Greetings:

As the owner of a small horse 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 the Governor of the Commonwealth, I know we are in an increasingly competitive global marketplace, Kentucky must continue to move forward as a progressive state, where tradition and innovation combine to create a bright future for all.

Kentucky's agricultural community can and will be a part of that effort. With breakthrough research in genetics and other areas, we can improve traditional farming methods, and with new technology in biofuels and biomass production, our state can lead the way in exploring new alternatives to fulfill the future energy needs of this nation.

I believe these goals are within reach thanks to the strong leadership in the Governor's Office of Agricultural Policy and the Kentucky Department of Agriculture combined with strong programs such as ones made possible by the Kentucky Agricultural Development Fund. I remain committed to ensuring that 50 percent of the Master Settlement Funds be invested each year into agriculture.

I look back on our many accomplishments with pride and 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 ........................................................................ iii  

Administration ............................................................................. 1  
About the Programs ....................................................................... 3  
Marketing & Market Development .................................................. 6  
Capital Access ............................................................................. 10  
Environmental Stewardship .......................................................... 14  
Research & Development ............................................................... 16  
Farm Family Education & Computer Literacy ................................. 18  
Local Leadership ......................................................................... 20  
Production Agriculture .................................................................. 22  

Appendices  
A: Financial Statements ................................................................. I  
B: Linked Deposit Activity Report .................................................. III  
C: FY 2009 Investments by County .............................................. V  
D: Guiding Principles for Board Investment ................................. X
The Kentucky Agricultural Development Board and the Kentucky Agricultural Finance Corporation are administered by the Governor’s Office of Agricultural Policy, 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.

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 (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.

KADB as of June 30, 2009

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
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.

Other Boards

In addition to the KADB and the KAFC, GOAP provides staff to the Kentucky Agriculture Resource Development Authority (KARDA), the Executive Task Force for Biofuels & Biomass Development and the Alltech FEI World Equestrian Games agriculture initiatives.

KAFC as of June 30, 2009

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

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

George Begley
Kenny Burdine
Bob Gaslin
Wayne Hunt
Larry Jaggers
Doug Lawson
Frank Penn
Peggy Peterson
Bob Proffitt
Diversifying Kentucky Agriculture

Established in 2000, the Kentucky Agricultural Development Board (KADB) is charged by statute with administering the Kentucky Agricultural Development Fund.

As its mission, the board will invest these funds in innovative proposals that increase net farm income and effect tobacco farmers, tobacco-impacted communities and agriculture across the state by stimulating markets for Kentucky agricultural products, finding new ways to add value to Kentucky agricultural products, and exploring new opportunities for Kentucky farms.

Grant Applications

The KADB meets the third Friday of each month to review and approve grant requests. Beginning March 2009, the KADB instituted a meeting schedule whereby project requests are discussed in one month and eligible for action in the next. This change was instituted to allow for board discussion of projects. If questions are raised by the board, then staff will receive direct guidance to obtain any additional information from the applicant before the project is acted upon.

Project applications for County Agricultural Development Funds are submitted to the local County Agricultural Development Council(s). The county council assigns a priority to applications based on the county’s Comprehensive Plan for Agriculture and the availability of county funds. All applications and their respective priorities are forwarded to the KADB for a final funding decision.

Applications for any of the three county cost-share incentive programs available follow the same process, except only the original and one copy are required to be submitted. The KADB has given staff the authority to pre-approve these applications without the KADB reviewing each request, as long as it fits within the established guidelines for that program. A list of program requests meeting the state guidelines is presented for final approval by the board at each meeting.

Project applications for state Agricultural Development Funds are processed in a similar fashion as county fund applications, but do not require county approval, unless county funds are requested by the applicant.

Staff assigned to the county where the project application originated will review the proposal, request any additional information as necessary from the applicant and present the staff’s recommendation to the KADB. The KADB meets monthly to review applications and take action on requests.

Priorities

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

---

About the Programs

1 County Agricultural Investment Program, Shared-use Equipment Program, Pilot Farm Management Program
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.

**Distribution of Tobacco Settlement Funds**

The following pie chart shows how agriculture's 50 percent of Kentucky's Tobacco Settlement Funds is distributed through the Kentucky Agricultural Development Fund.

Staff as of June 30, 2009

Roger Thomas  
Executive Director

Angela Blank  
Director of Public Affairs

Jennifer Daniels  
Compliance Specialist

Diane Fleming  
General Counsel

Sandra Gardner  
Director of Communications

Cyndi Hall  
Financial Records Specialist, KAFC

Debbie Hollis  
Administrative Assistant

Todd Harp  
Senior Project Analyst

Bill Hearn  
Fiscal Officer

Jennifer Hudnall  
Project Analyst

Tim Hughes  
Senior Policy Analyst

Michael Judge  
Director of Operations

Christi Marksbury  
Project Analyst

Bill McCloskey  
Director of Financial Services, KAFC

Joel Neaveill  
Chief of Staff

Kylee Palmer  
Senior Compliance Coordinator

Rebecca Smith  
Administrative Assistant

Mike Tobin  
Project Analyst
Marketing & Market Development were overwhelmingly identified as the top priority in agricultural development across the Commonwealth. The term “marketing” means different things to different people, nonetheless there was broad agreement among participants in the long-term planning process that marketing should be a key component of any plan. The goal of marketing is product image - the creation of a trusted brand name that commands respect and a premium in the marketplace.

Marketing is also delivering products that meet consumer needs. Marketing is exploring all possible niches when developing a new product, using existing infrastructure to test new products, and finding value-added uses for secondary products.

- Cultivating Rural Prosperity

Regional Agritourism Promotion

Agritourism is a growing industry in Kentucky. There are more than 300 agritourism venues registered with the state’s agritourism office.

The Agritourism Marketing & Promotion Program was developed to provide state Agricultural Development Funds to regional agritourism organizations engaged in marketing and promoting agritourism businesses in a multi-county area.

The following regional organizations were awarded funds through this program.

Bluegrass Agritourism Association $50,000
Gateway Regional Agritourism Association $50,000
Pennyvile Regional Agritourism Association $5,258

Farmers’ Markets

Farmers’ Markets provide opportunities for producers and consumers alike. They provide producers a direct market to consumers and an opportunity to make a personal connection within the community. They provide consumers fresh, locally grown products that have traveled minimal distances. Over the last decade, the number of markets across the Commonwealth has grown, reaching 137 in 2009.

The Farmers’ Market Awards Program was designed to provide state Agricultural Development Funds to regional and community farmers’ markets for capital expenditures related to the development of a local farmers’ market.

