

# MAINE STATE LEGISLATURE

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# THE DAIRY IMPROVEMENT FUND

## ANNUAL REPORT FISCAL YEAR 2020



MAINE DEPARTMENT OF  
**AGRICULTURE  
CONSERVATION  
& FORESTRY**



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Commissioner

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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 LETTER

**To the Honorable Janet T. Mills, Governor; the Honorable Troy Jackson, President of the Senate; the Honorable Ryan Fecteau, 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. The DIF program is a public and private partnership, helping dairy enterprises 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.

Since the launch of the DIF in the spring of 2018, the fund has committed nearly \$1.7 million dollars in addition to leveraging \$117,740 in grants and \$629,485 in contributions from dairy farmers for a total of over \$2.4 million dollars in capital improvements at 14 Maine dairy farms across eight counties. Projects range from purchasing a cheese vat/pasteurizer, cooling tanks, an ice cream maker, a skid steer, a manure spreader, and bulk storage tanks, to constructing a cheese cave, relocating a farm, and undergoing renovations to create a milking parlor, milk storage space, and new animal housing. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly-administered DIF.

During the 2020 fiscal year, the DIF was instrumental in meeting the capital project needs of one farm. This is a significant deviation from the activity in fiscal years 2019 and 2018, where the fund assisted six and seven farms and producers, respectively. This change is likely due to market uncertainty from COVID-19. However, interest in the program has resurged in fiscal year 2021. Unfortunately, replenishment to the fund through casino revenues and loan interest has not kept up with the demand, and a waiting list for funding has been implemented.

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*

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, and 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 7 projects that have leveraged a total of \$1,238,725 in investments in Maine’s dairy infrastructure, as depicted in the chart below:

## **PORTFOLIO SUMMARY**

	<b>2018-2019</b>	<b>2019-2020</b>	<b>Total</b>
<b>Number of Projects</b>	<b>6</b>	<b>1</b>	<b>7</b>
<b>DIF Financing</b>	<b>\$576,017</b>	<b>\$250,000</b>	<b>\$826,017</b>
<b>Lender Financing</b>	<b>\$55,000</b>	<b>\$59,960</b>	<b>\$114,960</b>
<b>Equity*</b>	<b>\$188,032</b>	<b>\$109,716</b>	<b>\$297,748</b>
<b>Total Investments</b>	<b>\$819,049</b>	<b>\$419,676</b>	<b>\$1,238,725</b>

\*Per the Borrower’s application

## **DAIRY IMPROVEMENT FUND**

In 2012, the Maine Legislature authorized the creation of the DIF. The program officially launched in 2018, after accumulation of slot revenue to meet anticipated program demand. DIF 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 DIF.

**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 DIF 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 the Finance Authority of Maine (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 FY20

**Transactions Closed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Albion	\$419,676	59,960	\$109,716	\$250,000	Construct Milking Parlor
<b>1 Project</b>	<b>\$419,676</b>	<b>\$59,960</b>	<b>\$107,716</b>	<b>\$250,000</b>	

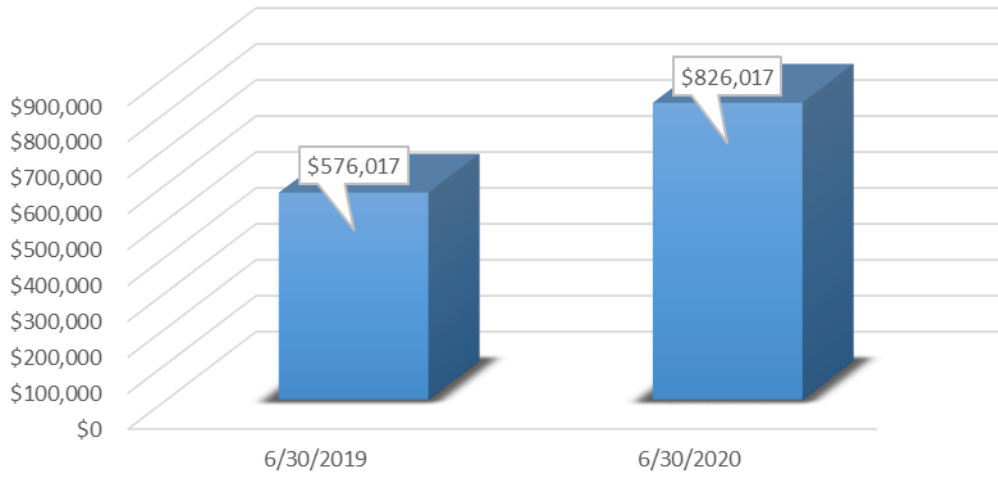
\*Project Costs and Equity are per the Borrower's application.

