



Kentucky Agricultural Development Fund  
Kentucky Agricultural Finance Corporation

Annual Report Fiscal Year 2010

*July 1, 2009—June 30, 2010*





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

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FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

Dear Friends:

As the owner of a small farm in Clark County, I understand and appreciate the connection farmers have to the land, as well as the hard work and diligence necessary to maintain it. As Governor of the Commonwealth, I know we are in an increasingly competitive global marketplace, and Kentucky must continue our progress as a state where tradition and innovation combine to create a bright future for all.

Over the last decade, the Kentucky Agricultural Development Fund (KADF) has impacted tens of thousands of Kentucky farm families through the KADF investments in agriculture and our communities. Even with these tough economic times and tight budgets, it is important that we hold true to our commitment to Kentucky agriculture by maintaining fifty percent of the Tobacco Master Settlement Agreement funds for the Kentucky Agricultural Development Fund.

While much has been done to help increase net farm income through the agricultural diversification efforts of the KADF, there is still much to do. With renewable energy alternatives coming to the forefront and a need to maintain a safe and secure food supply, the need for these funds to provide incentives and infrastructure is just as critical as it was ten years ago. To that end, I remain committed to ensuring that fifty percent of the Master Settlement Agreement Funds be invested each year in agriculture.

As I look back on our many accomplishments with pride, I look forward to our future progress with optimism. Now is the time to pursue new opportunities so that our farm families will not only survive, but thrive.

Sincerely,

Steven L. Beshear



# Table of Contents

Letter from the Governor .....	ii
Table of Contents .....	iv
Kentucky Agricultural Development Fund Day Proclamation .....	v
<i>Ten Years of Investments</i> Photo Tribute .....	vi
Background & Administration .....	1
Investments .....	3
Agricultural Policy .....	7
Appendices	
A: Financial Statements .....	I
B: Linked Deposit Activity Report .....	III
C: FY 2010 Investments by County .....	IV
D: Guiding Principles for Board Investment .....	X
Acknowledgements .....	inside back cover
Photo Credits	
Staff Member Listing	



# Proclamation

by

Steven L. Beshear  
Governor

of the

Commonwealth of Kentucky



*To All To Whom These Presents Shall Come:*

- WHEREAS, Kentucky lawmakers had the foresight to invest in the future of Kentucky agriculture by committing 50 percent of the monies Kentucky receives from the Master Settlement Agreement to agriculture through the Kentucky Agricultural Development Fund; and
- WHEREAS, The Kentucky Agricultural Development Fund has encouraged growth of leadership in all Kentucky counties through the Kentucky Agricultural Development Councils; and
- WHEREAS, Kentucky's rural and urban communities have directly benefited from new economic activities spurred by the Fund, including more than 50,000 farm families; and
- WHEREAS, The Fund has helped expand existing enterprises and nurtured growth in new enterprises, while evolving as needs and issues facing agriculture change; and
- WHEREAS, The Kentucky Agricultural Development Fund has supported Kentucky's premiere branding program, Kentucky Proud, and has provided farm families and agribusinesses access to capital through the Kentucky Agricultural Finance Corporation; and
- WHEREAS, The Kentucky Agricultural Development Fund was named one of Harvard University's top 50 Innovations in American Government for 2006; and
- WHEREAS, The impact of this historic agricultural diversification effort will continue to be realized many years into the future;

NOW, THEREFORE, I, STEVEN L. BESHEAR, Governor of the Commonwealth of Kentucky, do hereby proclaim April 26, 2010, as

## KENTUCKY AGRICULTURAL DEVELOPMENT FUND DAY

in Kentucky, and encourage all citizens of the Commonwealth to recognize the many accomplishments of the Fund for our farm families and their contributions to our economy.

DONE AT THE CAPITOL, in the City of Frankfort this  
10<sup>th</sup> day of March, in the year of Our Lord Two  
Thousand Ten and in the 218<sup>th</sup> year of the  
Commonwealth.

Handwritten signature of Steven L. Beshear in black ink.

STEVEN L. BESHEAR  
GOVERNOR

Handwritten signature of Trey Grayson in black ink.

Trey Grayson  
Secretary of State

TEN YEARS OF INVESTMENTS: A Photo Tribute



# Background & Administration

The Governor's Office of Agricultural Policy (GOAP) was established in 1998 to provide a direct link between the Governor of the Commonwealth and one of Kentucky's most important industries, agriculture. It provides administrative staff to several boards and represents Kentucky's interest as national policy is developed.

The Kentucky Agricultural Development Board and the Kentucky Agricultural Finance Corporation are administered by GOAP, which is led by Executive Director Roger Thomas. Thomas was appointed by Gov. Steve Beshear in 2008 after serving three years as executive director of the Kentucky Dairy Development Council and eight years in the Kentucky General Assembly as State Representative for the 21st District. Thomas and staff are responsible for the daily operations related to these two boards and any of the Governor's agricultural initiatives.

## **Kentucky Agricultural Development Board**

The Kentucky Agricultural Development Board (KADB) is chaired by Governor Steve Beshear and consists of five statutory members or their designees and 11 appointed members. Statutory members include the Governor, Commissioner of Agriculture, Economic Development Cabinet Secretary, head of the University of Kentucky Cooperative Extension Service and the president of Kentucky State University.

Appointed members are geographically distributed throughout the Commonwealth and are subject to confirmation by both bodies of the General Assembly. Seven of the appointments represent active farmers of which at least four are from substantially tobacco impacted counties and two have experience in agricultural diversification; the remaining four appointments represent the Kentucky Farm Bureau, the Kentucky Chamber of Commerce, an attorney with farm experience and an agricultural lender.

## **Kentucky Agricultural Finance Corporation**

The Kentucky Agricultural Finance Corporation (KAFC) is chaired by Commissioner of Agriculture Richie Farmer and consists of one additional statutory member and 10 members appointed by the Governor. Of the 10 private members appointed by the Governor, two may be officers from a commercial lending institution, one may be an officer from a farm credit association, one may be an agricultural economist, one shall be a tobacco farmer, one shall be a cash grain farmer, one shall be a livestock farmer, one shall be a dairy farmer, one shall be a horticultural farmer, and one shall be from the equine industry.