Kentucky’s official marketing program, Kentucky Proud, was signed into law as such in June 2008.

Over the last four years, Kentucky Proud has grown to over 1,800 producers and $80 million in estimated sales. Kentucky Proud is administered by the Kentucky Department of Agriculture with support from the Kentucky Agricultural Development Fund.
The following received funds through the Farmers’ Market Awards Program.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calloway County Jackson Purchase RC&amp;D Foundation</td>
<td>$15,865</td>
</tr>
<tr>
<td>Hancock County Fiscal Court</td>
<td>$10,890</td>
</tr>
<tr>
<td>Meade County Extension District Board</td>
<td>$53,098</td>
</tr>
</tbody>
</table>

Other marketing and value-added product efforts fitting outside the aforementioned programs included:

- **Agricultural Sale & Show Facility** $117,500
  The Logan County Extension District Board was awarded funds for a multi-purpose agricultural facility for Logan and surrounding counties.

- **Agritourism Facility Expansion** $10,000
  Chaney’s Dairy Barn was awarded funds to expand their agritourism facility to accommodate growing sales and increased ice cream production.

- **Building Louisville’s Local Food Economy** $90,000
  The Louisville Jefferson County Metro Government Economic Development Department was awarded funds for a Public Interest Broker who will coordinate direct farmer access to Louisville food markets.

- **Community Kitchen Development** $102,620
  The Jessamine County Fiscal Court was awarded funds to build a community kitchen for producers in the area to use in adding value to their farm products.

- **Custom Meat Processing Facility** $104,679
  Central Kentucky Custom Meats was awarded funds to purchase necessary equipment and make renovations to expand its product and service offerings. CKCM is a custom livestock processing facility in Casey County that offers a retail component, custom slaughter and USDA processing.

- **Farmers’ Market Development** $60,000
  Kentucky Farmers’ Market Association Inc. was awarded funds to support a multi-faceted approach to increase sales at farmers’ markets throughout Kentucky. This includes providing equipment necessary for farmers’ markets to
accept debit cards and food stamps; improve food safety by providing 40 markets with approved sampling and food handling stations; training vendors to use innovative marketing techniques and Rapid Market Assessments; and contract a part-time manager for KFMA.

Farmers' Market Promotion $ 1,500
Hart County Chamber of Commerce was awarded funds for advertisements, signage and other needed supplies for the Hart County Farmers' Market.

Farms to Food Banks $60,000
God's Pantry Food Bank Inc. was awarded funds for the purchase and distribution of 15 types of Kentucky grown surplus produce for low-income clients throughout their 50 county service area in central and eastern Kentucky.

Foothills Country Meats $485,000
Foothills Products and Services Inc. was awarded funds to purchase and make improvements to Foothills Country Meats, a USDA inspected and custom slaughter business in Wayne County.

Honey Marketing & Education $ 6,500
Lincoln County Beekeepers Inc. was awarded funds to conduct educational seminars on honey production and marketing and provide a cost-share assistance program related to the production, packaging and marketing of honey.

Kentucky Proud Program $3,330,000
The Kentucky Department of Agriculture was awarded funds for the continued promotion of the Kentucky Proud brand and related activities designed to instill in consumers' minds the value of “buy local.”

Kentucky’s Tobacco Transition Documentary $50,000
Media Working Group Inc. was awarded funds to produce a television documentary featuring the transition of Kentucky farms as a result of the Tobacco Master Settlement Agreement. This program will also highlight the efforts of the Kentucky Agricultural Development Fund.

Livestock Processing Facility $20,000
John’s Custom Meats was awarded funds to complete the construction of their current livestock processing facility in Warren County and purchase new equipment.

Purple Toad Winery $52,000
Dossey Vineyards LLC was awarded funds to build a new facility and purchase equipment for the expansion of Purple Toad Winery in Paducah.

Russell County Farmers Market $ 3,500
The Russell County Farmers’ Market Association was awarded funds for a mobile shelter for the farmers’ market.

Webb’s Butcher Block $125,000
Webb Properties LLC was awarded funds to expand their current value-added processing and marketing operation in Meade County.
Access to capital was identified as crucial to the support of agricultural entrepreneurship. Typically, farm production credit is readily available, while capital for value-added enterprises has been subject to high interest rates and strict covenants, making it unavailable to any but sophisticated borrowers. One of the goals of the Agricultural Development Board is to work with lending institutions and farmers to increase the access to capital by strengthening existing programs and developing new ones.

- Cultivating Rural Prosperity

The Kentucky Agricultural Finance Corporation strives to make sound long-term investments and improve net farm income by providing Kentucky's farmers access to capital that allows them flexibility in financial decisions and leverages their assets to secure affordable loans for the betterment of their farming operations.

### KADB Capital Access Projects
Projects receiving funds categorized as "access to capital" typically provide incentives or low interest loans to producers across the Commonwealth. The following projects were approved for FY2009.

- **Agricultural Loan Programs**
  - $5,000,000
  - The Kentucky Agricultural Finance Corporation was awarded funds to continue its current loan programs and to start a new loan program: the Large/Food Animal Veterinary Program.

- **Large/Food Animal Veterinary Incentive Program**
  - $1,000,000
  - Kentucky Cattlemen's Foundation Inc. was awarded funds to create a large/food animal veterinary incentive program to support licensed veterinarian/technicians practicing large/food animal medicine in Kentucky. This program will reimburse successful applicants with $6,000 per year for a maximum of three years or $18,000 of the student's veterinary college loans.

### 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 **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.

A listing of the loan applications approved between July 1, 2008 and June 30, 2009 follows.
As of June 30, 2009, KAFC had approved a cumulative total of 286 loans for over $35 million and accumulated over $2.3 million in interest.

Agricultural Infrastructure Loan Program (cont.)

