- **Maine Technology Institute (MTI)**

The MTI offers **grants, loans, equity investments, and services to businesses, organization, and individuals to support Maine's innovation economy**. Marine technology and aquaculture is one of their seven targeted technology sectors. It is suggested that you contact MTI directly to begin a conversation and find what may or may not work best for you.

Learn more.

- **Maine Angels**

The Maine Angels is a member **network of accredited private equity investors who invest in and mentor early-stage companies**. Their goal is to make investments in promising entrepreneurs in Maine and New England. The group of experienced early-stage investors work together during pre-screening and form a working group of members who are interested in a proposal from an investor. **The Dirigo Angel Fund I is a new and robust source of capital for seed stage companies and focused on Maine-based start-ups**. Its goal is to stimulate entrepreneurial startups and economic development in Maine while providing investors an opportunity for an attractive return plus exposure to available seed stage investments. Members of the fund are available as mentors to portfolio companies. Companies interested should apply to Maine Angels. If selected, they are invited to pitch to the investors. Maine Angels are **seeking a scalable business with plans to address growing markets, an intent to exit with an achievable exit strategy, potential for high returns, and a differentiated product or service**.

Learn more.

- **Gulf of Maine Ventures**

Gulf of Maine Ventures is the **business development and impact investment** arm of the Gulf of Maine Research Institute. Its goal is to contribute to building a resilient, modernized 21st-century marine economy by supporting and investing in high-impact companies. They bridge the gap between innovative, blue economy businesses and the capital, technical knowledge, and networks needed to grow them. **They have 4 stages of service and support – provide insights for early-stage companies; support existing companies with technical and business development to scale; assist high-promise, revenue-generating companies to launch a new business line, prepare for a merger, expand into new markets, or lay the foundation for drive to raise growth capital; make targeted investments alongside other investors to provide added support, credentialing, and confidence**. The fund is managed by Bold Ocean Ventures Management LLC in partnership with the Gulf of Maine Research Institute. The seafood supply chain is an area of focus.

Learn more.

- **Black Point Group**

Black Point Group is a **private investment partnership focused on long-term value creation via active involvement in public and private growth companies**. The partnership seeks to leverage its operational and investment expertise in life science, technology, and other domains, including agriculture and significant involvement in public service.

Learn more.

- **Coastal Enterprises, Inc. (CEI) and CEI Ventures**

CEI is one of the **nation's leading community development financial institutions** that focuses on good jobs, shared prosperity, and environmentally sustainable enterprises. They provide **loans, equity, and tax credit financing for business and projects helping to build livelihoods, wealth, and a more equitable, sustainable economy**. CEI also offers a sea farm loan for financing Maine's aquaculture sector, among others.
CEI Ventures, a wholly owned subsidiary of CEI, manages socially responsible venture capital funds. CEI Ventures' track record demonstrates that a focus on good jobs drives good business strategy, strong investment performance and profitability. Their portfolio is diversified by geography, industry, stage of business development and social benefits. It has a history of **finding innovative entrepreneurs in promising industries, assessing business opportunity, and managing risk in light of social, economic, and environmental trends, and bringing in other investors along the way**. Often staged through multiple financing, target equity investments in companies generally range from $250,000 to $1 million.

Learn more.

