

# DAIRY IMPROVEMENT FUND

## ANNUAL REPORT FISCAL YEAR 2023



MAINE DEPARTMENT OF  
**AGRICULTURE  
CONSERVATION  
& FORESTRY**



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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 REPORT**

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

The Dairy Improvement Fund (DIF) is administered by the Bureau of Agriculture, Food and Rural Resources' Division of Agricultural Resource Development. DIF is a public-private partnership that helps dairy enterprises finance capital improvements that enhance their viability and vitality. Producers invest to increase their profitability, buy equipment that adds value to production, and purchase and install energy generation and conservation equipment to improve farm sustainability.

Since the launch of DIF in 2018, the fund has committed nearly \$2 million dollars in addition to leveraging \$117,740 in grants and \$629,485 in contributions for a total of over \$2.7 million in capital improvements at 15 Maine dairy farms across eight counties. Projects range from purchasing vital farm production equipment, enabling renovations, and adding new animal housing. These improvements to Maine agricultural businesses create additional value when private capital investment is partnered with the publicly administered DIF.

The Department recognizes the need for further 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 existing production levels in Maine, it 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 demonstrated that ensuring access to capital for infrastructure projects through vehicles like DIF should remain a central component of Maine's economic strategy for food and agriculture.

During FY 2023, DIF closed one loan and had six pending loans at the fiscal year's end. Following a pause due to a pandemic-caused decrease in the casino revenue that funds DIF, the Department reopened the fund in January 2023. The timing of DIF's return is helpful, as Maine's dairy sector continues to face serious challenges due to increased input costs, inflation, and ongoing transportation and supply chain disruptions.

The DIF program, working with private and nonprofit lending partners, should strive 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

## PROGRAM OVERVIEW

In 2012, the Maine Legislature authorized the creation of the Dairy Improvement Fund (DIF). The program officially launched in 2018, after the 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.

Eligible uses include the design, construction, or improvement of milking parlors, dairy animal housing, silos, grain bins, or feed sheds; the construction or renovation of buildings; or the purchase of equipment. Funded projects must be 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 15 projects that have leveraged a total of \$2,797,124 in investments in Maine's dairy infrastructure, as depicted in the chart below:

## PORTFOLIO SUMMARY

	FY 2019 - 2022	FY 2023	Total
<b>Number of Projects</b>	<b>14</b>	<b>1</b>	<b>15</b>
<b>DIF Financing</b>	<b>\$1,741,354</b>	<b>\$187,500</b>	<b>\$1,928,854</b>
<b>Lender Financing</b>	<b>\$144,100</b>	<b>\$52,500</b>	<b>\$196,600</b>
<b>Equity*</b>	<b>\$661,670</b>	<b>\$10,000</b>	<b>\$671,670</b>
<b>Total Investments</b>	<b>\$2,547,124</b>	<b>\$250,000</b>	<b>\$2,797,124</b>

*\*Per the Borrower's application*

## DAIRY IMPROVEMENT FUND LOAN ACTIVITY FY23

**Transactions Closed:**

Location	Project Costs*	Bank	Equity*	DIF	Project Type
Monmouth	\$250,000	\$52,500	\$10,000	\$187,500	Renovations

<b>1 Projects</b>	<b>\$250,000</b>	<b>\$52,500</b>	<b>\$10,000</b>	<b>\$187,500</b>	
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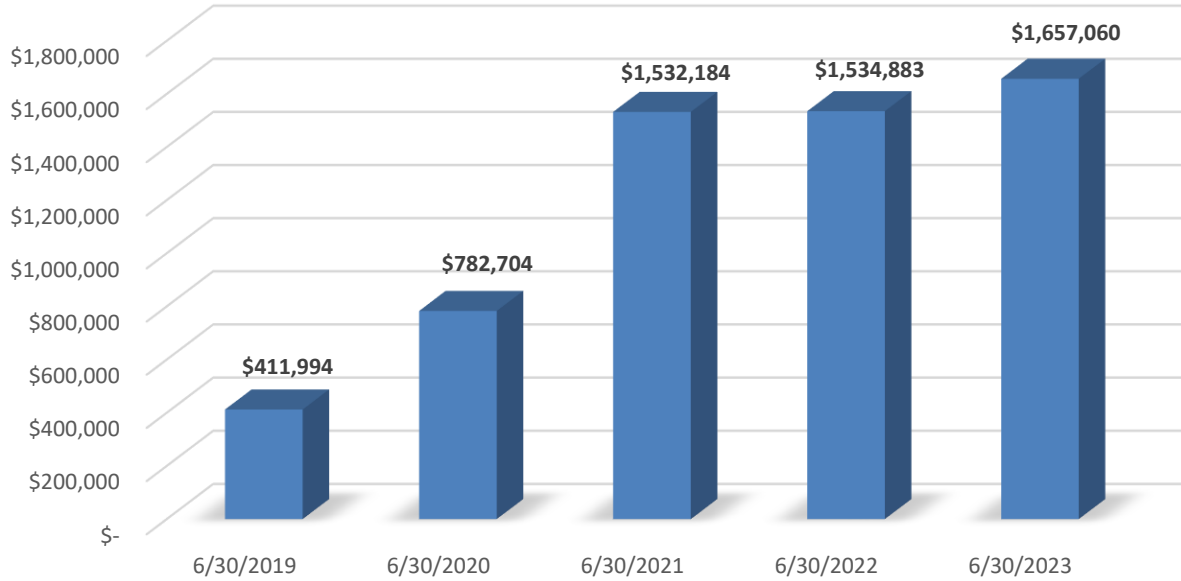
\*Project Costs and Equity are per the borrower's application.