Lancaster, Gary Meade $ 15,000
construction of a feed barn
Lawson, R. Michael Marion $ 8,000
collection of a 32’ x 60’ tobacco barn
Luttrell, Darren Ohio $ 126,375
construction of grain handling and storage facilities
Martin, Chet Carlisle $ 42,500
expansion of grain handling facilities
Martin, James Carlisle $ 42,500
expansion of grain handling facilities
Masterson Partnership Marion $ 25,500
construction of manure stack pads as part of dairy operation
Mattingly, William K. Marion $ 100,000
construction of housing and feeding barn for dairy operation
McKee, Mike Henry $ 17,500
construction of a tobacco barn with stripping room, as well as hay and equipment storage
Morris, Greg Marion $ 12,500
construction of a 7,960 bushel grain bin
Ogle, Steve Hancock $ 30,000
construction of tobacco barn
Palmer, Michael Calloway $ 27,500
construction of a dark fired tobacco barn on their property
Pepper, David R. LaRue $ 52,500
construction of a 54,000 bushel grain bin located on 76 acre Ray Farm and machinery/straw barn located on 31 acre Cox Farm
Perrdue, Ray Clinton $ 250,000
construct two poultry layer houses for Cobb-Vantress
Perkins and Perkins Farm Logan $ 100,000
purchase of a grain complex
Petersons Partnership Marion $ 200,000
construction of a 220,000 bushel grain bin
Reding, Aaron Nelson $ 70,000
construction of grain handling and storage facilities
Reed, Thomas Nelson $ 3,500
construction of a hay barn to increase storage capacity
Schneider, Jr., Barry Henderson $ 22,500
construction of a dual purpose tarp building for grain and equipment storage
Stinson, Lonnie Wayne $ 250,000
purchase of 35.47 acres with two layer poultry houses and construction of another poultry house
Turner, Jonathan Trimble $ 39,000
construction of a 54’ x 22’ tobacco barn
Wade, Robert Hardin $ 53,045
replacement of unusable grain bin for storage of grain crops on owned and leased land

Agricultural Processing Loan Program

Siemer Milling Company, Christian $3,000,000
$15 million expansion of Hopkinsville wheat mill. Capacity is 9 million bushels a year with 8.1 million bushels from Kentucky.

Beginning Farmer Loan Program

Calebs, George Michael Laurel $109,497
purchase of 160 acre farm
French, Marion Breckinridge $250,000
construction of three poultry layer houses and equipment
Martin, Derek S. Graves $250,000
purchase of a 28 acre pullet farm operation
McCubbin, Henry Todd Taylor $77,500
purchase of a 255-acre farm from father
Miller, Michael Grant $17,500
purchase dairy cattle
Mims, Kyle Clinton $213,300
purchase 48% interest in the family poultry and grain
Pawley, Ben Hardin $27,995
purchase of 100 Holstein heifers
Ragland, Caleb LaRue $250,000
construction of a 1,600 sow farrow-to-wean facility
Rogers, Clayton Nelson $15,000
purchase of 100 Holstein heifers
Russell, Delaina Adair $113,904
purchase of land and construction of buildings
Rutherford, Steven O. Graves $250,000
purchase of 32 acres breeder farm, including land, breeder barns, and other farm structures.
Smith, Joshua Calloway $41,666
purchase 32.28 acre farm and capital improvements including well and pond for irrigation purposes
Walker, Kelly Hancock $110,000
purchase 208 acres
Wilson, Nathan L. Fulton $250,000
construction of two wean to finish hog barns
Yoder, Wesley Wayne $250,000
construction of two poultry layer houses for Cobb
Young, Greg Marion $37,500
purchase of 98-acre farm

Large/ Food Animal Veterinary Loan Program

Lipps, Melissa Shelby $88,565
purchase 50% interest in the Shelby Veterinary Clinic

As of June 30, 2009, KAFC had approved a cumulative total of 286 loans for over $35 million and accumulated over $2.3 million in interest.
The Commonwealth’s long-term plan for agriculture recognizes the state’s rural landscape and environmental quality as valuable assets in marketing both Kentucky and its agricultural products.

Environmental stewardship includes farm management techniques that preserve our natural resources, complimentary crops (such as mushrooms and ginseng), and woodlot management. The disposal of dead animals is also an important element in environmental health and stewardship.

- Cultivating Rural Prosperity

Soil & Water Quality Cost-share

The Kentucky Agricultural Development Fund supports the Division of Conservation’s Soil Erosion and Water Quality Cost-share Program through a legislatively mandated annual appropriation of $9,000,000. Over 2,600 applicants were approved in 2008-2009 for various practices, including animal waste control facilities, forest erosion control, heavy use area protection, pasture & hayland erosion control, vegetative filter strip, and more.

In addition to environmental stewardship efforts through DOC’s programs, the following projects were approved through the Agricultural Development Fund for fiscal year 2009:

- Flood Plain Remediation $30,000
  Jackson Purchase RC&D Foundation was awarded funds to remediate the flooding in the Clarks River Flood Plain in Calloway County.

- Hillside Reclamation Program $100,000
  The Buffalo Trace Area Development District Inc. was awarded Bracken County funds to implement a hillside reclamation cost-share program to assist producers in improving marginal pasture land to increase the total livestock carrying capacity of the land.

Scott County Farmland Preservation $5,000
Thoroughbred RC&D Council was awarded funds for a purchase of conservation easements program.

Shelby County Dead Animal Removal $10,000
Shelby County Fiscal Court was awarded funds to provide Shelby County residents dead animal removal services for fiscal year 2009.

Todd County Dead Animal Removal $6,534
Todd County Fiscal Court was awarded funds to cost-share on the dead animal removal program for fiscal year 2009.

Flood Plain Remediation              $30,000
Jackson Purchase RC&D Foundation was awarded funds to remediate the flooding in the Clarks River Flood Plain in Calloway County.

Hillside Reclamation Program          $100,000
The Buffalo Trace Area Development District Inc. was awarded Bracken County funds to implement a hillside reclamation cost-share program to assist producers in improving marginal pasture land to increase the total livestock carrying capacity of the land.

Farm Animal Removal

In 2008 the Food and Drug Administration passed a regulation that prohibits the use of certain cattle-derived materials from being used in any animal feed, which includes the brain and spinal cord of cattle 30-months and older. As a result of this change in federal regulation, many dead animal haulers cancelled services for picking up dead farm animals.

"A nation that destroys its soils destroys itself. Forests are the lungs of our land, purifying the air and giving fresh strength to our people."

- Franklin D. Roosevelt
In March 2009, the Kentucky Agricultural Development Board stepped in to provide a stop-gap measure to provide time for the development of long-term solutions. The Deceased Farm Animal Removal Program was developed to serve as an interim measure to facilitate the coordination of environmentally sound and cost-effective disposal of deceased livestock for Kentucky producers. Through this program County Agricultural Development Councils have the opportunity to commit a portion of their county's agricultural development funds to an approved program within their county for fiscal year 2010.

This program was developed in partnership with the Kentucky Division of Conservation, as well as local and state stakeholders. KDOC also offered a cost-share program to assist counties with related expenditures by utilizing a portion of their Environmental Stewardship Fund, which receives an annual appropriation from the Agricultural Development Fund.

