

Financing: Support Programs for North Carolina Shellfish Farmers

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Introduction

Shellfish aquaculture — primarily clam and oyster production — represents a significant economic opportunity for the state of North Carolina. Despite the potential for development and expansion of this sector, limited financial capital, coupled with a lack of incentive programs, present significant barriers to the industry's growth. Shellfish farmers in North Carolina have access to few financial support programs. However, potential exists for replicating successful financial assistance programs active in other states.



Vanda Lewis

Clam and oyster farmers in North Carolina could increase production with the help of financial-support programs.

Shellfish Aquaculture and the Blue Economy

Clam and oyster farming have the potential to produce a substantial source of income and economic stability for North Carolina's coastal communities. These shellfish also benefit the surrounding environment by filtering water, stabilizing shorelines, and providing structure and habitat for other organisms. Developing this industry presents a vital opportunity to transition the state to a **blue economy**, in which economic activity is balanced with the long-term sustainability of ocean and coastal ecosystems. Overcoming the barriers to growth — specifically the financial needs of current and potential farmers — through education, policy and program development could lead to significant investment and advancement in the shellfish aquaculture industry.

40 percent of shellfish leaseholders surveyed in North Carolina identified **lack of available loans and capital** as a factor inhibiting the industry's growth.

Startup Costs for North Carolina Shellfish Farms

Startup capital needed to open a new shellfish farm can be considerable. Oyster water-column culture startup costs are approximately \$20,000 per acre, according to **North Carolina Shellfish Growers Association** President Jay Styron. This does not include the time and cost of production until the oysters reach a marketable size.

Many existing shellfish farmers looking to expand production cannot afford to increase capacity without sizeable private investment and typically, they do not have access to traditional business loans. In a 2011 survey of North Carolina shellfish leaseholders, nearly 40 percent of respondents identified lack of available loans and capital as a factor inhibiting growth of the industry. Find the full survey results at go.ncsu.edu/2012turanoetal.

Financial-Support Programs in North Carolina

There are no specific financial-support programs in North Carolina that target shellfish aquaculture. However, several organizations and government agencies offer funding programs for which shellfish farmers are eligible.

The **Conservation Fund** provides business loans via the **Natural Capital Investment Fund**. It finances and advises small to mid-sized enterprises, primarily in rural and underserved communities. The organization provides support to small businesses with positive environmental impacts, such as sustainable agriculture enterprises. Loans range from \$5,000 to \$500,000. Interest rates and other factors are unique to each loan. Generally, working capital-based loans require repayment in one to three years, and repayment on equipment loans within seven years.

North Carolina Department of Agriculture and Consumer Services provides grants for farmers via the **Agricultural Development and Farmland Preservation Trust Fund**. This program provides funds for conservation easements and development plans that assist farmers in producing food and value-added products, conducting agritourism activities, and marketing and product sales.

In order to qualify for the grant, shellfish growers must partner with a nonprofit conservation organization or agency. Partners must match at least 30 percent of the total funds requested. County partners are required to match only 15 percent of the total. Funding limits are based on the potential beneficial impact of the project and resources available for the program.

The **Rural Center** provides standard and express loans through the **Microenterprise Loan Program**. Eligible applicants include women, members of minority groups, people with low incomes and limited assets, or people residing in rural areas. Loans are coupled with business planning and technical assistance. Standard loans are available in amounts up to \$25,000, whereas express loans are capped at \$5,000. Express loan decisions can be made within five business days.

North Carolina Sea Grant manages the **Community Collaborative Research Grant program** to address coastal research questions, including issues pertaining to shellfish aquaculture. Eligible grant recipients must include community stakeholders, such as shellfish growers, and academic experts. Grants awarded range from \$2,000 to \$25,000. Relevant shellfish-aquaculture research can include environmental health assessments, enhancement of local seafood branding and marketing, development of value-added seafood products, and other topics. Sea Grant also provides **minigrants** in support of small research projects typically costing less than \$5,000.

The **National Marine Fisheries Service** manages the **Fisheries Finance Program**, which provides long-term financing for the cost of construction or reconstruction of

aquaculture facilities. They also have **an extensive list** of federal grant and loan programs outside of the National Oceanic and Atmospheric Administration.