- **MaineStream Finance**

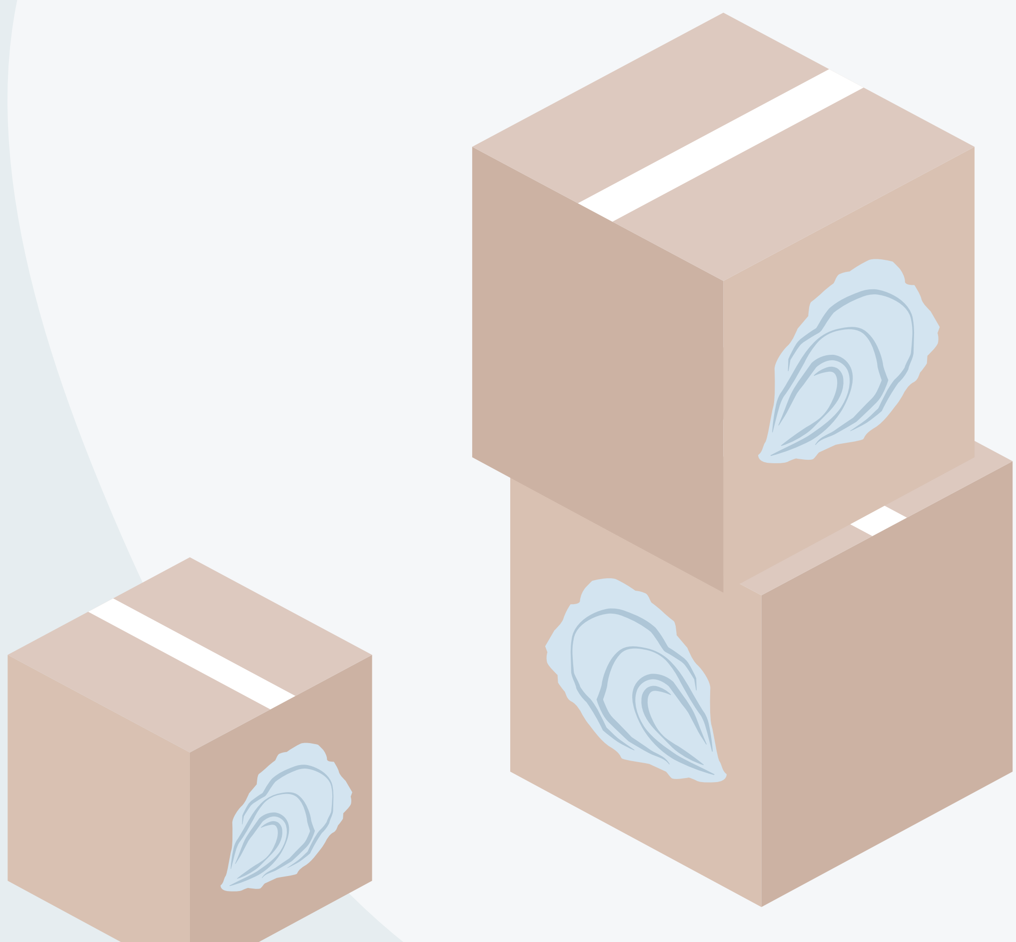
MaineStream Finance is a **non-profit organization dedicated to economic development by providing credit, capital, and financial services that are often unavailable from traditional financial institutions**. Since 1999, MaineStream, a nonprofit community development financial institution (CDFI), has served Maine homeowners, homebuyers, consumers, and entrepreneurs in securing the needed advice and financing they need to grow and thrive. They deliver these services through lending, savings products, classes, and 1:1 advisory support. MaineStream works closely with federal and state agencies, foundations, and local financial institutions to help them meet Community Reinvestment Act (CRA) goals through financial education programs, loan capital, and volunteering opportunities for homeowners and small businesses. Services include business lending, business classes, and 1:1 business advising.

Learn more.

- **Island Institute Tom Glenn Community Impact Fund**

This fund is a **community development catalyst fund that seeks to build a more diverse coastal economy through the investment of capital with planning grants as well as loans and equity support for small businesses**. To date, it has invested in small business support and community infrastructure support for projects focusing on broadband, clean energy, and sea level rise.

Learn more.



