

# DAIRY IMPROVEMENT FUND

## ANNUAL REPORT FISCAL YEAR 2021



Amanda E. Beal  
Commissioner

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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 unless a waiver is granted by the Commissioner. 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 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, Food and Rural Resource's 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 vital production farm equipment, undergoing renovations, and adding new animal housing. These improvements to Maine agricultural businesses create additional value when the private capital investment is partnered with the publicly-administered DIF. The Department recognizes the potential for additional investment and growth within the dairy sector. In 2021, it partnered with the University of Maine School of Economics to conduct an economic impact assessment of specific infrastructure investment scenarios. Given current production levels in Maine, it is projected that a 50% increase in local dairy product manufacturing would result in a total of \$226.7 million in sales, 1,017 jobs, and \$46 million in labor income (including multiplier effects). These findings demonstrate ensuring access to capital through vehicles like DIF for infrastructure projects should remain a central component of Maine's economic strategy for food and agriculture.

During the 2021 fiscal year, DIF closed six loans (compared to one in 2020). Despite this increase in loan issuances in 2021, the decrease in casino revenue that funds DIF led to an insufficient fund balance to support additional DIF loans for the remainder of the year. After two loans were committed in March and April, the Department decided to halt any further loan-making. We look forward to potentially reopening the Fund in Spring 2022 as funds once again rebuild.

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

## 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 13 projects that have leveraged a total of \$2,397,124 in investments in Maine's dairy infrastructure, as depicted in the chart below:

## PORTFOLIO SUMMARY

	FY 2019 & FY 2020	FY 2021	Total
<b>Number of Projects</b>	<b>7</b>	<b>6</b>	<b>13</b>
<b>DIF Financing</b>	<b>\$826,017</b>	<b>\$815,337</b>	<b>\$1,641,354</b>
<b>Lender Financing</b>	<b>\$114,960</b>	<b>\$29,140</b>	<b>\$144,100</b>
<b>Equity*</b>	<b>\$297,748</b>	<b>\$313,922</b>	<b>\$611,670</b>
<b>Total Investments</b>	<b>\$1,238,725</b>	<b>\$1,158,399</b>	<b>\$2,397,124</b>

\*Per the Borrower's application

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In 2012, the Maine Legislature authorized the creation of the Dairy Improvement Fund (DIF). 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 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 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.

## DAIRY IMPROVEMENT FUND LOAN ACTIVITY FY21

**Transactions Closed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
New Gloucester	\$332,000	\$0	\$83,750	\$248,251	Purchase and Expand dairy facility
Auburn	\$431,469	\$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)
Perham	\$12,040	\$0	\$1,204	\$10,836	Refinance Grain Bill
Dixfield	\$114,500	\$0	\$29,500	\$85,000	Purchase Equipment Hay Bailer and Tractor
Hodgdon	\$82,500	\$0	\$0	\$82,500	Purchase Farm Land
<b>6 Projects</b>	<b>\$1,158,399</b>	<b>\$29,140</b>	<b>\$313,922</b>	<b>\$815,337</b>	