The **United States Department of Agriculture (USDA)** provides a large number of loan and grant options for new and existing growers. Detailed below are a few of the programs most applicable to shellfish growers.

The **USDA Farm Service Agency** provides **farm loans**, including direct-operating loans up to \$300,000, microloans of \$5,000 to \$50,000, and other programs to start, improve, expand, transition, market and strengthen family farms. Shellfish growers can apply directly to benefit their farm enterprise.



Oyster farming provides an additional stream of income for Mattamuskeet Seafood Company in Hyde County.

The **USDA Rural Business Enterprise Grant** program grants monies to facilitate the development of small and emerging rural businesses. Funds may be used for training and technical assistance, construction or renovation of buildings, and capitalization of revolving loan funds, among other items. Only local and state government, Native American tribes and nonprofit organizations are eligible. Grant funds must benefit rural areas or towns beyond the urbanized periphery of a city with a population of 50,000 or more. The maximum amount funded per grant is \$500,000.

Funds have been granted for shellfish aquaculture. For example, the enterprise program provided startup funding to lease or purchase oyster-growing equipment for the Alaska "Weekend Warrior" program.

USDA Rural Development offers the **Value Added Producer Grant** program, which helps agricultural producers make and market value-added agricultural products. Eligible applicants include independent producers, agricultural producer groups, farmer cooperatives, and majority-controlled, producer-based business ventures.

The **USDA Rural Microentrepreneur Assistance Program** is a microloan program with a maximum of \$50,000 for individuals. Loans are facilitated through a Microenterprise Development Organization, which may be a nonprofit organization or university. Loans have a 15 percent match requirement, and grant recipients must be located in population areas — defined as cities, towns and their adjacent urban populations — of less than 50,000 people.

Financial Support Programs in Other States

Loans specifically designed for shellfish producers are offered through **Maryland's Shellfish Aquaculture Loan Program**. A partnership between the **Maryland Department of Natural Resources** and **Maryland Agricultural and Resource-Based Industry Development Corporation**, the program administers loans up to \$100,000 for aquaculture enterprises with a fixed interest rate of 5 percent or less.

In five years of operation, the program has provided over 50 shellfish aquaculture loans. **Hoopers Island Oyster Aquaculture Co.** is a successful business stemming from this program. The company markets half-shell oysters, oyster-growing equipment and oyster seed.

Maryland has loan programs specifically designed for shellfish producers. Could North Carolina do the same?



Loans for shellfish growers could be used to upgrade equipment and streamline production practices.

The Maryland program also offers a separate loan to assist with remote setting of oysters. This program provides capital for startup expenses like oyster seed, upweller tanks and cultch/shell material. Loans range from \$5,000 to \$30,000 with a 5 percent interest rate.

The **Maryland Industrial Partnership** provides grants up to \$100,000 per year with matching funds from the University System of Maryland through the Maryland Technology Enterprise Institute, part of the University of Maryland School of Engineering. The partnership works as a joint research and business-development opportunity. Local Maryland businesses partner with a researcher and jointly submit a funding proposal.

The partnership has funded the development of oyster-aquaculture businesses and technologies, such as a laser 3-D machine vision system to sort cultured oysters into quality grades. **Hollywood Oyster Company LLC** used a \$157,880 grant to develop methods for scaling up production of macroalgae — or seaweed — in conjunction with oysters.

Virginia Sea Grant manages a **Fishery Resource Grant**

Program, modeled after North Carolina Sea Grant's former fishery resource grants. The program provides grants for various areas of seafood-industry development. The program targets four areas: (1) new fisheries equipment or gear, (2) environmental pilot studies, (3) aquaculture or mariculture of marine-dependent species, and (4) seafood technology.

The Virginia Legislature appropriates program funds each year, and unused funds are carried over to the next year. In fiscal year 2015, it authorized \$159,579 for the program. Since 1999, the program has funded 115 individual projects and provided nearly \$900,000 specifically for oyster projects. Recent examples of funded projects include research on spat-on-shell setting and disease variation in eastern oysters.

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North Carolina's Blue Economy information series describes research and extension activities related to the state's ocean economy and the underlying natural resources.

To learn more, visit: ncseagrant.ncsu.edu/blueeconomy.

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