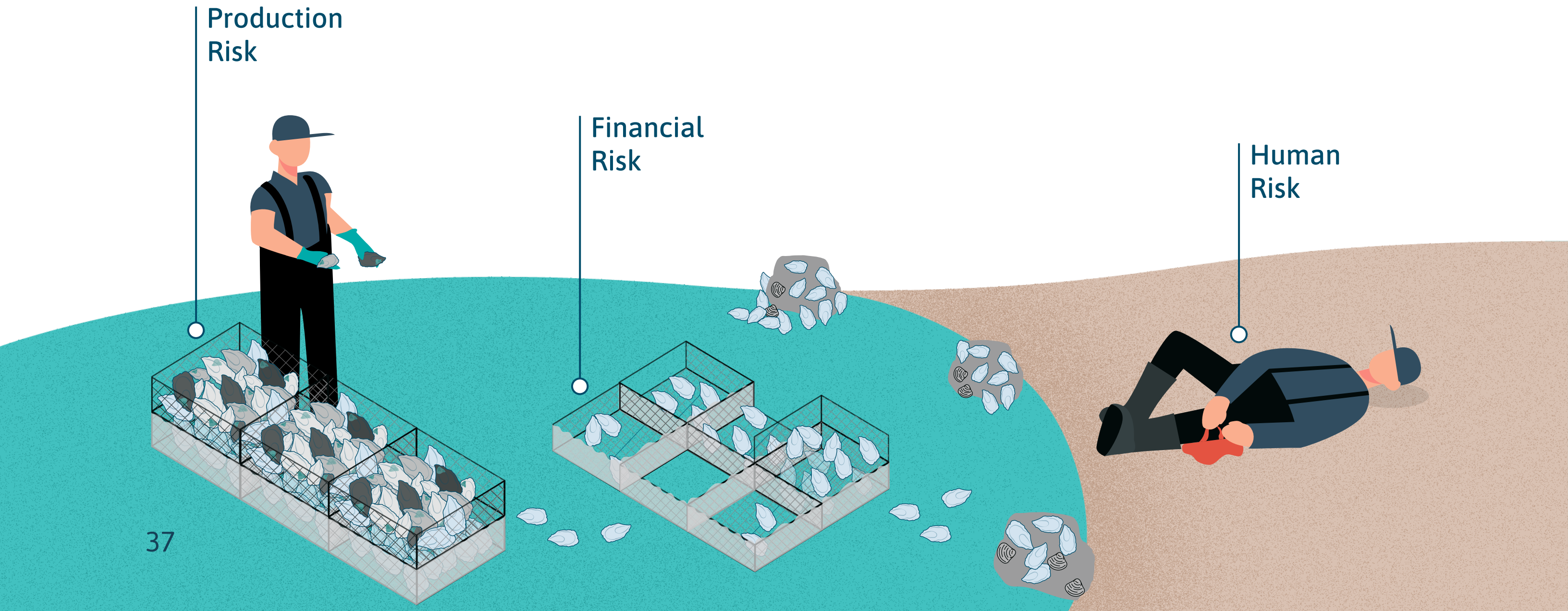
RISK MANAGEMENT

There are five types of risk to be managed on your farm: production, marketing, financial, human, and legal. All five types are interrelated. Every farm should create, and regularly update, a risk management plan.

Insurance is paramount when it comes to managing your financial risk. If you woke up one day to find that your entire farm had washed away, how would you repay any debts that you may owe? Or, how would you pay your other monthly bills? Crop insurance is designed to help. **When qualified losses occur within a crop insurance program, a certain level of payment is issued to the farmer. In many cases, this is what keeps the farm from closing permanently**.

For many who are seeking financing, it may become a necessity, as many financiers will not be willing to lend/invest money in a business that could lose nearly all of its worth overnight without risk management protocols in place.

Crop insurance for aquaculture is relatively new, but several different options exist.



The modern-day crop insurance system is funded through the Federal Crop Insurance Corporation (FCIC) and carried out by the Risk Management Agency (RMA) of the USDA. The FCIC and RMA set program standards and procedures, develop and approve new products, improve existing products and programs, set premium rates, and provide general program oversight.

In the context of aquaculture, there is only one crop insurance plan available, the Whole Farm Revenue Protection Policy (WFRP), which is detailed in the link below. You must sign up by a specified deadline each year, and premiums are heavily subsidized based on the number of species grown by a farm.

Although similar to the function of crop insurance, other programs exist that offer catastrophic disaster assistance with options to purchase better coverage. The Noninsured Crop Disaster Assistance Program (NAP) and the Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish Program (ELAP) offer catastrophic disaster assistance, meaning that they serve as a backstop to help farmers in catastrophic circumstances. However, these programs should not be relied upon as the sole source of risk management for disaster and product loss.