**KADB as of June 30, 2010**

Steven L. Beshear, Governor  
Commonwealth of Kentucky

Richie Farmer, Commissioner  
Department of Agriculture  
(Mac Stone, designee)

Larry Hayes, Secretary  
Economic Development  
(Don Goodin, designee)

Dr. M. Scott Smith, Dean  
UK Cooperative Extension

Dr. Mary Evans Sias, President  
Kentucky State University  
(Dr. Kimberly Holmes, designee)

Sam Moore  
Kentucky Farm Bureau

Sam Lawson  
Ky. Chamber of Commerce

Vickie Yates Brown

Karen Curtis

Rodney Dick

Pat Henderson

Wayne Hunt

Jim Mahan

Wayne Mattingly

Troy Rankin

Jim Sidebottom

**KAFC as of June 30, 2010**

Richie Farmer, Commissioner  
Department of Agriculture  
(Bruce Harper, designee)

Jonathan Miller, Secretary  
Finance and Administration  
(Tom Midkiff, designee)

Charles "Westy" Adams

George Begley

Kenny Burdine

Bob Gaslin

Wayne Hunt

Larry Jagers

Doug Lawson

Frank Penn

Peggy Peterson

Bob Proffitt

*Note: The KADB is regulated by KRS 248.701 to 248.727 and 10 KAR 2:020; the KAFC is regulated by KRS 41.606, KRS 247.940 to 247.978, 202 KAR 9:010, 202 KAR 9:020.*



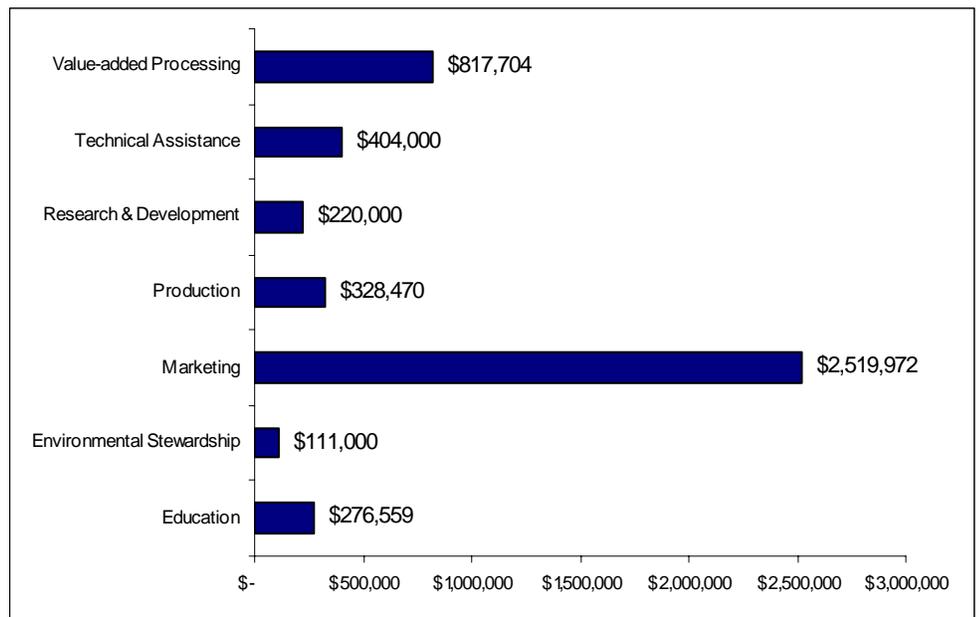
# Investments

## Priority Areas

Kentucky's historic investment in agricultural diversification created an unprecedented opportunity for Kentucky farmers to access funds to diversify their operations and expand farm-based enterprises.

To provide guidance for this investment, Kentucky agriculture provided input for the development of *Cultivating Rural Prosperity: Kentucky's Long-term Plan for Agricultural Development*. This long-term plan was the culmination of a two-day summit, 14 regional forums, and six feedback forums that resulted in a guide for the funding and policy direction of the Board.

*Cultivating Rural Prosperity* is the blueprint for Kentuckians in addressing issues associated with agricultural growth and diversification in the Commonwealth. The six priorities identified in the plan are marketing and market development, access to capital, environmental stewardship, farm family education & computer literacy, local leadership, and research and development.



## Production Agriculture

While marketing, value-added processing and technical assistance are important to the agriculture economy, none of these are necessary without production agriculture. The KADB recognized this importance and developed, in conjunction with state and local stakeholders, cost-share incentive programs that would provide producers an opportunity to try new farm enterprises or enhance their existing enterprises.

The *County Agricultural Investment Program (CAIP)* provides farmers with incentives to allow them to improve and diversify their current production practices. CAIP covers a wide variety of agricultural enterprises in its eleven investment areas, including commercial production of aquaculture; bees and honey; equine; forage; fruit; livestock; mushrooms; ornamental horticulture; poultry; rabbits; timber; and vegetables, as well as agritourism business development; commercial kitchen construction or conversion; energy efficiency/production; and on-farm water enhancement.

In fiscal year 2010, 74 counties made CAIP available to their farm families with more than \$15.6 million invested. (*See Appendix B for specific counties.*)

The *Shared-use Equipment Program* is designed to impact a high number of producers who cannot justify ownership expenses associated with certain equipment by helping them access technology necessary to improve their operations in an economical manner.

**During fiscal year 2010, eight counties invested more than \$83,000 into shared-use equipment.** (*See Appendix B for specific counties.*)





## Kentucky Agricultural Finance Corporation

The Kentucky General Assembly created the Kentucky Agricultural Finance Corporation (KAFC) in 1984 to address the unique financing needs of agriculture. It was established to address issues that private enterprise and investment have not been able to produce, without assistance, the capital necessary to permit the small family farm operators to continue to compete successfully in agricultural enterprises.

KAFC administers five loan programs, services zero-interest loans made by the Kentucky Agricultural Development Board (KADB) and administers the Linked Deposit Program. Because the KADB cannot own real property, the KAFC will handle any matters involving property and collections related to KADB loans that dissolve or default.

### Loan Programs

KAFC participates with lenders to provide financing to producers making capital expenditures for agricultural projects through the *Agricultural Infrastructure Loan Program*. Eligible projects include permanent farm structures with attached equipment that improves the profitability of farming operations.

The *Agricultural Processing Loan Program* is designed to provide loan opportunities to companies and individuals in Kentucky interested in agricultural processing. KAFC will provide or participate in loans in Kentucky that add value to Kentucky grown agricultural commodities through further processing. These loans may cover construction of a new facility and renovation/expansion of an existing facility.