The following were approved for a Deceased Farm Animal Removal Program, during fiscal year 2009:

- Carroll County Fiscal Court $2,025
- Hardin County Fiscal Court $7,500
- Henry County Fiscal Court $7,500
- Madison County Fiscal Court $7,500
- Metcalfe County Conservation District $2,250
- Monroe County Conservation District $3,750
- Nelson County Fiscal Court $7,500
- Spencer County Fiscal Court $3,250
- Trimble County Fiscal Court $2,500
- Washington County Conservation District $6,677
Research & Development

B iotechnology, genetic engineering and molecular farming may hold promise for adapting agricultural crops and livestock to new purposes. Plants and animals may be engineered to produce a variety of valuable biological molecules ranging from vaccines to biodegradable plastics.

The key issue to be addressed as plant-based pharmaceuticals and other “molecular farming” products are developed is to assure material benefit for farmers through novel models of intellectual property ownership and commercialization.

- Cultivating Rural Prosperity

Research, development and technical assistance project for FY2009 totaled $782,507 and included the following:

Beef Processing Facility Development $130,000
South Kentucky Rural Electric Cooperative Corp. was awarded funds to develop an in-depth plan for a beef processing plant in southeastern Kentucky. The business plan will be a guide for construction, staffing and operation of the facility that would produce beef jerky, beef snack foods and pork rinds.

Breathitt Veterinary Center $300,000
Murray State University was awarded funds for a feasibility study to analyze the effects of replacing or renovating the Breathitt Veterinary Center.

Bovine Colostrum Supplements $351,257
Re-Borne Inc. was awarded funds for research, equipment, and start up costs for a production facility that will source, process, market, and sell a sterile bovine colostrum based nutrient supplement.

Regional Strategy for Biobased Products $1,250
in the Mississippi Delta
Memphis Bioworks Foundation was awarded funds for the development of a regional plan and implementation strategy to create new opportunities for producers by stimulating the development of value-added processing, spurring the commercialization of alternative crops, and creating jobs.
Farm Family Education and Computer Literacy

Farm Family Education and Computer Literacy are important components of the long-term plan, especially with respect to the top priority of marketing. As on-line marketing increases, as well as the emphasis on tracking food from the farm to the plate, basic computer skills and training in new technologies are vital in keeping farmers competitive in today’s market.

Additionally, educational programs that focus on the needs of the farm families in such areas as financial planning, personal development and vocational training can increase net farm income through better business practices.

As part of the KADF’s incentive programs, all participants are required to attend an appropriate agricultural education session as a condition of receiving cost-share funds.

The Pilot Farm Management program was designed to encourage the use of farm management services and programs. The three programs eligible for cost-share included Dairy Herd Improvement, Farm Business Analysis and The Beef Connection LLC. During fiscal year 2009, six farmers in two counties took advantage of this program, totaling $9,540.

Other Educational Projects

Bath County Farm Welding Program $14,080
The Bath County Cattlemen’s Association Inc. was awarded funds for an educational welding program for tobacco dependent farmers.

Caroline’s Garden $10,000
These funds were awarded for the development of a model farm educational program for youth in and around Trigg County.

Computer Education for Ag Students $12,500
The Bullitt County Board of Education was awarded funds to purchase computers for the Bullitt Central Vocational Agriculture Department to provide computer training to help producers manage their farming operations.

Grayson County Farm Welding Program $6,000
Grayson County Conservation District was awarded funds for a welding education program for tobacco dependent farmers.

Greenhouse Education $40,000
The Boyle County Foundation was awarded funds to purchase and construct a greenhouse to provide agricultural learning experiences for students.

Greenhouse Education $7,500
The Franklin County High School was awarded funds to build a greenhouse for educational purposes.

Hardin County Farm Welding Program $5,146
The Hardin Co. Cattlemen’s Association was awarded funds for an educational welding program for tobacco dependent farmers.

Jessamine County Farm Welding Program $10,000
The Jessamine Co. FFA Alumni Association was awarded funds for an educational welding program for tobacco dependent farmers.

“If you want one year of prosperity, plant corn. If you want ten years of prosperity, plant trees. If you want one hundred years of prosperity, educate people.”

— Chinese proverb
Farm Family Education & Computer Literacy cont.

Meade County Farm Welding Program          $5,197
The Breckinridge County Board of Education was awarded funds to provide an educational welding program for tobacco dependent farmers in Meade County.

Switchgrass Education & Seeding Program        $51,000
The Washington County Cattlemen’s Association Inc. was awarded Washington County funds to provide an education and seeding program for the establishment of switchgrass.

Youth Aquaculture Education           $5,115
The Lawrence County Board of Education was approved for funds to purchase aquaculture equipment for the high school agriculture curriculum.

Youth Cost-share Program           $17,860
The Daviess County Conservation District was awarded funds to provide cost-share to youth interested in beginning or developing an agricultural production enterprise.

Youth Cost-share Program           $  9,000
The Jessamine County FFA Alumni Association Inc. was awarded funds to provide a student agriculture project cost-share program in Jessamine County.

Youth Program Development           $18,909
The Trigg County 4-H Council was awarded funds to purchase livestock equipment for the expansion and improvement of youth programs in the region.
Kentucky’s ability to seize opportunities depends directly on the awareness and responsiveness of local leaders to the issues confronting rural communities.

Nurturing local leadership, adequately supporting County Agricultural Development Councils and investing in the enhancement of the Extension Service network will better position rural leaders to create new opportunities in their communities.

- Cultivating Rural Prosperity

**County Councils**

County Agricultural Development Councils have assumed substantial responsibility at the local level for the future of Kentucky agriculture.

Administrative funds are available to the county councils in counties with $20,000 or more in their annual allotment. These administrative funds may be utilized in doing the business of the council.

For FY2009, 51 counties utilized a total of $276,072 in County Agricultural Development funds for council administration. That is less than two percent of the county fund allocation for all counties.

Legislation passed in the 2009 General Assembly will also help expand the leadership opportunities available in the counties.

Senate Bill (SB) 83 amended KRS 248.721 to expand the size of the county councils, establish term limits for council members and set procedures for replacement of council members. These changes will take effect July 1, 2010.

**Kentucky Agricultural Leadership Program**

In 2008 the KADB approved funding for the continuation of a statewide agricultural leadership program, formerly known as the Philip Morris Leadership Program, through an endowment.

The Kentucky Agricultural Leadership Program (KALP) is a statewide agricultural leadership program for farmers and agribusiness people that focuses on leadership skills, economic subject matter and enhancing the management skill of the participants.

Toward the end of FY2009, KALP staff began recruiting efforts for a new class to begin in 2010.
## 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.

At the beginning of the 2009 fiscal year, 13 model cost-share programs were available for counties to utilize in providing cost-share assistance to individual farmers for their farm enterprises. Below is a listing of programs, administrators and the amount of funding received.