NAP is free for beginning (<10 years farming) farmers, veteran farmers, and other limited resource and underrepresented communities. Buy-up coverage is available as well. ELAP is also free, and is filed after a loss takes place.

A new pilot crop insurance policy for oysters is in development between the Maine Aquaculture Association, Crop Insurance Systems, Inc., and the USDA Risk Management Agency.

Please contact christian@maineaqua.org with any further questions.

Another form of insurance that helps to manage risk on farms is liability insurance, which will help to cover medical and legal fees if you are held responsible for someone else's injury or damage to their property.

An additional form of managing risk on your farm is through keeping accurate, detailed records. This will help to keep you in line with rules, regulations, and your finances.

Other categories of risk should also be assessed and managed on your farm, as they all have a financial impact. For example, if a worker is not shown how to properly perform a task and kills $5,000 of your product, then that is a financial loss. If that person is injured in the incident, then you will also incur both a level of financial loss and the loss of productivity by missing one trained worker on your farm. Remember the five categories of risk: production, marketing, financial, human, and legal. **Identify risks in each category and manage them to the best of your ability.**

For further detail on risk management, see the risk management white paper, two-pager, and beginner's guide, located here on the Maine Aquaculture Association website.

Bankers Insurance in Virginia also shared a strong primer on aquaculture insurance, which can be found here.

It is also suggested that you speak with your broker to further inquire about any private sector specialty crop insurance options that may be applicable for your business.

The table below is included to compare and contrast differences, including pros and cons, of each funding source. **Please read through the entire chart and refer to specifics within each source to assess how they fit into your business.**

Loans

PROS	CONS
• Owner retains business ownership • Lender does not have claim on future profits • Payments are predictable and can be planned • Interest is tax deductible in some cases • Flexible alternatives for collateral and repayment options • Can be cheaper than equity	• Debt must be repaid • Can be difficult to qualify for • Higher debt-equity ratios increase financial risk of the company • Assets could be seized in case of default (e.g. boat, home) • Payment typically more immediate – can be especially tough with products that require multiple years to reach market • Balloon payments may not match seasonal cash flow patterns of a farm

Grants

PROS	CONS
• Do not need to be repaid • Can be found online • Successful grants increase business visibility and advertising through press coverage • Can allow testing of new growing methods and products • Can provide funding for projects that were going to be carried out without a grant • Typically, not linked to equity • Do not dilute ownership interests	• Application, management, and reporting can be time consuming • You must convincingly justify your purpose • You must wait to hear whether grant is received • Competition can be tough • Eligibility requirements can be strict • Strict rules about fund usage • Not long-term, sustainable funding source • May distract from business goals or management focus • May require matching funds

PROS	CONS

Economic development programs

PROS	CONS
• Require no or reduced payments • Lower costs of business, at least temporarily • Buy-in of community	• Often must work with multiple entities (e.g. federal, state, and local gov'ts) • Timeline can be uncertain • Application can be time-consuming • Eligibility and spending requirements can be strict • May require matching funds or minimum number of jobs created • Requires long-term commitment, tracking, and reporting

Tax incentives

PROS	CONS
• Decrease tax payments • Can often be easily identified • May provide investment incentives	• Tax laws are constantly shifting • Eligibility can be strict • Detailed bookkeeping can be required

Investment/ equity

PROS	CONS
• Possible sector experience and connections from investors • Investors' money need not be returned if business fails (depends on business structure and investment agreement) • Improves financial risk of business by reducing debt-equity ratios • Longer return schedule	• Owner must give up a portion of ownership and control of company • Higher expected return, and often a shorter timeline • Equity costs more than debt because investors risk more • Attracting investors can be tougher than receiving a loan • Investment laws at state and federal level highly technical

BUSINESS STRUCTURE

As stated above, **you should always consult with your financial, legal, and tax advisors before you choose a business structure and select the appropriate financing option(s)**. Your business structure affects how much you pay in taxes, your eligibility and ability to raise money from various sources, the paperwork you need to file, and your personal liability. **You will need to choose a business structure before you register your business with the state**. You may convert your business structure at a later date, but it could also have implications on your taxes, amongst other areas. Common business structures for small Maine aquaculture businesses are included below.