The *Beginning Farmer Loan Program* is designed to assist individuals with some farming experience who desire to develop, expand or buy into a farming operation. Beginning farmers may qualify for financing to purchase livestock, equipment, agriculture facilities, to secure permanent working capital and to make a down payment on real estate or invest in a partnership or LLC. KAFC participates with a local lender to provide financing.

KAFC will provide or participate in loans to entities with operations in Kentucky that are expanding their contracting opportunities with Kentucky farmers. The *Coordinated Value-added Assistance Loan Program* may provide for renovation/expansion of existing facilities, acquisition of equipment and permanent working capital to facilitate expansion.

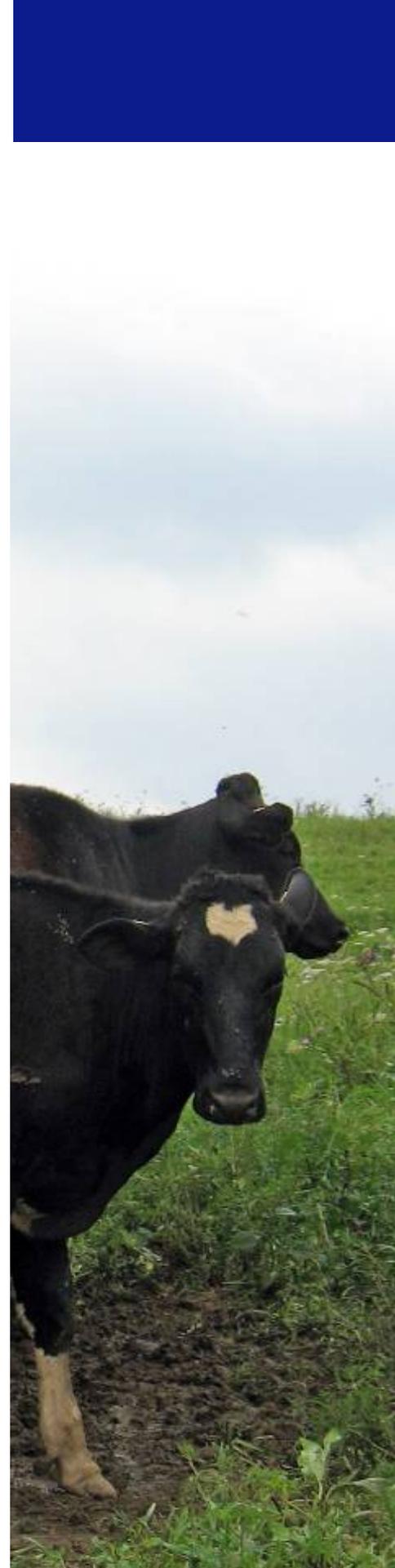
The *Diversification through Entrepreneurship in Agribusiness Loan Program* provides low-interest financing to beginning agri-entrepreneurs who are attempting to diversify their farming operations through non-traditional agricultural production or services. DEAL may provide financing (up to \$100,000) for equipment, facilities, working capital, real estate and more. KAFC will participate with a local lender to provide financing.

The *Large/Food Animal Veterinary Loan Program* is designed to assist individuals licensed to practice veterinary medicine in Kentucky who desire to construct, expand, equip or buy into a practice serving large animal producers, as well as other smaller food animals. KAFC participates with a local lender to provide financing.

As of June 30, 2010, KAFC had approved a cumulative total of 347 loans for more than \$41.5 million and accumulated over \$2.8 million in interest.

Investments were made in the programs for fiscal year 2010, as follows:

Agricultural Infrastructure Loans .....	\$2,428,527
Agricultural Processing Loans .....	\$ 250,000
Beginning Farmer Loans .....	\$1,188,040
Diversification through Entrepreneurship .....	New Program
Large/Food Animal Veterinary Loans .....	\$ 480,000



# Agricultural Policy

## Energy

In Sept. 2009, Gov. Beshear announced a new partnership between the GOAP and Kentucky's Energy and Environment Cabinet, which positions Kentucky to be a leader in the development of bio-based alternative energy sources.

As a result of this partnership, two energy-related programs were implemented using American Recovery & Reinvestment Act (ARRA) funding and Kentucky Agricultural Development Funds.

A portion of these funds went to a variety of opportunities for Kentucky farm families to increase on-farm energy efficiency or increase renewable fuel production. This aspect of the funding, called the On-farm Energy Efficiency & Production Incentives program, provided up to 25 percent reimbursement of the actual cost of a federally qualified energy saving project, up to \$10,000. Investments eligible for this program included energy audits, energy efficient farm building components, on-farm energy upgrades, on-farm energy efficiency training and biomass energy production activities.

During the fiscal year, 78 applicants were approved for \$675,123 in ARRA funds for their on-farm energy projects. The total cost of these projects was more than \$7.4 million.

The remaining portion is for the Multi-county Collaborative Agricultural Energy Initiatives Program. The ARRA funds awarded through this program were enhanced with tobacco settlement funds for grants to multi-county collaborations that will enhance and advance renewable energy production at the farm level. Funding was made available for demonstration projects in the areas of energy efficiency and renewable energy production.

During the fiscal year, five multi-county energy projects were approved for \$245,150 in ARRA funds. (*See Appendix C.*)

These programs were designed to help achieve the goals of Governor Steve Beshear's Intelligent Energy Choices for Kentucky's Future: Kentucky's 7-Point Energy Strategy, and will be part of the effort to meet 18 percent of Kentucky's energy needs from efficiency improvements by 2025.



## Dead Animal Removal

Dead animal disposal has long been an issue farmers have had to deal with, but in 2009 when the Food and Drug Administration released a new set of regulations concerning the disposal of livestock carcasses, it brought more light to this critical issue.

Because of these regulations, it made some options for dead animal disposal less cost-effective. The Kentucky Agricultural Development Board and the Division of Conservation partnered to offer assistance programs to help counties implement a plan for the removal of deceased farm animals within the county, knowing this was only going to be a temporary solution.

One result of the partnership is the Deceased Farm Animal Disposal Assistance Program. This program serves as a temporary measure to facilitate the coordination of environmentally sound and cost effective disposal of deceased livestock for Kentucky producers.

Programs approved to cover fiscal year 2010 (July 2009 – June 2010) expenses related to deceased farm animal removal included 25 counties for a total of \$127,976.