***Transactions Pending:***

<b>Location</b>	<b>Project Costs*</b>	<b>Bank</b>	<b>Equity*</b>	<b>DIF</b>	<b>Project Type</b>
<b>West Gardiner</b>	\$345,385	\$0	\$95,385	\$250,000	New Barn & Milk Room
<b>Berwick</b>	\$458,400	\$149,400	\$59,000	\$250,000	Leasehold Improvements
<b>Shapleigh</b>	\$361,230	\$0	\$115,230	\$246,000	Reimburse 90% of Barn Construction
<b>Waldoboro</b>	\$199,999	\$0	\$0	\$199,999	Milking Parlor & Equipment
<b>Hermon</b>	\$250,000	\$0	\$0	\$250,000	Dairy Barn & Milk Parlor
<b>Waldo</b>	\$364,577	\$53,217	\$61,360	\$250,000	Permanent Financing / Refi
<b>6 Projects</b>	<b>\$1,979,591</b>	<b>\$202,617</b>	<b>\$330,975</b>	<b>\$1,424,999</b>	

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

## DAIRY IMPROVEMENT FUND PRINCIPAL BALANCES



# FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 6/30/23

## Balance Sheet

	FY22	FY23
	June 30, 2022	June 30, 2023
<b><u>ASSETS</u></b>		
Investments - Market Value	\$0	\$0
Investments - State Treasury Cash Pool	\$1,372,802	\$1,691,951
Accounts Receivable	\$0	\$0
Accrued Interest - Direct Notes	\$0	\$0
Notes Receivable	<u>\$1,534,883</u>	<u>\$1,657,060</u>
<b>Total Assets</b>	<b>\$2,907,685</b>	<b>\$3,349,011</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$10	\$0
Loan Funds Disbursed	\$1,534,883	\$1,657,060
Unrecoverable Loan Principal	\$0	\$0
Unearned Service Fees	\$0	\$0
Undisbursed Loan Funds	\$1,372,802	\$1,691,951
Undisbursed Investment Income	\$0	\$0
Undisbursed Market Value Adjustment	\$0	\$0
Undisbursed Note Interest	<u>\$0</u>	<u>\$0</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$2,907,685</b>	<b>\$3,349,011</b>

## Statement of Revenues and Expenses

	June 30, 2022	June 30, 2023
<b><u>Revenue</u></b>		
Origination Fees	\$0	\$1,875
Investment Income	\$4,041	\$32,130
Loan Interest Income	\$13,523	\$17,264
Other Income	\$635	\$132
Funds received by State of Maine	<u>\$483,678</u>	<u>\$437,002</u>
<b>Total Revenue</b>	<b>\$501,877</b>	<b>\$488,403</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 Expenses	\$0	\$0
Professional Fees	\$37,912	\$47,112
Travel	\$0	\$0
Telephone	\$0	\$0
Legal	<u>\$42</u>	<u>(\$35)</u>
<b>Total Expenses</b>	<b>\$37,954</b>	<b>\$47,077</b>
<b>Net Income</b>	<b>\$463,923</b>	<b>\$441,326</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

### ***Eligibility Committee: Reviews Project Eligibility***

**Lucia A. Brown**

USDA Farm Service Agency

**Tom Foster**

Farm Family Insurance



## 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  
**Randy Charette**, Deputy Commissioner  
**Nancy McBrady**, Deputy Commissioner  
**Craig Lapine**, Director, Bureau of Agriculture, Food, and Rural Resources  
**Michelle Webb**, Director, Agricultural Resource Development Division  
**Lucas Knowles**, Agricultural Promotional Coordinator

## ADMINISTRATIVE CONTRACTOR

### Finance Authority of Maine

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

#### **Carlos R. Mello**

Chief Executive Officer

#### **Jennifer Cummings**

Director Business Programs

#### **Kim Getchell**

Senior Commercial Loan Officer

#### **Jay Beck**, Program Manager

Commercial Loan Officer

#### **Matthew Lindquist**

Commercial Loan Officer

#### **Karen Kunesh**

Workout Officer

#### **Scott Weber**

Senior Credit Officer

#### **Jeff Murch**

Credit Analyst

#### **Ellen Curtiss**

Credit Analyst

Commercial Loan Assistants

#### **Kathy Clary**

**Laurie Garrison**

**Nicholle Morse**

**Danielle Otis**

**Michelle MacKenzie**

#### **Abel Auclair**

Collections Coordinator