Sole Proprietorship

A sole proprietor runs their own business. They do not create a business separate from the owner. While this is easy to form and does offer complete control of your business, your business assets and liabilities are not separate from your personal assets and liabilities.

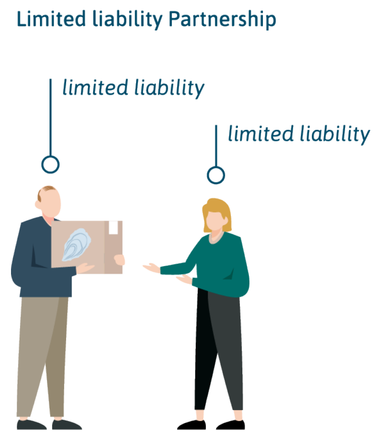
You can be held personally liable for debts and obligations of the business. Some banks are hesitant to lend to sole proprietors, and you cannot sell stock. Sole proprietorships are frequently a first-step business structure, as businesses are automatically considered to be a sole proprietorship if not registered otherwise, and because they are easy to form, control, and test a business idea before further formalizing it. Taxes paid include self-employment tax and personal tax.

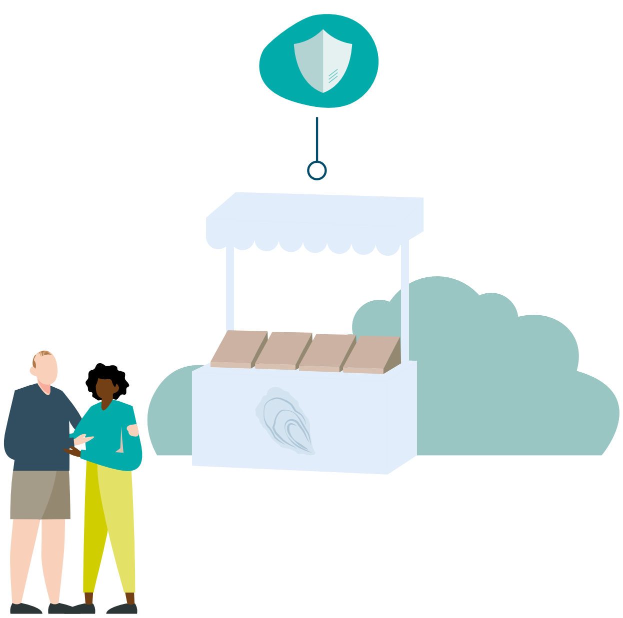
Partnership

Partnerships are the next most simple structure to assemble, in this case for two or more people. The two most common types are limited partnerships (LP) and limited liability partnerships (LLP).

In limited partnerships, only one partner holds unlimited liability, and all other partners have limited liability. The partner(s) with limited liability tends to hold limited control over the business, and vice versa. Profits are passed through to personal tax returns, and the unlimited liability partner must pay self-employment taxes.

In limited liability partnerships each partner holds limited liability. This protects each partner from debts against the partnership and the actions of other partners. Similar to a sole proprietorship, partnerships are often used early in a business to test the business before further formalizing it.





Limited Liability Company (LLC)

An LLC provides a **hybrid between partnerships and corporations. LLCs protect your personal liability**, including your personal assets. Your vehicle, house, savings account, and more will not be taken to pay business debts.

Profits and losses are passed through to personal income without facing corporate taxes. However, LLC members are considered self-employed and must pay self-employment taxes. Rules and regulations around members joining or leaving the LLC can be complicated unless previous agreements are in place. **LLCs work better for medium to higher-risk businesses than sole proprietors or partners.** They allow owners with significant personal assets to protect them, and pay a lower tax rate than if registered as a corporation.

Corporation

Corporations are set up to be legally separate from owners. Corporations can make a profit, be taxed, and be held legally liable. Several types exist – S-corp, C-corp, B-corp, and nonprofit corp.