\$2,890	Adair County Conservation District
\$1,540	Allen County Conservation District
\$3,975	Anderson County Fiscal Court
\$3,333	Barren County Conservation District
\$7,500	Boyle County Farm Bureau Federation
\$7,500	Bourbon County Fiscal Court
\$7,500	Christian County Fiscal Court
\$7,500	Clark County Fiscal Court
\$3,480	Clinton County Soil Conservation District
\$7,500	Fleming County Fiscal Court
\$3,875	Franklin County Conservation District
\$2,500	Garrard County Fiscal Court
\$2,333	Green County Conservation District
\$7,500	Harrison County Fiscal Court
\$7,500	Hart County Conservation District
\$5,000	Jessamine County Fiscal Court
\$7,500	Lincoln County Fiscal Court
\$7,400	Mason County Fiscal Court
\$3,600	Meade County Conservation District
\$7,500	Montgomery County Fiscal Court
\$2,250	Rockcastle County Conservation District
\$3,600	Simpson County Conservation District
\$7,200	Taylor County Conservation District
\$5,000	Todd County Fiscal Court
\$2,500	Warren County Conservation District



TEN YEARS OF INVESTMENTS: A Photo Tribute



# Appendix A: Financial Statements

## AGRICULTURAL DEVELOPMENT FUND Fiscal Year 2010

FUNDS	STATE	COUNTY	TOTAL	Off Budget
				COUNTY
KADF Beginning Cash-July 2009	\$ 19,392,316		\$ 19,392,316	\$ 21,093,154
Transfers In	\$ 11,868,225	\$ 16,419,375	\$ 28,287,600	\$ 16,419,375
Transfer out/budget reduction	\$ (548,464)		\$ (548,464)	
Revenue				\$ 52,944
<i>KADF Funds Available</i>	<i>\$ 30,712,077</i>	<i>\$ 16,419,375</i>	<i>\$ 47,131,452</i>	<i>\$ 37,565,473</i>
<b>EXPENDITURES</b>				
Disbursements/Expenditures	\$ 6,819,400		\$ 6,819,400	\$ 18,532,440
Transfers Out		\$ 16,419,375	\$ 16,419,375	
<i>KADF Expenditures</i>	<i>\$ 6,819,400</i>	<i>\$ 16,419,375</i>	<i>\$ 23,238,775</i>	<i>\$ 18,532,440</i>
<i>Cash Balances</i>	<i>\$ 23,892,677</i>	<i>\$ -</i>	<i>\$ 23,892,677</i>	<i>\$ 19,033,033</i>
Grants - Unexpended commitments	\$ (1,717,190)		\$ (1,717,190)	\$ (3,037,036)
<b>Actual Available Grant Balance</b>	<b>\$ 22,175,487</b>		<b>\$ 22,175,487</b>	<b>\$ 15,995,997</b>

# Appendix A: Financial Statements (cont.)

## Cash Flow (FY2010)

Kentucky Agricultural Finance Corporation

Fiscal Year Begins: Jul-09

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total Item
Cash on Hand (beginning of month)	10,793,022	10,751,570	10,078,507	9,964,762	9,666,310	9,499,488	9,212,294	6,690,236	6,914,893	6,676,639	6,400,804	6,096,638	

### CASH RECEIPTS

Principal Payments (2803)	43,148	249,061	101,626	87,837	75,413	289,746	445,535	172,221	179,416	153,460	45,642	634,582	2,477,687
Interest Payments (2802)	5,200	26,699	21,188	19,650	16,972	39,316	110,819	29,992	26,287	33,087	11,387	87,589	428,186
Interest Earned (SIC / 2802)	0	7,381	6,202	1,979	0	17,243	4,396	41	103	47	25	144	37,560
<b>TOTAL CASH RECEIPTS</b>	<b>48,348</b>	<b>283,141</b>	<b>129,016</b>	<b>109,465</b>	<b>92,385</b>	<b>346,306</b>	<b>560,751</b>	<b>202,253</b>	<b>205,805</b>	<b>186,595</b>	<b>57,054</b>	<b>722,316</b>	<b>2,943,433</b>
Other Income (0% Loans)	50,000		301,959					48,913			500,000	150,000	1,050,872
<b>Total Cash Available (before cash out)</b>	<b>10,891,370</b>	<b>11,034,711</b>	<b>10,509,481</b>	<b>10,074,227</b>	<b>9,758,695</b>	<b>9,845,794</b>	<b>9,773,044</b>	<b>6,941,402</b>	<b>7,120,698</b>	<b>6,863,235</b>	<b>6,957,858</b>	<b>6,968,954</b>	

### CASH PAID OUT

Loans Closed (Funds Wired)	139,800	956,204	544,720	407,917	259,207	633,500	3,082,809	26,509	444,059	462,430	861,220	432,250	8,250,624
Refunds / Corrections	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL CASH PAID OUT</b>	<b>139,800</b>	<b>956,204</b>	<b>544,720</b>	<b>407,917</b>	<b>259,207</b>	<b>633,500</b>	<b>3,082,809</b>	<b>26,509</b>	<b>444,059</b>	<b>462,430</b>	<b>861,220</b>	<b>432,250</b>	
<b>Cash Position (end of month)</b>	<b>10,751,570</b>	<b>10,078,507</b>	<b>9,964,762</b>	<b>9,666,310</b>	<b>9,499,488</b>	<b>9,212,294</b>	<b>6,690,236</b>	<b>6,914,893</b>	<b>6,676,639</b>	<b>6,400,804</b>	<b>6,096,638</b>	<b>6,536,704</b>	

### ESSENTIAL OPERATING DATA (non cash flow information)

Loans Committed, Not Paid	6,520,776	5,975,860	5,932,894	6,404,249	6,282,542	5,128,595	2,080,095	2,801,670	2,457,200	2,936,270	2,825,080	3,023,688	
Debt Balance (owed K AFC)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
K AFC Funds (uncommitted)	6,230,794	6,102,647	6,031,868	5,262,061	5,216,946	6,083,699	6,610,141	6,113,223	6,219,439	5,464,534	5,271,558	5,513,016	
Pending Loans (\$)	6,965,930	6,966,193	1,380,505	490,000	80,000	668,274	814,246	835,000	1,257,500	1,302,500	875,000	569,086	

## K AFC Statement of Financial Position Fiscal Year 2010

### Assets:

Interest Earned from Loans	\$ 1,776,079
Interest Earned from State Investment Commission	<u>\$ 1,054,534</u>
Account 2802 (Interest Fund)	\$ 2,830,614
Account 2803 (Loan Fund)	\$ 3,706,090
Funds Loaned to Borrowers	\$ 28,902,652
KADB Approved Loans Not Transferred	\$ 86,470
Bond Funds Not Transferred	<u>\$ 2,000,000</u>
<b>Total Assets</b>	<b>\$ 37,525,825</b>