### Agricultural Diversification
- **Bath County, Agriculture Communications Association** $68,250
- **Boone County Farmers’ Market Assoc.** $20,000
- **Bourbon County Fiscal Court** $7,101
- **Bracken, Buffalo Trace ADD** $6,788
- **Butler, Green River Swarmcatchers Inc.** $8,475
- **Carter County Agriculture Advancement Association** $11,903
- **Clark County Conservation District** $22,641
- **Fayette County Conservation District** $40,000
- **Grant County Agricultural Diversification Council** $15,750
- **Hancock, Green River ADD** $14,998
- **Harrison County Beef Cattle Association** $25,000
- **Jessamine County Sheep and Wool Producers Association** $22,500
- **Lewis County Conservation District** $20,000
- **Logan County Farm Bureau of Logan County, Ky.** $20,000
- **Magoffin County Horse Association** $31,599
- **Bardstown-Nelson County Chamber of Commerce** $20,000
- **Powell County Beekeepers Association** $7,000
- **Rowan County Fiscal Court** $6,000

### Cattle Genetics Improvement
- **Bath County, Agriculture Communications Association** $97,500
- **Carter County Agricultural Advancement Association** $18,829
- **Clinton County Farm Bureau Inc. of Albany, Kentucky** $55,445
- **Fayette County Cattlemen’s Association** $50,000
- **Grant County Cattlemen’s Association** $15,750
- **Harrison County Beef Cattle Association** $75,000
- **Jessamine County Beef Cattle Association** $4,175
- **Lewis County Conservation District** $18,255
- **Lincoln County Cattlemen’s Association** $30,000
- **Rowan County Fiscal Court** $9,827

### Cattle Handling Facilities
- **Carter County Agricultural Advancement Council** $18,506
- **Fayette County Cattlemen’s Association** $40,000
- **Grant County Agricultural Diversification Council** $14,550
- **Harrison County Beef Cattle Association** $50,000
- **Jessamine County Beef Cattle Association** $10,556
- **Lewis County Conservation District** $49,640
- **Lincoln County Cattlemen’s Association** $14,750
- **Rowan County Fiscal Court** $14,750

“Production agriculture continues to be one of the cornerstones of Kentucky’s overall economy.”

- Roger Thomas
### Dairy Diversification
- Bullitt County Cattlemen’s Association: $3,160
- Lewis County Conservation District: $19,200
- Lincoln County Cattlemen’s Association: $8,250
- Hardin County Dairy Association: $30,000

### Farm Livestock Fencing Improvement
- Bullitt County Cattlemen’s Association: $50,000
- Carter County Agriculture Advancement Assoc.: $16,956
- Fayette County Cattlemen’s Association: $20,000
- Grant County Cattlemen’s Association: $52,500
- Harrison County Beef Cattle Association: $45,000
- Lewis County Conservation District: $85,798
- Robertson County Farm Bureau: $100,000
- Rowan County Fiscal Court: $15,000

### Forage Improvement & Utilization
- Bath County Conservation District: $131,250
- Bourbon County Fiscal Court: $144,629
- Bracken County Conservation District: $27,500
- Breckinridge County, Beef Improvement Council: $50,000
- Bullitt County Cattlemen’s Association: $32,000
- Carter County Agriculture Advancement: $69,400
- Clinton, Clinton/Cumberland Cattlemen’s: $32,907
- Fayette County Conservation District: $90,000
- Grant County Cattlemen’s Association: $15,750
- Harrison County Beef Cattle Association: $50,000
- Laurel County Cattlemen’s Association: $100,000
- Lincoln County Farm Bureau: $39,967
- Lincoln County Cattlemen’s Association: $15,000

### Goat & Sheep Diversification
- Bath County, Foothills Goat Association: $5,000
- Breckinridge County Diversification Council: $35,000
- Carter County Agriculture Advancement: $783
- Franklin County, North Central Ky. Goat Producers Association: $15,000
- Grant County Agricultural Diversification Council: $15,750
- Harrison County Beef Cattle Association: $5,000
- Jessamine County Sheep and Wool Producers Association: $6,750
- Lincoln County Goat & Sheep Producers Association: $20,000
- Montgomery County Foothills Goat Association: $3,000

### Hay, Straw & Commodity Storage
- Bourbon County Fiscal Court: $147,000
- Caldwell-Lyon Cattlemen’s Association: $34,000
- Carter County Agriculture Advancement: $55,649
- Clark County Conservation District: $50,000
- Fayette County Cattlemen’s Association: $147,000
- Grant County Cattlemen’s Association: $52,500
- Greenup County Farm Bureau of Greenup County, Ky.: $52,500
- Harrison County Beef Cattle Association: $200,000
- Jessamine County Beef Cattle Association: $63,000
- Laurel County Cattlemen’s Association: $69,000
- Lewis County Conservation District: $132,959
- Lincoln County Cattlemen’s Association: $60,000
- Rowan County Fiscal Court: $16,000
- Whitley County Farm Bureau of Whitley County, Ky.: $35,000

### On-farm Water Enhancement
- Fayette County Conservation District: $130,000
- Harrison County Beef Cattle Association: $75,000
- Whitley County Farm Bureau of Whitley County, Ky.: $14,700

### Swine Diversification
- Boyle County Farm Bureau: $2,000
- Nelson County, Kentucky Home Pork Producers: $10,000

### Technology
- Caldwell-Lyon Cattlemen’s Association: $34,000
- Fayette County Cattlemen’s Association: $25,000
- Henderson, Green River Beef Improvement: $23,827
- Jessamine County FFA Alumni Association: $3,986
- Warren County Farm Bureau: $12,296
Menu Approach

Several counties adopted a “menu approach,” which constituted two or more model programs offered at the same time under one legal agreement. (See Appendix C for counties that utilized this method.)

County Agricultural Investment Program

Three months into the fiscal year, the process of gathering input and revisions for the board’s fall program and policy review began. Upon recommendation of the KADB program and policy review committee and after three months of gathering stakeholder input, the board not only revised the existing model program guidelines, but also combined them into one umbrella program for counties to offer to their farmers. This approach was a way to broaden access to the diversification funds and enhance accountability at the state and local level.

The county model cost-share programs are now offered as investment areas under the County Agricultural Investment Program (CAIP). This approach offers a more streamlined application process for both the program administrators and the local farmers. It also adds a new investment area – On-farm Energy Efficiency & Production – to help farmers reduce on-farm energy usage and produce renewable energy sources.

CAIP is designed to provide farmers with incentives to allow them to improve and diversify their farm operations. CAIP covers a variety of agricultural enterprises in its 11 investment areas. Program administrators approved must offer all investment areas to producers.

