

# MAINE STATE LEGISLATURE

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**THE  
DAIRY  
IMPROVEMENT  
FUND**

**ANNUAL REPORT  
Fiscal Year 2019**

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# ABSTRACT

## ***Dairy Improvement Fund***

In 2012, the Maine Legislature authorized the creation of the Dairy Improvement Fund. It was created to provide loans to assist dairy farmers in making capital improvements to maintain and enhance the viability of their farms, and to pay the administrative costs of processing loan applications and administering the fund and loans made from it. The program is intended to help farms and other dairy enterprises fund capital improvements to maintain and enhance the viability of their farms.

Funds are deposited with the Finance Authority of Maine (FAME), and the Commissioner of the Department of Agriculture, Conservation and Forestry administers the fund.

Generally, any business or individual located in Maine and identified by the Department of Agriculture, Conservation and Forestry as engaged in commercial production of milk or milk products is eligible to apply for loans bearing a fixed interest rate of 1%.

Loan amounts can be up to 90% of the total project cost, if the eligible project cost is \$100,000 or less, or up to 75% of the total project cost, if the eligible project cost is over \$100,000.

The maximum loan amount is \$250,000. A borrower must inject at least 10% in private funds into their project.

Eligible uses include the design, construction, or improvement of milking parlors, dairy animal housing, silos, grain bins, feed sheds, or the construction or renovation of buildings or equipment, located in Maine and used in connection with a dairy enterprise.

Loan funds may not be used for working capital, non-project-related equipment, and expenses, or refinancing. Outside construction lending sources may be required for projects seeking to use the Dairy Improvement Fund for dairy-related construction take-out financing.



STATE OF MAINE  
DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY  
OFFICE OF THE COMMISSIONER  
22 STATE HOUSE STATION  
AUGUSTA, MAINE 04333

JANET T. MILLS  
GOVERNOR

AMANDA E. BEAL  
COMMISSIONER

COMMISSIONER'S REPORT

**To the Honorable Janet T. Mills, Governor; the Honorable Troy Jackson, President of the Senate; the Honorable Sara Gideon, Speaker of the House; Members of the Maine Legislature; and Citizens of the State of Maine:**

The Dairy Improvement Fund (DIF) is administered within the Bureau of Agriculture by our Director of the Division of Agricultural Resource Development. In fiscal year 2019, the DIF was instrumental in meeting the capital project needs of six farms and producers. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly administered DIF.

Since the launch of the DIF in the spring of 2018, the fund has committed nearly \$1.5 million, in addition to \$777,000 in contributions from dairy farmers, for a total of nearly \$2.3 million in capital improvements at 10 Maine dairy farms. Projects range from purchasing a cheese vat/pasteurizer, cooling tanks, an ice cream maker, a skid steer, a manure spreader, bulk storage tanks, constructing a cheese cave, relocating a farm, and undergoing renovations to create a milking parlor, milk storage space, and new animal housing.

The Dairy Improvement Fund is a public and private partnership, helping dairy enterprises looking to finance capital improvements that will enhance the viability and vitality of their businesses. Producers invest to increase profitability, buy equipment that adds value to production, and purchase and install energy generation and energy conservation equipment to improve the sustainability of their farms. These examples point to the wise investment of private capital partnered with the publicly administered DIF.

The DIF program, working with private and nonprofit lending partners, must meet the changing needs of agricultural borrowers. Increased capital investment in Maine agriculture is a critical element for the growth of the Maine economy.

Respectfully submitted,

Amanda E. Beal  
Commissioner

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## PROGRAM OVERVIEW

The Dairy Improvement Fund (DIF) provides direct loans to help farms and other dairy enterprises fund capital improvements to maintain and enhance the viability of their farms. Eligible uses include design, construction, or improvement of milking parlors, dairy animal housing, silos, grain bins, feed sheds, or the construction or renovation of buildings, or equipment, located in Maine and used in connection with a dairy enterprise. In some cases, the program participates with private lenders to provide customized, cost-effective financing packages for these capital projects.