# Appendix B: Linked Deposit Activity Report



## Linked Deposit Loan Program: FY 2010 Activity Report

### *Outstanding Loans Per Lender as of June 30, 2010*

<u>Lending Institution</u>	<u>Total Loans</u>	<u>Outstanding Balance</u>
Citizens First Bank (formerly Kentucky Banking Centers, Inc.)	1	\$ 50,000.00
Citizens National Bank	1	\$ 95,000.00
Kentucky Bank	4	\$ 120,603.53
PBK Bank	1	\$ 8,255.01
South Central Bank of Barren County	38	\$ 1,927,825.89
The Springfield State Bank	2	\$ 185,600.00
Traditional Bank	4	\$ 206,239.74
	<b>50</b>	<b>\$ 2,543,524.17</b>

### *Loan Payoffs July 1, 2009 - June 30, 2010*

<u>Lending Institution</u>	<u>Borrower</u>	<u>Payoff Date</u>
Cecilian Bank	Robert and Jill Wade, Jr.	4/23/2010
Citizens Commerce National Bank	John and Melanie Ethington	7/6/2009
Kentucky Bank	Neil Ishmael	8/11/2009
	Deborah Hutchison	12/30/2009
	Benny Sowder	1/19/2010
South Central Bank	Richard and Linda Lou Botts	12/30/2010
	Harold Coomer	9/10/2009
	David Estes	9/28/2009
	Richard Francis	6/10/2010
	William K. Gibbons	8/17/2009
	Brent and Pam Lane	11/16/2009
	Chip Morgan	1/25/2010
	Jason and Sherry Perry	8/21/2009
	Michael "Sam" Skaggs	8/24/2009
Traditional Bank	Walter B. Hall	3/1/2010
	Sam Hunt	9/4/2009
	Charles Orme	3/25/2010
	John Perdue	9/4/2009
	Anthony Tufano	3/5/2010
	Wilson Wilder	12/30/2009

# Appendix C: FY2010 Investments

*Applications approved between July 1, 2009 and June 30, 2010*

**M**ore than \$23.4 million was invested in state, regional and local projects and programs between July 1, 2009 and June 30, 2010.

## Statewide

### *Animal Data Management Program*

The Beef Connection LLC was approved for \$500,000 in state funds as a zero-interest loan to expand their data collection, organization and analysis services to more beef producers, allowing them the opportunity to age and source verify their cattle.

### *Business & Technical Support*

The Kentucky Center for Agriculture and Rural Development was approved for \$310,000 in state agricultural development funds to continue to provide business support services and technical assistance to rural agribusinesses across the Commonwealth.

### *Food Systems Innovation Center*

The University of Kentucky was approved for \$358,904 in state funds for the development of the Food Systems Innovation Center to assist Kentucky's food processors create healthy, profitable, safe and legal value-added Kentucky food products.

### *Kentucky Beef Network*

The Kentucky Beef Network LLC was approved for \$1,052,834 in state funds to implement several production and marketing programs for cattle producers and to provide educational programs that enhance profitability.

### *Kentucky Sheep & Goat Development*

The Kentucky Sheep & Goat Development Office Inc. was approved for \$85,000 in state funds for the continuing service of the education, promotion, and marketing needs of Kentucky sheep and goat producers.

### *Cheese Processing*

Western Kentucky University was approved for \$249,300 in state funds for the renovation of an existing building into a cheese processing facility to provide producers assistance in adding value to their farm operations.

### *Pilot Agribusiness Entrepreneurship*

The Kentucky Center for Agriculture and Rural Development Inc. was approved for \$59,000 in state funds to implement a 12-month program for the development of agribusiness entrepreneurs.

## Multi-County Collaborative Agricultural Energy Initiative

### *Agri-Energy Technical Assistance*

Mammoth Cave Resource Conservation and Development Area Inc. was approved for \$10,000 in American Recovery & Reinvestment Act funds and \$10,000 in state agricultural development funds to provide a streamlined technical assistance process for producers and small businesses that apply for energy efficiency grants on both the state and federal levels.

### *Quarry Lake Water Project*

Commonwealth Agri-Energy Inc. was approved for \$100,000 in ARRA funds, \$100,000 in state, \$10,000 in Christian and \$5,000 in Todd County Agricultural Development Funds to reduce the amount of electricity required for the ethanol plant's cooling systems.

### *Study of Lake Cumberland Region Biomass Power Potential*

South Kentucky Rural Electric Cooperative Corporation was approved for \$10,150 in American Recovery & Reinvestment Act funds and \$10,150 state agricultural development funds to conduct a feasibility study of biomass power in the Lake Cumberland region.

### *Switchgrass for Renewable Energy*

Kentucky Forage and Grassland Council was approved for \$100,000 in American Recovery & Reinvestment Act funds and \$100,000 in state Agricultural Development Funds for the expansion of research in northeastern Kentucky related to switchgrass as a renewable energy source.

### *Western Kentucky AgBioworks*

The Western Regional Center for Emerging Technology was approved for \$25,000 in ARRA funds, \$25,000 in state and \$15,000 in county Agricultural Development Funds from nine western Kentucky counties to implement a multi-county program for the development of western Kentucky's emerging bio-energy industry.

## Investments by County

### **Adair**

CAIP ..... \$184,177  
DAP ..... \$ 2,890

### **Allen**

CAIP ..... \$149,641  
DAP ..... \$ 1,540

### *Regional Ag Leadership*

Mammoth Cave RC&D was approved for \$1,000 in Allen County funds for a regional leadership program that will focus on leadership, interpersonal and communication skills, as well as how farmers can represent agricultural interest on issues affecting both rural and urban communities.

### **Anderson**

CAIP ..... \$191,725  
DAP ..... \$ 3,975  
Shared-use ..... \$ 10,750

### **Ballard**

CAIP ..... \$371,067

### **Barren**

CAIP ..... \$469,922

DAP ..... \$ 3,333

*Barren (cont.)*

*Agricultural Pavilion*

The Lions Club Inc. of Temple Hill was approved for \$42,025 in Barren County funds for the expansion of an existing pavilion to increase capacity for their growing agriculture events.