- **S-Corp**

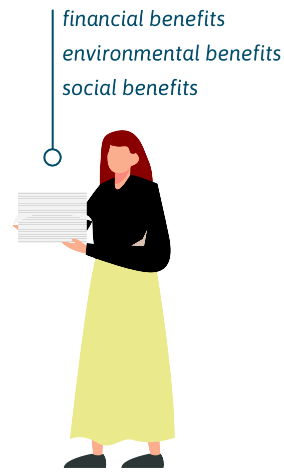
An S-corp is **designed to avoid double taxation, as it allows profits and some losses to be passed directly to owners' personal income without being subject to corporate tax rates**. Many limits and eligibility requirements exist for the formation, operation, and filing of S-corps.

- **C-Corp**

A corporation (sometimes called a C-corp) **offers strong personal liability protections. But the cost is higher to both form and maintain a corporation**. Extensive record-keeping is required, along with other operational processes and reporting. Unlike sole proprietors, partnerships, and LLCs, c**orporations pay income tax on profits**. In some cases, corporations are taxed both on the profit and then again when dividends are paid to shareholders (but not for an S-corp).
Corporations exist independently from shareholders. If a shareholder leaves the company or sells their shares, the corporation can continue business relatively undisturbed. This also provides an advantage in that corporations can raise funds through the sale of stock, which is sometimes used as a method to attract employees. **Corporations are also for medium or higher-risk businesses**, including those that need to raise money or may plan to go public or be sold.

• **B-Corp**

A B-corp is a benefit corporation. It is **a for-profit corporation** that differs from C-corps in purpose, accountability, and transparency – but is not different in how they are taxed. **B-corps are driven by mission and profit. Shareholders hold the company accountable to produce a public benefit in addition to a financial profit**. This may also require additional benefit reports by the state to ensure contribution to the public good. A B-corp may hire a third-party to certify B corporation status, but it is not required for registration as a B-corp under Maine law.



Learn more.

Cooperative

A cooperative, or co-op, is a **business or organization owned by and operated for the benefit of those using its services. Profits are distributed amongst members**. Typically, they are run by an elected board of directors and officers, while regular members have voting power. **Members can join by purchasing shares of the cooperative**. Co-ops can offer pass-through taxation and limited liability to members.

RESOURCE ORGANIZATIONS

Several other economic commissions, corporations, and councils exist across the state to provide support to Maine and community-based businesses.

Regional Planning Organizations (i.e. Planning Commissions, Councils of Governments) receive funds from the Maine Legislature and Maine Coastal Program to provide general planning assistance to municipalities within their respective regions.

Other privately-funded organizations also exist, such as state and local **chambers of commerce**. The **Maine State Chamber of Commerce**, for example, is a membership-based organization that connects businesses and professionals across Maine. They focus on advocacy, access, and awareness to advance a positive business climate and secure a strong state economy in which Maine businesses can compete and succeed. **Economic councils**, such as the **Sunrise County Economic Council**, initiate and facilitate the creation of jobs and prosperity in a designated area by working with a consortium of community-minded businesses, not-for-profit organizations, municipalities, and citizens. They may provide grants, loans, and other resources. **Sector associations**, such as the **Maine Aquaculture Association**, are typically member-based associations. For example, the Maine Aquaculture Association represents the aquaculture sector as a whole, provides a channel for the exchange of information amongst producers across the state, helps to maintain quality standards, aids member businesses on a one-on-one basis, and helps to promote aquaculture products.

- U.S Economic Development Administration
- Regional Planning Organizations in Maine Department of Agriculture, Conservation, and Forestry
- Cumberland County Maine
- Maine State Chamber of Commerce
- Maine Aquaculture Association

Other resources include the following documents and databases

- Gulf of Maine Research Institute – The Maine Aquaculturist – Get Funding
- Aquaculture Funding Database (Chesapeake Bay Foundation)
- Maine Small Business Development Center
- MARBIDCO Loan Programs
- Guide to Federal Aquaculture Grant Services – NOAA
- FSA Farm Loan Programs
- Aquaculture is Agriculture
- Guide to Federal Aquaculture Programs and Grant Services – NAA
- Maine Financial Institutions

MAINE
AQUACULTURE
ASSOCIATION