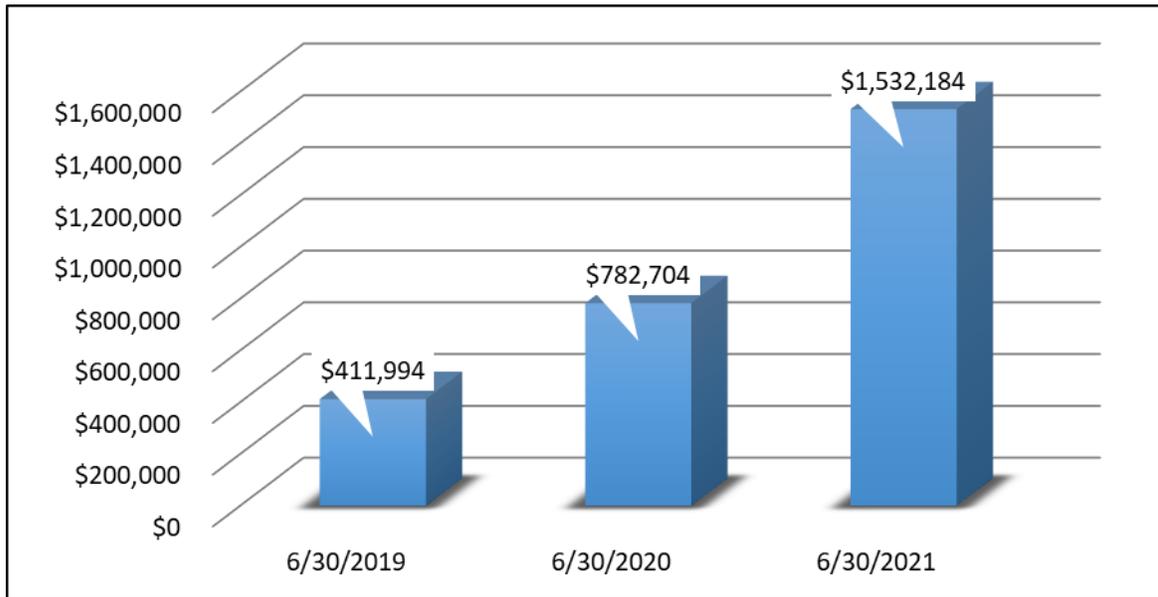
\*Project Costs and Equity are per the Borrower's application.

**Transactions Pending and Committed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Monmouth	\$250,000	\$52,500	\$10,000	\$187,500	Renovations
Whitefield	\$150,000	\$0	\$50,000	\$100,000	Construct Milking Parlor
<b>2 Projects</b>	<b>\$400,000</b>	<b>\$52,500</b>	<b>\$60,000</b>	<b>\$287,500</b>	

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

## DAIRY IMPROVEMENT FUND PRINCIPAL BALANCES



## FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDING 6/30/21

### Balance Sheet

	FY20	FY21
	June 30, 2020	June 30, 2021
<b><u>ASSETS</u></b>		
Investments - Market Value	\$0	\$0
Investments - State Treasury Cash Pool	\$1,447,476	\$911,588
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$0	\$0
Notes Receivable	<u>\$782,704</u>	<u>\$1,532,184</u>
<b>Total Assets</b>	<b>\$2,230,180</b>	<b>\$2,443,772</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$15	\$10
Loan Funds Disbursed	\$782,704	\$1,532,184
Unrecoverable Loan Principal	\$0	\$0
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$1,413,150	\$911,578
Undisbursed Investment Income	\$27,988	\$0
Undisbursed Market Value Adjustment	\$0	\$0
Undisbursed Note Interest	<u>\$6,323</u>	<u>\$0</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$2,230,180</b>	<b>\$2,443,772</b>

### Statement of Revenues and Expenses

	June 30, 2020	June 30, 2021
<b><u>Revenue</u></b>		
Origination Fees	\$2,500	\$6,370
Investment Income	\$27,030	\$6,114
Loan Interest Income	\$6,323	\$12,006
Other Income		\$221
Funds received by State of Maine	<u>\$328,597</u>	<u>\$146,856</u>
<b>Total Revenue</b>	<b>\$364,450</b>	<b>\$171,567</b>
<b><u>Expenses</u></b>		
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	\$40,212	\$44,812
Travel	\$0	\$0
Telephone	\$8	\$56
Legal	<u>(\$732)</u>	<u>(\$85.74)</u>
<b>Total Expenses</b>	<b>\$39,488</b>	<b>\$44,782</b>
<b>Net Income</b>	<b>\$324,961</b>	<b>\$126,785</b>

## COMMITTEES

***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

**Nancy McBrady**, Bureau Director

**Leigh Hallett**, Director, 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 R. Mello**

Chief Risk Officer (acting CEO)

**Jennifer Cummings**

Director Business Programs

**Scott Weber**

Senior Credit Officer

**Jeff Murch**

Credit Analyst

**Ellen Curtiss**

Credit Analyst

**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

**Abel Auclair**

Commercial Loan Assistant