Bourbon County Fiscal Court $398,000
Breathitt County Conservation District $75,000
Bullitt County Cattlemen’s Association $90,000
Butler County Conservation District $60,000
Campbell County Conservation District $34,847
Carroll Co. Agriculture Development Fund $147,995
Casey County Conservation District $243,439
Clark County Conservation District $300,000

Daviess County, Green River Area Beef Improvement Group, $150,000
Edmonson County Conservation District $90,000
Estill County Conservation District $150,000
Franklin County Cattlemen’s Association $164,197
Grant County Cattlemen’s Association $195,000
Hancock County Conservation District $120,176
Hardin County Extension District Board $130,000
Henry County Cattlemen’s Association $318,270
Jefferson County Farm Bureau $63,680
Jessamine County FFA Alumni Association. $255,000
Laurel County Cattlemen’s Association $236,000
Lee County Conservation District $84,439
Lincoln County Cattlemen’s Association $240,000
Madison County Conservation District $300,000
Mason County, Buffalo Trace Area Development District $371,000
McLean County, Green River Area Beef Improvement Group $79,200
Meade County Cattlemen’s Association $71,000
Mercer County Farm Bureau $225,000
Metcalfe County Conservation District $244,409
Monroe County Conservation District $183,072
Morgan County Fiscal Court $197,097
Nelson County Conservation District $165,000
Ohio County Cattlemen’s Association $125,377
Oldham County Farm Bureau of Oldham County, Kentucky $50,000
Owen County Farm Bureau $350,000
Owsley County Conservation District $423,752
Pendleton County Agricultural Diversification Association $223,188
Robertson County Soil Conservation District $250,000
Rowan County Fiscal Court $96,400
Spencer County Conservation District $216,040
Trimble County Cattlemen’s Association $188,000
Webster County, Green River Area Beef Improvement Group $25,639
Woodford County Agriculture Advancement Council $200,000
Kentucky Agricultural Relief Effort

The Kentucky Agricultural Relief Effort (K.A.R.E.) was developed to help farmers whose crops were damaged by 2008’s late spring freeze and the extensive drought that occurred throughout the summer and fall. The K.A.R.E. program helped farmers make improvements and investments related to water availability and forage improvement, using both state and county funds. The following were approved in FY2009 for K.A.R.E.

<table>
<thead>
<tr>
<th>County</th>
<th>County Allocation</th>
<th>State Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boyd County Conservation</td>
<td>$543</td>
<td>$16,811</td>
</tr>
<tr>
<td>Crittenden County Conservation</td>
<td>$646</td>
<td>$23,796</td>
</tr>
<tr>
<td>Floyd County Soil Conservation</td>
<td>$95</td>
<td>$14,770</td>
</tr>
<tr>
<td>Lee County Conservation</td>
<td>$10,850</td>
<td>$13,708</td>
</tr>
<tr>
<td>Letcher County Conservation</td>
<td>$24</td>
<td>$15,244</td>
</tr>
<tr>
<td>Owen County Farm Bureau</td>
<td>$83,220</td>
<td>$56,025</td>
</tr>
<tr>
<td>Owingsley County Conservation</td>
<td>$33,285</td>
<td>$23,021</td>
</tr>
<tr>
<td>Pike County Soil Conservation</td>
<td>$0</td>
<td>$16,506</td>
</tr>
<tr>
<td>Trigg County Conservation</td>
<td>$17,429</td>
<td>$26,666</td>
</tr>
<tr>
<td>Washington Extension Foundation</td>
<td>$160,925</td>
<td>$52,477</td>
</tr>
<tr>
<td>Webster County, Green River Area</td>
<td>$4,921</td>
<td>$24,469</td>
</tr>
</tbody>
</table>

Shared-use Equipment

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.

<table>
<thead>
<tr>
<th>County</th>
<th>Equipment Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butler County Conservation District</td>
<td>$11,250</td>
</tr>
<tr>
<td>Clark County Conservation District</td>
<td>$10,000</td>
</tr>
<tr>
<td>Daviess County Cattlemen’s Association</td>
<td>$5,000</td>
</tr>
<tr>
<td>Estill County Conservation District</td>
<td>$11,900</td>
</tr>
<tr>
<td>Franklin County Conservation District</td>
<td>$8,750</td>
</tr>
<tr>
<td>Lee County Conservation District</td>
<td>$17,000</td>
</tr>
<tr>
<td>Logan County Conservation District</td>
<td>$10,450</td>
</tr>
<tr>
<td>McCreary County Development Association</td>
<td>$400</td>
</tr>
<tr>
<td>Metcalfe County Conservation District</td>
<td>$10,846</td>
</tr>
<tr>
<td>Monroe County Conservation District (2)</td>
<td>$35,846</td>
</tr>
<tr>
<td>Woodford County Conservation District</td>
<td>$11,594</td>
</tr>
</tbody>
</table>
**AGRICULTURAL DEVELOPMENT FUND**  
**Fiscal Year 2009**

<table>
<thead>
<tr>
<th>FUNDS</th>
<th>STATE</th>
<th>COUNTY</th>
<th>TOTAL</th>
<th>COUNTY</th>
<th>Off Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF Beginning Cash-July 2008</td>
<td>$ 26,860,517</td>
<td></td>
<td>$ 26,860,517</td>
<td></td>
<td>$ 18,994,679</td>
</tr>
<tr>
<td>Transfers In</td>
<td>$ 20,834,849</td>
<td>$ 17,611,111</td>
<td>$ 38,445,960</td>
<td></td>
<td>$ 17,611,111</td>
</tr>
<tr>
<td>Transfer out/budget reduction</td>
<td>$ (12,545,000)</td>
<td></td>
<td>$ (12,545,000)</td>
<td></td>
<td>$ 200,216</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADF Funds Available</strong></td>
<td>$ 35,150,366</td>
<td>$ 17,611,111</td>
<td>$ 52,761,477</td>
<td></td>
<td>$ 36,806,006</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursements/Expenditures</td>
<td>$ 7,107,870</td>
<td></td>
<td>$ 7,107,870</td>
<td></td>
<td>$ 15,712,852</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>$ 8,650,179</td>
<td>$ 17,611,111</td>
<td>$ 26,261,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADF Expenditures</strong></td>
<td>$ 15,758,049</td>
<td>$ 17,611,111</td>
<td>$ 33,369,160</td>
<td></td>
<td>$ 15,712,852</td>
</tr>
<tr>
<td><strong>Cash Balances</strong></td>
<td>$ 19,392,317</td>
<td></td>
<td>$ 19,392,317</td>
<td></td>
<td>$ 21,093,154</td>
</tr>
<tr>
<td>Grants - Unexpended commitments</td>
<td>$ (4,712,094)</td>
<td></td>
<td>$ (4,712,094)</td>
<td></td>
<td>$ (6,610,478)</td>
</tr>
<tr>
<td>Actual Available Grant Balance</td>
<td>$ 14,680,223</td>
<td></td>
<td>$ 14,680,223</td>
<td></td>
<td>$ 14,482,676</td>
</tr>
</tbody>
</table>
Appendix A: Financial Statements (cont.)