**Bath**

CAIP ..... \$163,755

*Ag. Marketing Complex*

The Bath County Agricultural Extension Foundation Inc. was approved for \$100,000 in Bath County funds to construct the third phase of their agricultural marketing complex – a store front/retail facility.

**Boone**

CAIP ..... \$150,000

Pilot Farm ..... \$ 6,000  
Management

**Bourbon**

DAP ..... \$ 7,500

**Boyle**

CAIP ..... \$324,000

DAP ..... \$ 7,500

**Bracken**

CAIP ..... \$308,985

**Breckinridge**

CAIP ..... \$525,000

*Farmers' Market Facility*

The Breckinridge County Extension District Board was approved for \$75,000 in Breckinridge County funds to build a new farmers' market facility that will also provide space for agricultural workshops.

*Welding Program*

The Breckinridge County Board of Education was approved for \$12,613 in Breckinridge County funds to provide basic and advanced metal inert gas (MIG) welding courses for area producers to reduce hiring outside help to repair equipment, thus increasing net farm income.

**Caldwell**

CAIP ..... \$ 65,569

**Carlisle**

CAIP ..... \$ 45,094

**Carter**

CAIP ..... \$170,606

**Christian**

CAIP ..... \$485,801

DAP ..... \$ 7,500

**Clark**

DAP ..... \$ 7,500

*Equine Education Facility*

Twilight Riding School was approved for \$2,500 in Clark and \$2,500 in Fayette County funds to construct an equine education facility in Clark County.

*Welding Program*

The Clark County Conservation District was approved for \$10,000 in Clark County funds to provide beginning and advanced MIG welding programs to the county's tobacco dependent farmers.

**Clay**

CAIP ..... \$394,694

**Clinton**

CAIP ..... \$134,394

DAP ..... \$ 3,480

*Sorghum Processing*

Cravens Farm Greenhouse was approved for \$8,750 in state funds and \$5,000 in Clinton and \$1,250 in Cumberland County funds for the establishment of a sorghum molasses processing facility, as well as expansion of their greenhouse operation.

**Cumberland**

CAIP ..... \$181,475

**Daviess**

CAIP ..... \$150,000

*Daviess (cont.)*

*Farmers' Market Study*

The Owensboro Regional Farmers' Market Inc. was approved for \$5,000 in Daviess County funds to conduct a feasibility study to determine if a permanent structure is a viable, productive option for the market and where it should be located.

*Livestock Marketing Facility*

The Kentuckiana Livestock Market Inc. was approved for \$5,000 in Daviess and \$1,000 each in Hancock, Henderson, McLean and Ohio County funds for a corral pen to increase their holding capacity.

*Youth Cost-share Program*

The Daviess County Conservation District was approved for \$15,485 in Daviess County funds to continue a successful youth cost-share program for youth in the county to create or enhance a production project in the areas of crop (non-tobacco), forage, vegetable, livestock, or greenhouse.

*Youth Cost-share Program*

The Green River Area Beef Improvement Group Inc. was approved for \$20,000 in Daviess County funds to provide a cost-share program to Daviess County youth ages 14-19 for student agricultural production projects.

**Edmonson**

Pilot Farm ..... \$ 1,770

Management

**Elliott**

CAIP ..... \$189,938

Shared-use ..... \$ 10,000

Equipment

*Farmers' Market Facility*

The Elliott County Extension District Board was approved for \$4,700 in Elliott County funds for the construction of a farmers' market pavilion near the Elliott County Extension Office.

(Continued on page VI)

CAIP = "County Agricultural Investment Program"

DAP = "Deceased Farm Animal Disposal Assistance Program"

## Appendix C: FY2010 Investments by County (cont.)

### *Elliott (cont.)*

#### *Welding Program*

The Elliott County Extension District Board was approved for \$16,000 in Elliott County funds to provide beginning and advanced MIG welding programs to the county's tobacco dependent farmers.

#### **Fayette**

CAIP ..... \$360,000

#### *Community Garden*

The Bluegrass Community & Technical College Foundation Inc. was approved for \$3,000 in Fayette County funds for the development and operation of a community garden to empower citizens to grow their own food and provide educational opportunities.

#### *Greenhouse Expansion*

Two Brothers Garden Center and Nursery was approved for \$7,500 in state funds and \$7,500 in Fayette County funds for the expansion of their greenhouse, nursery business to provide more direct marketing opportunities for local farmers and support the increased retail demand for Kentucky branded products.

#### *Development Rights*

The Fayette County Rural Land Management Board Inc. was approved for \$75,000 in Fayette County funds for a purchase of conservation easements program.

#### **Fleming**

CAIP ..... \$441,328

DAP ..... \$ 7,500

#### **Franklin**

CAIP ..... \$204,738

DAP ..... \$ 3,875

Shared-use ..... \$ 2,475

Equipment

#### **Gallatin**

CAIP ..... \$111,000

#### **Garrard**

CAIP ..... \$300,000

DAP ..... \$ 2,500

#### *Abattoir Development*

Marksbury Farm Foods LLC was approved for up to \$75,000 in state funds and \$75,000 in county funds (Fayette \$12,500, Garrard \$25,000, Jessamine \$5,000, Lincoln \$17,500 and Woodford \$15,000) to develop a USDA-inspected processing facility and retail distribution center, specializing in natural foods, including organic, grass-fed, pastured and antibiotic, steroid, hormone (ASH)-free products.

#### *Agricultural Storage Facility*

The Garrard County Board of Education was approved for \$50,000 in Garrard County funds to construct a hay storage facility as part of their forage education program for local producers to house forages harvested through the demonstration program.

#### *Processing Equipment*

Bluegrass Lamb & Goat LLC was approved for \$ 29,500 in county funds from Clark, Fayette, Hart, Jessamine, LaRue, Mercer, Taylor and Woodford counties to update equipment to increase efficiency and capacity of the facility, reaching more producers over a larger area.

#### **Grant**

CAIP ..... \$200,000

#### *Farm Marketplace*

The Grant County Fair Inc. was approved for \$35,000 in Grant County funds to construct a marketplace for local farmers to market farm-raised products and provide a commercial kitchen for adding value to those products.

#### *Marketing Facility*

The Grant County Cattleman's Association was approved for \$75,000 in Grant County funds to construct a livestock marketing and exhibit arena.

