

Kent County, Maryland Leads the Way in Vineyard Expansion With a First of Its Kind Vineyard Loan Program in the United States

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The Kent County, Maryland Board of Commissioners is leading the way nationally with history-making initiatives designed to stimulate and assist in the substantial expansion of vineyards throughout the Upper Eastern Shore region and throughout the entire State of Maryland. These initiatives will assist the blossoming Maryland wine industry by dramatically increasing the number of acres of state-grown grapes harvested and used in Maryland wine. Currently, the State of Maryland has approximately 300 producing acres of grapes, and the county has established a regional goal of an additional 150 acres over the next two to three years.

This aggressive agricultural strategy began in Kent County, Maryland almost two years ago, and has now involved the Maryland Upper Shore Regional Council (USRC) counties of Cecil County, Queen Anne's County and Kent County. The other two USRC counties have embraced the strategy, and, under the USRC umbrella, have assisted and expanded Kent County's efforts. The Kent County effort originated in the Kent County Office of Economic Development, where Director Jack Steinmetz was seeking additional ways of utilizing the county's strong agricultural heritage and environment. Although Kent County is the smallest county, by population, in Maryland, this strong heritage was recognized by the national publication *Progressive Farmer Magazine* when they voted Kent County as "The Best Place To Live In Rural America."

In researching potential new uses of local land, Mr. Steinmetz began investigating the potential for vineyard expansion. At the time there were only three very small beginning vineyard operations in the county. His research led to discussions with Dr. Kevin Atticks, Executive Director of the Maryland Winery Association (www.marylandwine.com), and with Ms. Jennie Schmidt, President of the Maryland Grape Growers Association (www.marylandgrapes.org).

Those discussions included the concept of using a Vineyard Management Company (VMC) to affect the increased grape harvests the State so badly needed. The problem was that there were currently no VMCs operating in Maryland, although both the local and state-wide implications of a VMC were recognized. Realizing that no study had ever been done on the potential for an economically viable VMC operation, Mr. Steinmetz garnered the support of the Kent County Board of Commissioners and ultimately, with the enthusiastic support of Mr. John Dillman, Executive Director of the USRC, the support of Cecil and Queen Anne's counties. Seeing the combined financial cooperation of this regional group, Mr. Steve McHenry, Executive Director of the Maryland Agricultural and Resource-Based Industry Corporation (MARBIDCO), agreed to a matching grant to allow a formal VMC probability study to be undertaken.

Following lengthy review and numerous interviews, Mr. Steve Mudd, of Mudd Vineyards, Ltd., Southold, Long Island, New York, was chosen as consultant to the VMC project. Mr. Mudd is recognized as a premier vineyard operator and consultant throughout the Atlantic Seaboard, and was felt to be a perfect fit for the study. Mr. Mudd's analysis concluded that there was a very high degree of probability of success for both the establishment of a new VMC and for anyone wishing to start a vineyard of at least five acres by using the services of a VMC. The study included estimated income and expense projections for both a VMC operator and a vineyard owner. It was recognized that these estimates were necessary for anyone considering a new venture. While there are many "business plans" for new vineyards available through industry sources or the Internet, there are virtually none available that entirely utilize the services of a VMC. The use of the VMC was important, as it was felt that the region had many land owners who had the financial resources and the interest in vineyards, but did not want to plant or work the vines.

The results of the study were sent to approximately sixty individuals from the USRC area who had attended a seminar in which the use of a VMC to establish a new vineyard was explained. As a result, there are several dozen people and approximately 200 acres of potential vineyards initially under consideration within the region. Additionally, the portion of the study relating to the economics of establishing a VMC has been made available to several Maryland Eastern Shore groups who are seriously considering establishing a formal VMC to handle the demands of the northern and southern areas of the Eastern Shore. The study is not intended to be a “shelf trophy”, but rather the working basis for an ongoing project which will hopefully create more vineyards and wineries, which will eventually result in a wonderful wine trail for the region. The study results have been made available to the Maryland grape and wine industries, as it is felt that the information is applicable statewide.

The next step in the process was the recent approval by the Kent County, Maryland Board of Commissioners for the establishment of a unique Vineyard Loan Program, which is believed to be the first loan program of its kind in the country. The Commissioners recognized that potential vineyard owners had substantial capital and time at risk before experiencing a positive cash flow from their operations. Therefore, the Commissioners approved Mr. Steinmetz’s proposed loan program, which was devised to assist in the establishing of the 50-acre portion of the region’s goal of 150 acres of new grapes planted within a two year period. Based on the Mudd Study analysis of a cost of approximately \$12,000/acre to have a VCM install a new vineyard, the county has agreed to fund up to one-half of that cost (\$6,000/acre, on a 5-acre minimum plot) under this unique program. The program details are as follows:

1. A vineyard loan program of up to \$300,000 was established, to assist in the establishment of new grape acreage within Kent County. The amount was based on establishing 50 new acres by providing funding assistance of up to \$6,000/acre.
2. Each new vineyard would have to be a minimum of five acres (up to a maximum of ten acres per borrower), and the loan would be for one-half (to a maximum of \$6,000/acre) of the cost of establishing the vineyard. The costs could include site analysis, soil preparation, vine acquisition, post and wire installation, and planting. The costs could also include the fees and expenses of utilizing a VMC to establish the new vineyard. Ongoing operation of the vineyard would be the financial responsibility of the owner.
3. A lien would be placed on the property, and personal guarantees of the owner/borrowers taken.
4. The loan would carry a rate of 5.00%, with the first six months of the loan interest free.
5. No payments of principal or interest would be required for the first three years. This key component of delayed payment will correspond to the approximate time that the owner begins to receive his/her first cash flow back from the vineyard.
6. Repayment, beginning after 36 months, would then be based on a complete amortization of no more than 7 years.
7. Assuming that all applicants planted only 5 acres, the fund would assist in establishing ten new vineyards, and meet the county’s goal of 50 new acres.

In addition to the new loan program, the USRC is also working with Mr. Bruce Weaver, Business Program Specialist of the Dover, Delaware office of the United States Department of Agriculture (USDA) Rural Development Department to participate in USDA grant programs designed to assist in business and community program opportunities. The potential for a program offering a positive impact to the entire Eastern Shore area is of great interests to USDA, and they have been offering encouragement and potential programs capable of assisting new VMC operations.

What began as a vision by the Board of Commissioners of the smallest county in the State of Maryland, has now grown into an initiative which will positively benefit the grape and wine industries and tourism industry throughout the region and the State, and which could possibly be replicated throughout the country.

Further information on these ongoing initiatives may be obtained by calling John Dillman at 410-810-1375, by emailing at jdillman@kentgov.org, or by going to the Kent County, Maryland website at <http://www.kentcounty.com/bus/vineyards.htm>.