KAFC Statement of Financial Position
Fiscal Year 2009

Assets:

Interest Earned from Loans $1,302,893
Interest Earned from State Investment Commission $1,016,974
Account 2802 (Interest Fund) $2,319,867
Account 2803 (Loan Fund) $8,128,155
Funds Loaned to Borrowers $22,934,714
KADB Approved Loans not Transferred $100,000
Funds held by State (ADB not transferred to KAFC) $2,000,000

Total Assets $35,482,736

KAFC Cash Flow (FY2009)

<table>
<thead>
<tr>
<th>Month</th>
<th>Jul-08</th>
<th>Aug-08</th>
<th>Sep-08</th>
<th>Oct-08</th>
<th>Nov-08</th>
<th>Dec-08</th>
<th>Jan-09</th>
<th>Feb-09</th>
<th>Mar-09</th>
<th>Apr-09</th>
<th>May-09</th>
<th>Jun-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand (beginning of month)</td>
<td>9,276,274</td>
<td>8,982,613</td>
<td>8,534,800</td>
<td>7,638,082</td>
<td>7,025,261</td>
<td>7,914,785</td>
<td>6,859,072</td>
<td>6,864,778</td>
<td>11,277,263</td>
<td>10,595,113</td>
<td>10,618,736</td>
<td>10,781,463</td>
</tr>
</tbody>
</table>

CASH RECEIPTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Jul-08</th>
<th>Aug-08</th>
<th>Sep-08</th>
<th>Oct-08</th>
<th>Nov-08</th>
<th>Dec-08</th>
<th>Jan-09</th>
<th>Feb-09</th>
<th>Mar-09</th>
<th>Apr-09</th>
<th>May-09</th>
<th>Jun-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Payments (2803)</td>
<td>70,553</td>
<td>35,523</td>
<td>219,643</td>
<td>61,589</td>
<td>55,806</td>
<td>96,731</td>
<td>143,168</td>
<td>217,151</td>
<td>108,698</td>
<td>208,921</td>
<td>344,828</td>
<td>169,027</td>
</tr>
<tr>
<td>Interest Payments (2802)</td>
<td>14,006</td>
<td>6,231</td>
<td>8,230</td>
<td>13,647</td>
<td>12,732</td>
<td>19,939</td>
<td>34,717</td>
<td>78,872</td>
<td>12,822</td>
<td>182,400</td>
<td>8,917</td>
<td>35,113</td>
</tr>
<tr>
<td>Interest Earned (SIC / 2802)</td>
<td>0</td>
<td>18,362</td>
<td>22,036</td>
<td>9,017</td>
<td>14,512</td>
<td>11,586</td>
<td>3,679</td>
<td>3,068</td>
<td>2,227</td>
<td>2,189</td>
<td>2,162</td>
<td>26,605</td>
</tr>
<tr>
<td>TOTAL CASH RECEIPTS</td>
<td>84,559</td>
<td>60,116</td>
<td>249,910</td>
<td>84,254</td>
<td>83,050</td>
<td>128,255</td>
<td>181,563</td>
<td>299,091</td>
<td>123,747</td>
<td>393,510</td>
<td>355,906</td>
<td>230,745</td>
</tr>
</tbody>
</table>

TOTAL Cash Available (before cash out) 9,360,833 9,042,729 8,784,710 7,722,336 8,108,310 8,043,041 7,365,635 12,635,370 11,488,703 11,167,301 10,974,642 10,012,208 12,012,208

CASH PAID OUT

<table>
<thead>
<tr>
<th>Item</th>
<th>Jul-08</th>
<th>Aug-08</th>
<th>Sep-08</th>
<th>Oct-08</th>
<th>Nov-08</th>
<th>Dec-08</th>
<th>Jan-09</th>
<th>Feb-09</th>
<th>Mar-09</th>
<th>Apr-09</th>
<th>May-09</th>
<th>Jun-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Closed (Funds Wired)</td>
<td>378,220</td>
<td>507,929</td>
<td>1,146,628</td>
<td>697,075</td>
<td>193,525</td>
<td>1,183,369</td>
<td>500,857</td>
<td>1,358,107</td>
<td>893,590</td>
<td>548,565</td>
<td>193,179</td>
<td>1,564,185</td>
</tr>
<tr>
<td>Refunds/Corrections</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL CASH PAID OUT</td>
<td>378,220</td>
<td>507,929</td>
<td>1,146,628</td>
<td>697,075</td>
<td>193,525</td>
<td>1,183,369</td>
<td>500,857</td>
<td>1,358,107</td>
<td>893,590</td>
<td>548,565</td>
<td>193,179</td>
<td>1,564,185</td>
</tr>
<tr>
<td>Cash Position (end of month)</td>
<td>8,982,613</td>
<td>8,534,800</td>
<td>7,638,082</td>
<td>7,025,261</td>
<td>7,914,785</td>
<td>6,859,072</td>
<td>6,864,778</td>
<td>11,277,263</td>
<td>10,595,113</td>
<td>10,618,736</td>
<td>10,781,463</td>
<td>10,448,023</td>
</tr>
</tbody>
</table>

ESSENTIAL OPERATING DATA (non cash flow information)

<table>
<thead>
<tr>
<th>Item</th>
<th>Jul-08</th>
<th>Aug-08</th>
<th>Sep-08</th>
<th>Oct-08</th>
<th>Nov-08</th>
<th>Dec-08</th>
<th>Jan-09</th>
<th>Feb-09</th>
<th>Mar-09</th>
<th>Apr-09</th>
<th>May-09</th>
<th>Jun-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Committed, Not Paid ($)</td>
<td>7,777,685</td>
<td>7,291,828</td>
<td>6,917,442</td>
<td>6,868,757</td>
<td>6,282,772</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Balance (owed KAFC)</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total KAFC Funds (uncommitted)</td>
<td>5,499,578</td>
<td>5,303,285</td>
<td>5,701,294</td>
<td>5,912,706</td>
<td>6,165,251</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Appendix B: Linked Deposit Activity Report

