

THE DAIRY IMPROVEMENT FUND

ANNUAL REPORT FISCAL YEAR 2020



MAINE DEPARTMENT OF
**AGRICULTURE
CONSERVATION
& FORESTRY**



Amanda E. Beal
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

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

*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
1 Project	\$419,676	\$59,960	\$107,716	\$250,000	

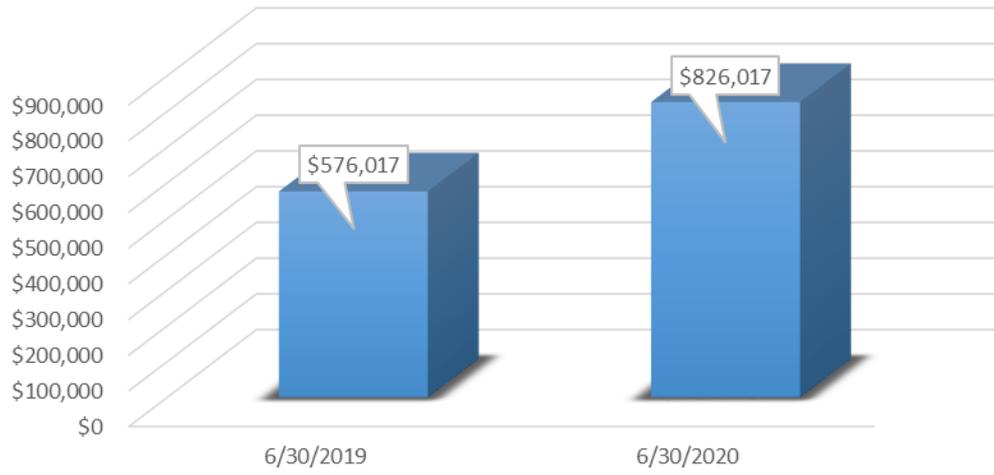
*Project Costs and Equity are per the Borrower's application.

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
6 Projects	\$1,104,898	\$29,140	\$292,922	\$782,836	

*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
<u>ASSETS</u>		
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>
Total Assets	\$1,905,258	\$2,230,180
<u>Liabilities</u>		
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>
Total Liabilities & Fund Balance	\$1,905,258	\$2,230,180

Statement of Revenues and Expenses

	June 30, 2019	June 30, 2020
<u>Revenue</u>		
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>
Total Revenue	\$1,235,745	\$364,450
<u>Expenses</u>		
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>
Total Expenses	\$66,305	\$39,488
Net Income	\$1,169,440	\$324,961

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