#### **Graves**

CAIP ..... \$ 53,588

#### **Grayson**

CAIP ..... \$275,000

#### **Green**

CAIP ..... \$133,262

DAP ..... \$ 2,333

#### **Greenup**

CAIP ..... \$135,680

#### **Hancock**

CAIP ..... \$116,008

#### **Harrison**

CAIP ..... \$420,000

DAP ..... \$ 7,500

#### *Farmers' Market Facility*

The Harrison County Extension District Board was approved for \$50,000 in state and \$25,000 in Harrison County funds for the construction of a farmers' market pavilion at the market's current location.

#### **Hart**

CAIP ..... \$319,802

DAP ..... \$ 7,500

#### **Henderson**

CAIP ..... \$ 47,579

#### **Henry**

CAIP ..... \$299,193

#### *Leadership Scholarship* .....

Matt Jackson was approved for \$1,000 in Henry County funds to help with tuition costs associated with the Kentucky Agricultural Leadership Program.

#### **Hopkins**

CAIP ..... \$ 45,109

#### **Jackson**

CAIP ..... \$200,000

Shared-Use ..... \$ 27,000

Equipment

**Jefferson**

*Food Distribution*

Grasshopper Distribution LLC was approved for \$35,000 in state funds as a zero-interest loan to continue providing a link between Kentucky farm products and urban markets.

**Jessamine**

CAIP ..... \$230,000

DAP ..... \$ 5,000

*Farmer Welding*

The Jessamine County FFA Alumni Association Inc. was approved for \$30,000 in Jessamine County funds to provide arc/stick and MIG welding courses to local farmers to decrease outsourcing of repairs and increase net farm income.

*Youth Cost-share Program*

The Jessamine County FFA Alumni Association Inc. was approved for \$10,000 in Jessamine County funds to aid students by cost-sharing on a variety projects from livestock husbandry to gardening.

**Johnson**

CAIP ..... \$114,000

**Kenton**

CAIP ..... \$ 80,415

Shared-use ..... \$ 6,560

Equipment

**Knox**

CAIP ..... \$142,732

**LaRue**

CAIP ..... \$215,000

**Laurel**

*Demonstration Kitchen*

The Laurel County Agricultural Extension Foundation was approved for \$10,000 in Laurel County funds for completion of a demonstration kitchen at the London-Laurel County Farmers' Market.

**Lewis**

*Welding Program*

The Lewis County Conservation District was approved for \$9,450 in Lewis County funds to provide beginning and advanced oxy-fuel welding classes for area tobacco dependent producers.

**Lincoln**

DAP ..... \$ 7,500

*Processing Facility*

J & Sons Meats and Processing LLC was approved for \$10,000 each in funds from Lincoln and Garrard counties to expand processing capacity of a custom meat processing facility and develop the wholesale and retail operation to meet U.S. Department of Agriculture (USDA) requirements.

**Logan**

CAIP ..... \$ 53,617

**Lyon**

CAIP ..... \$ 30,922

**Madison**

*Biofuels Research*

Eastern Kentucky University was approved for \$200,000 in state and \$10,000 each in Madison and Clark County funds for the evaluation of biofuel feedstock forages for livestock consumption and biofuel production.

**Magoffin**

CAIP ..... \$112,375

**Marion**

CAIP ..... \$267,768

**Marshall**

*Welding Program* .....

The Marshall County Conservation District was approved for \$16,380 in Marshall County funds to provide basic metal inert gas (MIG) welding courses for area farmers to increase net farm income by reducing outsourcing of on-farm equipment repairs.

**Mason**

DAP ..... \$ 7,400

**McLean**

CAIP ..... \$ 78,963

**Meade**

CAIP ..... \$ 64,639

DAP ..... \$ 3,600

*Welding Program ('09)*

The Breckinridge County Board of Education was approved for \$5,586 in Meade County funds to provide beginning and advanced MIG welding programs for Meade County's tobacco dependent farmers.

*Welding Program ('10)*

The Breckinridge County Board of Education was approved for \$6,120 in Meade County funds to provide a metal inert gas (MIG) welding training program for area producers. The program will consist of two 15-hour courses.

**Menifee**

CAIP ..... \$201,600

**Mercer**

CAIP ..... \$250,000

**Monroe**

CAIP ..... \$169,188

Shared-use ..... \$ 9,700

Equipment

**Montgomery**

CAIP ..... \$270,000

DAP ..... \$ 7,500

**Morgan**

CAIP ..... \$190,243

**Muhlenberg**

CAIP ..... \$136,801

(Continued on page VIII)

CAIP = "County Agricultural Investment Program"

DAP = "Deceased Farm Animal Disposal Assistance Program"



**Appendix C: FY2010 Investments by County (cont.)**

**Nicholas**

CAIP ..... \$181,242  
 Shared-use ..... \$ 18,066  
 Equipment

*Livestock Facility*

Nicholas County Fiscal Court was approved for \$53,000 in Nicholas County funds to construct a facility that will hold a livestock arena and educational facilities for youth and adults.

**Ohio**

CAIP ..... \$117,301

*Farmers' Market Facility*

The City of Beaver Dam was approved for \$48,000 in state and \$2,000 in Ohio County funds for the construction of a farmers' market pavilion in the city park of Beaver Dam.

**Oldham**

CAIP ..... \$ 45,278

**Owen**

*Youth Cost-share Program*

The Owen County 4-H Club Council was approved for \$10,000 in Owen County funds for a youth cost-share program to Owen County youth ages 9 - 19 for livestock production projects.

**Pendleton**

CAIP ..... \$205,608

**Powell**

CAIP ..... \$ 55,500

**Pulaski**

CAIP ..... \$295,161  
 Shared-use ..... \$ 22,875  
 Equipment

*Greenhouse Expansion*

Owens Garden Center LLC was approved for \$86,470 in state funds as a zero-interest loan and \$4,000 in state and \$4,000 in Pulaski County funds as a grant to expand the greenhouse operation to allow the purchase of landscape nursery products from other Kentucky producers.

**Robertson**

*Livestock Facility*

The Robertson County Board of Education was approved for \$74,235 in Robertson County funds for the construction of a livestock facility to be utilized by the Deming Agriculture Department for local/regional agriculture education.

**Rockcastle**

CAIP ..... \$298,984  
 DAP ..... \$ 2,250

**Rowan**

*Welding Program*

The Rowan County Fiscal Court was approved for \$16,000 in Rowan County funds to provide a metal inert gas (MIG) welding course for area producers.

**Russell**

CAIP ..... \$257,000

*Disposal Service*

A & S Livestock Inc. was approved for \$16,000 in Russell County and \$5,000 in Adair County funds to provide dead livestock incineration services to Russell and surrounding counties.