**Transactions Pending and Committed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Perham	\$12,040	\$0	\$1,204	\$10,836	Refinance Grain Bill
Dixfield	\$93,500	\$0	\$8,500	\$85,000	Purchase Equipment Hay Bailer and Tractor
Auburn	\$431,468	\$0	\$181,468 (\$101,740 from a NRCS grant)	\$250,000	Construct New Dairy Barn
Thomaston	\$185,890	\$29,140	\$18,000	\$138,750	Refinance Construction Loan (barn and milking parlor)
Acton	\$332,000	\$0	\$83,750	\$248,250	Purchase and Expand Dairy Facility
Washington	\$50,000	\$0	\$0	\$50,000	Refiance Grain Bill
<b>6 Projects</b>	<b>\$1,104,898</b>	<b>\$29,140</b>	<b>\$292,922</b>	<b>\$782,836</b>	

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

## Dairy Improvement Fund - Portfolio Totals





# FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/20

## Balance Sheet

	FY19	FY20
	June 30, 2019	June 30, 2020
<b><u>ASSETS</u></b>		
Investments - Market Value Adjustment	\$958	\$0
Investments - State Treasury Cash Pool	\$1,572,197	\$1,447,476
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$0	\$0
Notes Receivable	<u>\$332,103</u>	<u>\$782,704</u>
<b>Total Assets</b>	<b>\$1,905,258</b>	<b>\$2,230,180</b>

## **Liabilities**

Accounts Payable	\$55	\$15
Loan Funds Disbursed	\$332,103	\$782,704
Unrecoverable Loan Principal	\$0	\$0
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$1,546,395	\$1,413,150
Undisbursed Investment Income	\$25,079	\$27,988
Undisbursed Market Value Adjustment	\$958	\$0
Undisbursed Note Interest	<u>\$668</u>	<u>\$6,323</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$1,905,258</b>	<b>\$2,230,180</b>

## Statement of Revenues and Expenses

	June 30, 2019	June 30, 2020
<b><u>Revenue</u></b>		
Origination Fees	\$4,000	\$2,500
Investment Income	\$26,037	\$27,030
Loan Interest Income	\$668	\$6,323
Funds received by State of Maine	<u>\$1,205,040</u>	<u>\$328,597</u>
<b>Total Revenue</b>	<b>\$1,235,745</b>	<b>\$364,450</b>

## **Expenses**

Misc. Expense	\$0	\$0
Insurance Expense	\$0	\$0
Advertising	\$0	\$0
Postage	\$0	\$0
Printing	\$0	\$0
Conferences/Meetings	\$0	\$0
Contributions, Membership Expense	\$0	\$0
Professional Fees	\$65,512	\$40,212
Travel	\$0	\$0
Telephone	\$63	\$8
Legal	<u>\$730</u>	<u>(\$732)</u>
<b>Total Expenses</b>	<b>\$66,305</b>	<b>\$39,488</b>
<b>Net Income</b>	<b>\$1,169,440</b>	<b>\$324,961</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

## STAFF

### Department of Agriculture, Conservation and Forestry

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

**Amanda E. Beal**, Commissioner

**Nancy McBrady**, Director, Bureau of Agriculture, Food and Rural Resources  
(BAFRR)

**Leigh Hallett**, Director, BAFRR Agricultural Resource Development

**Yvette Meunier**, Promotional Coordinator, BAFRR Agricultural Resource  
Development

## 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 (retired 1/21)

**Carlos Mello**

Chief Risk Officer, Acting CEO

**Jennifer Cummings**

Director Business Programs

**Scott Weber**

Senior Credit Officer

**Jeff Murch**

Credit Analyst

**Ellen Curtiss**

Credit Analyst

**Abel Auclair**

Commercial Loan Assistant

**Roxanne Broughton**

Commercial Loan Officer

**Matthew Lindquist**

Commercial Loan Officer

**Karen Kunesh**

Commercial Loan and Workout Officer

**Kim Getchell**

Commercial Loan Officer

**Kathy Clary**

Commercial Loan Assistant

**Michelle MacKenzie**

Commercial Loan Assistant

**Laurie Garrison**

Commercial Loan Assistant