DIF has helped finance 6 projects that have leveraged a total of \$819,049 in investments in Maine's dairy infrastructure, as depicted in the chart below:

### PORTFOLIO SUMMARY

2018-2019	Total
<b>Number of Projects</b>	<b>6</b>
<b>DIF Financing</b>	<b>\$576,017</b>
<b>Lender Financing</b>	<b>\$55,000</b>
<b>Equity*</b>	<b>\$188,032</b>
<b>Total Investments</b>	<b>\$819,049</b>

\*Per the Borrower's application

## DAIRY IMPROVEMENT FUND

In 2012, the Maine Legislature authorized the creation of the Dairy Improvement Fund. It was created to provide loans to assist dairy farmers in making capital improvements to maintain and enhance the viability of their farms, and to pay the administrative costs of processing loan applications and administering the fund and loans made from it. The program is intended to help farms and other dairy enterprises fund capital improvements to maintain and enhance the viability of their farms.

### Eligible Applicants:

Any individual or entity located in Maine and engaged in dairy production is eligible to apply for financing under the Dairy Improvement Fund.

**Use of Proceeds:**

Eligible uses include design, construction, or improvement of milking parlors, dairy animal housing, silos, grain bins, feed sheds, or the construction or renovation of buildings, or equipment, located in Maine and used in connection with a dairy enterprise. Loan funds may not be used for working capital, non-project related equipment and expenses, or refinancing. Outside construction lending sources may be required for projects seeking to use the Dairy Improvement Fund for dairy-related construction take-out financing.

**Application Process:**

Application to the program is a two-step process. The prospective borrower must submit an Eligibility Form to the Department of Agriculture, Conservation and Forestry (DACF). If the project is deemed eligible, DACF will notify the applicant and forward the Eligibility Form to FAME. The applicant has three months to submit the required program application and supporting documents to FAME.

**Loan Size:**

Borrowers may apply for up to 90% of the project cost if the project is less than \$100,000, and up to 75% of the project cost if the project is over \$100,000. The maximum loan under the DIF is \$250,000. The borrower must inject at least 10% in private funds into their project.

**Interest Rates:**

Loans from DIF will be made at a fixed interest rate of 1%. Deferred principal and interest payments may be available up to 24 months from closing; interest accrues beginning at closing.

**Fees & Other Expenses:**

A 1% origination fee will be charged on DIF loans of \$100,000 or more. The borrower is responsible for all closing costs, including legal expenses.

**Repayment Terms:**

Loan repayment terms will vary to reflect the useful life of the assets being financed.



## DIF LOAN ACTIVITY FY19

**Transactions Closed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Turner	\$14,927	\$0	\$1,493	\$13,434	Upgrades
Bethel	\$56,450	\$0	\$8,300	\$48,150	Purchase Equipment
Turner	\$200,214	\$0	\$50,214	\$150,000	Improvements
Norridgewock	\$37,930	\$0	\$3,793	\$34,137	Purchase Equipment
Charleston	\$420,310	\$55,000	\$115,310	\$250,000	Purchase Equipment
Pittsfield	\$89,218	\$0	\$8,922	\$80,296	Purchase Equipment and Take-out Financing of Construction Loan
<b>6 Projects</b>	<b>\$819,049</b>	<b>\$55,000</b>	<b>\$188,032</b>	<b>\$576,017</b>	

\*Project Costs and Equity are per the Borrower's application.

## DIF LOANS COMMITTED FY19

**Transactions Committed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Albion	\$419,676	\$59,960	\$109,716	\$250,000	Construct Milking Parlor
Thomaston	\$185,890	\$29,140	\$18,000	\$138,795	Refinance Construction Loan
Auburn	\$431,468	\$0	\$181,468	\$250,000	Take-out Financing of Construction Loan
<b>3 Projects</b>	<b>\$1,037,034</b>	<b>\$89,100</b>	<b>\$309,184</b>	<b>\$638,795</b>	

\*Project Costs and Equity are per the Borrower's application.



# FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/19

## Balance Sheet

	FY19 June 30, 2019
<b><u>ASSETS</u></b>	
Investments - Custody Account	\$1,178,990
Investments - Market Value Adjustment	\$958
Investments - State Treasury Cash Pool	\$393,207
Accounts Receivable	\$0
Accrued Interest - Direct Notes	\$0
Notes Receivable	<u>\$332,103</u>
<b>Total Assets</b>	<b>\$1,905,258</b>
<b><u>Liabilities</u></b>	
Accounts Payable	\$55
Loan Funds Disbursed	\$332,103
Unrecoverable Loan Principal	\$0
Unearned Service Fees	\$0
Undisbursed Loan Funds	\$1,546,395
Undisbursed Investment Income	\$25,079
Undisbursed Market Value Adjustment	\$958
Undisbursed Note Interest	\$668
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$1,905,258</b>

## Statement of Revenues and Expenses

	June 30, 2019
<b><u>Revenue</u></b>	
Origination Fees	\$4,000
Investment Income	\$37,431
Loan Interest Income	\$668
Funds received by State of Maine	\$1,205,040
<b>Total Revenue</b>	<b>\$1,247,139</b>
<b><u>Expenses</u></b>	
Misc. Expense	\$0
Insurance Expense	\$0
Advertising	\$0
Postage	\$0
Printing	\$0
Conferences/Meetings	\$0
Contributions, Membership Expense	\$0
Professional Fees	\$65,512
Travel	\$0
Telephone	\$63
Legal	<u>\$730</u>
<b>Total Expenses</b>	<b>\$66,305</b>
<b>Net Income</b>	<b>\$1,180,834</b>

## COMMITTEES

### ***DIF Eligibility Review Committee***

(for loans of more than \$50,000)

**Yvette Meunier, Chair**  
Maine Department of Agriculture,  
Conservation and Forestry

**Lucia A. Brown**  
Farm Services Agency  
Farm Loan Specialist

**Brian Flewelling**  
KeyBank National Association

**Gary Anderson, Animal and  
Biosciences Specialist**  
University of Maine Cooperative  
Extension

**Tom Foster**  
Farm Family Insurance

### ***Credit Review Committee: Reviews Project Financial Feasibility***

**Brian Flewelling**  
KeyBank National Association,  
Presque Isle

**Chad Place**  
Camden National Bank, Camden

**Greg Fuller**  
Machias Savings Bank, Bangor

**Sean Cameron**  
Bangor Savings Bank, Rumford

**Scott Peasley**  
Machias Savings Bank, Machias

**Lucia A. Brown**  
Farm Service Agency, Bangor

## PARTICIPATING LENDERS

Farm Credit East, ACA

Coastal Enterprises, Inc. (CEI)

## STAFF

### Department of Agriculture, Conservation and Forestry

State House Station 28  
Augusta, Maine 04333-0028  
(207) 287-3871

**Amanda E. Beal**

Commissioner

**Leigh Hallett**

Director of Market Development

**Randy Charette**

Deputy Commissioner

**Yvette Meunier**

Promotional Coordinator

## ADMINISTRATIVE CONTRACTOR

### Finance Authority of Maine

5 Community Drive, P. O. Box 949  
Augusta, Maine 04332-0949  
(207) 623-3263

**Bruce E. Wagner**

Chief Executive Officer

**Roxanne Broughton**

Commercial Loan Officer

**Carlos Mello**

Chief Risk Officer

**Matthew Lindquist**

Commercial Loan Officer

**Jennifer Cummings**

Director Business Programs

**Karen Kunesh**

Commercial Loan and Workout Officer

**Scott Weber**

Senior Credit Officer

**Kim Getchell**

Commercial Loan Officer

**Jeff Murch**

Credit Analyst

**Kathy Clary**

Commercial Loan Assistant

**Ellen Curtiss**

Credit Analyst

**Michelle MacKenzie**

Commercial Loan Assistant

**Laurie Garrison**

Commercial Loan Assistant

**Abel Auclair**

Commercial Loan Assistant