**Scott**

CAIP ..... \$381,804  
 Shared-use ..... \$ 3,000  
 Equipment

**Shelby**

CAIP ('09) ..... \$309,982  
 CAIP ('10) ..... \$500,000

*Produce Auction Market*

Capstone Auction Service LLC was approved for a grant of \$50,000 in state funds and \$52,000 in county funds, along with a zero-interest loan in the amount of \$150,000 for the renovation and expansion of a facility in Campbellsburg to market local agricultural products through the Capstone Produce Market. County funds contributed included Grant - \$10,000, Henry - \$12,000, Oldham - \$1,000, Owen - \$10,000, Shelby - \$12,000, Spencer - \$5,000 and Trimble - \$2,000.

*Only projects and programs approved between July 1, 2009 and June 30, 2010 are listed in this Appendix. Some counties may not be listed if investments were made outside of the above timeline.*

**Simpson**

CAIP ..... \$ 74,820  
DAP ..... \$ 3,600

**Taylor**

CAIP ..... \$ 87,463  
DAP ..... \$ 7,200

**Todd**

CAIP ..... \$375,600  
DAP ..... \$ 5,000

**Trigg**

CAIP ..... \$165,000

**Trimble**

CAIP ..... \$190,000

**Warren**

CAIP ..... \$206,057  
DAP ..... \$ 2,500

*Kentucky Proud Retail* .....  
Jackson's Orchard & Nursery was approved for \$2,500 in Warren County funds to purchase and install freezer units to expand their Kentucky Proud product offering.

*Kentucky Proud Retail*  
Pelly's Farm Fresh was approved for \$10,000 in state funds as a grant, \$48,913 in state funds as a zero-interest loan, and \$10,000 in Warren County funds for the renovation of an existing milking parlor into a retail sales outlet for Kentucky Proud products.

**Washington**

CAIP ..... \$315,000

*Beginning Farmer Program.*  
The Washington County Cattlemen's Association Inc. was approved for \$154,000 in Washington County funds to provide a forage equipment cost-share program for farmers who have participated in their farm operation for at least three, but no more than 10 years.

*Leadership Cost-share*

The Washington County Cattlemen Association was approved for \$14,690 in Washington County funds for a cost-share program to allow farmers to participate in agriculture-related leadership programs.

**Wayne**

CAIP ..... \$254,500

*Facility Renovation*

Cumberland Farm Products Association Inc. was approved for \$35,000 in Wayne County funds to renovate and remodel an existing warehouse for lease to a full-service farm supply store for the benefit of Wayne County producers. The renovations will improve handicap accessibility.

**Whitley**

CAIP ..... \$ 57,185

**Wolfe**

CAIP ..... \$120,000

**Woodford**

CAIP ..... \$200,000

*Development Rights*

The Thoroughbred RC& D Council, on behalf of the Woodford County Rural Land Board, was approved for \$15,000 in Woodford County funds for a purchase of conservation easements program.



CAIP = "County Agricultural Investment Program"  
DAP = "Deceased Farm Animal Disposal Assistance Program"

# Appendix D: Guiding Principles for Board Investment

The Board is committed to the goals and priorities of *Kentucky's Long-term Plan for Agricultural Development*. Projects and programs that advance these goals and priorities will be its top priority.

The Board proposes the following statements for the purpose of precipitating discussion of ways the Board can accomplish its goal of expanding the economic base of agriculture in Kentucky.

1. Kentucky should follow the following investment philosophy:

*The Kentucky Agricultural Development Board will invest monies from the Kentucky Agricultural Development Fund in innovative proposals that increase net farm income and affect tobacco farmers, tobacco-impacted communities, and agriculture across the state through stimulating markets for Kentucky agricultural products, finding new ways to add value to Kentucky agricultural products, and exploring new opportunities for Kentucky farms and farm products.*

2. The Board must view its options and actions over the long run and cannot solve all the problems or take advantage of all opportunities.
3. The Board should invest in programs on a pilot basis to prove or disprove the advisability of promoting a particular program statewide.
4. The Board should focus on facilitating success in areas with the potential to reach the most farmers.
5. Pilot programs should be large enough to be commercially viable. The emphasis must be on doing what we do well and be limited to a certain geographical area of the state, until they are proven viable, and then expanded to all the state as funds become available.
6. The Board believes that clusters of a particular type of activity, large enough to be economically viable and support the infrastructure necessary for the success of the program, offer the best opportunity to develop new or better self-sustaining agricultural activity.
7. The Board believes that farmer-owned agri-businesses may be an important vehicle to promote and sustain new and/or improved farm activity.
8. The Board will consider proposals submitted by individuals that have high potential for growth and potential to include other farmers in the future.
9. An emphasis for county programs should be the support of on-farm investment in Board program areas.
10. The object of the Board is to develop self-sustaining programs; therefore, the Board will not support long-term subsidy of production.
11. The Board prefers capital investments. However, it believes that processing, storing and marketing new products is the area where the farmer needs a substantial amount of help on a start-up basis, but business plans must provide for the eventual elimination of assistance in these areas.
12. The Board will consider proposals to enhance existing farm enterprises, the production of new farm products, development of new markets, expansion of existing markets, and any other areas identified by a member or members of the Board as having potential for growth.
13. The Board should define as a priority the development of agriculture businesses and agricultural entrepreneurship, including continuing support of the Kentucky Center for Agriculture and Rural Economic Development.
14. The Board should define as a priority the development of agriculture businesses and agricultural entrepreneurship, including support of agriculture entrepreneurship programs as stipulated in KRS 248.717.
15. The Board will seek programs to enhance the viability of young farmers and part-time farmers in agriculture.



Gov. Steve Beshear signs proclamation commemorating the Kentucky Agricultural Development Fund's 10-Year Anniversary.

Thank you to all state and local leaders, past and present, who helped create and shape the historic agricultural diversification effort made possible through the Kentucky Agricultural Development Fund.

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#### **PHOTO CREDITS**

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Photos:

p. vi, collection of various photos, representing a decade of investments

p. 1-2, Spring tobacco field in Allen County

p. 3-4, Produce at farmers' market in Franklin County

p. 5-6, Dairy cattle in Mason County

p. 7-8, Beef cattle in Bath County

p. 9-1, Apples at Ayres' Orchard farm market in Owen County

Appendices: corn, soybean plant, hay, meat goat, sheep





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