## Outstanding Loans Per Lender as of June 30, 2009

<table>
<thead>
<tr>
<th>Lending Institution</th>
<th>Total Loans</th>
<th>Outstanding Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Cecilian Bank</td>
<td>1</td>
<td>$16,182</td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td>1</td>
<td>$35,169</td>
</tr>
<tr>
<td>Citizens National Bank</td>
<td>1</td>
<td>$95,000</td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td>7</td>
<td>$147,755</td>
</tr>
<tr>
<td>Kentucky Banking Centers, Inc.</td>
<td>1</td>
<td>$50,000</td>
</tr>
<tr>
<td>PBK Bank</td>
<td>1</td>
<td>$8,255</td>
</tr>
<tr>
<td>South Central Bank of Barren County</td>
<td>47</td>
<td>$2,279,869</td>
</tr>
<tr>
<td>The Springfield State Bank</td>
<td>2</td>
<td>$185,600</td>
</tr>
<tr>
<td>Traditional Bank</td>
<td>10</td>
<td>$467,397</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71</td>
<td><strong>$3,285,227</strong></td>
</tr>
</tbody>
</table>

## Loan Payoffs July 1, 2008 - June 30, 2009

<table>
<thead>
<tr>
<th>Lending Institution</th>
<th>Borrower</th>
<th>Payoff Date</th>
<th>Payoff Date</th>
<th>Lender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Banking and Trust Company</td>
<td>Mark and Janice Adams</td>
<td>3/16/2009</td>
<td>South Central Bank (cont.)</td>
<td>Donnie Perry</td>
</tr>
<tr>
<td></td>
<td>Douglas and Paulette Furlong</td>
<td>1/2/2009</td>
<td></td>
<td>Leonard and Irene Smith</td>
</tr>
<tr>
<td></td>
<td>Tommy Garrett</td>
<td>1/2/2009</td>
<td></td>
<td>Anthony and Angela Sneed</td>
</tr>
<tr>
<td></td>
<td>Stanley Jewell</td>
<td>1/2/2009</td>
<td></td>
<td>Ulysses and Carolyn Strader</td>
</tr>
<tr>
<td></td>
<td>Chris Kingery</td>
<td>1/2/2009</td>
<td></td>
<td>Keith and Vicki Weaver</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cecilian Bank</td>
<td>Timothy &amp; Kimberly Huffman</td>
<td>6/16/2009</td>
<td>Springfield State Bank</td>
<td>John and Mary Jones</td>
</tr>
<tr>
<td></td>
<td>Jerry Simcoe (Simcoe Farms)</td>
<td>6/10/2009</td>
<td></td>
<td>Bobby Arnett</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td>Robert M. Hudgins</td>
<td>1/2/2009</td>
<td>Traditional Bank</td>
<td>Robert Amburgey</td>
</tr>
<tr>
<td></td>
<td>Thomas F. Hudgins</td>
<td>1/2/2009</td>
<td></td>
<td>William and Judy Amett</td>
</tr>
<tr>
<td></td>
<td>Old Friends, Inc.</td>
<td>1/2/2009</td>
<td></td>
<td>Gayle Arnold</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Raymond Donathan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens First Bank</td>
<td>William H. Smith</td>
<td>2/17/2009</td>
<td></td>
<td>Roy Vernon Ginter</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td>Terry W. Crouch</td>
<td>12/30/2008</td>
<td></td>
<td>Russell Hatton</td>
</tr>
<tr>
<td></td>
<td>Bryan K. Richardson</td>
<td>12/12/2008</td>
<td></td>
<td>Ricky Howard</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Doyle King</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Central Bank</td>
<td>Jonathan Bellamy</td>
<td>6/29/2009</td>
<td></td>
<td>Morgan Long</td>
</tr>
<tr>
<td></td>
<td>Jerry and Linda Coleman</td>
<td>1/12/2008</td>
<td></td>
<td>Danny Montgomery</td>
</tr>
<tr>
<td></td>
<td>Kevin and Shelly Crain</td>
<td>6/29/2009</td>
<td></td>
<td>Daryl Montgomery</td>
</tr>
<tr>
<td></td>
<td>David and Debra England</td>
<td>3/2/2009</td>
<td></td>
<td>Joe Myers</td>
</tr>
<tr>
<td></td>
<td>Jason Harper</td>
<td>7/12/2008</td>
<td></td>
<td>William O'Hair</td>
</tr>
<tr>
<td></td>
<td>David Hogue</td>
<td>5/22/2009</td>
<td></td>
<td>Charles Orme</td>
</tr>
<tr>
<td></td>
<td>Joseph B. Hunley</td>
<td>12/12/2008</td>
<td></td>
<td>Charlie Mason Orme</td>
</tr>
<tr>
<td></td>
<td>Doug Jamison</td>
<td>2/27/2009</td>
<td></td>
<td>Dennis Norris</td>
</tr>
<tr>
<td></td>
<td>A. Weldon Jewell</td>
<td>4/12/2009</td>
<td></td>
<td>Eugene Segura</td>
</tr>
<tr>
<td></td>
<td>Weldon &amp; Phyllis Jewell</td>
<td>8/18/2008</td>
<td></td>
<td>Eugene and Vicki Segura</td>
</tr>
<tr>
<td></td>
<td>Jack London</td>
<td>12/22/2008</td>
<td></td>
<td>Virgil Walters</td>
</tr>
<tr>
<td></td>
<td>Randy and Brandi Matthews</td>
<td>7/23/2008</td>
<td></td>
<td>Roger Wilson</td>
</tr>
<tr>
<td></td>
<td>Joe Michael Moore</td>
<td>3/6/2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lee R. Nunn, Jr.</td>
<td>5/13/2009</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Loan Payoffs July 1, 2008 - June 30, 2009 (cont.)

<table>
<thead>
<tr>
<th>Lending Institution</th>
<th>Borrower</th>
<th>Payoff Date</th>
<th>Lender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Banking and Trust Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cecilian Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens First Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Central Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cecilian Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens First Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Central Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cecilian Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens First Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Central Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cecilian Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Commerce National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens First Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens National Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Central Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix C: FY2009 Investments by County
Applications approved between July 1, 2008 and June 30, 2009

**Bath**
- Agricultural Diversification: $68,250
- Cattle Genetics Improvement: $97,500
- Forage Improvement & Utilization: $131,250
- Goat & Sheep Diversification: $5,000

Farm Welding Program: $14,080
The Bath County Cattlemen's Association Inc. was awarded Bath County funds to administer an educational welding program for tobacco dependent farmers.

**Boone**
- Agricultural Diversification: $40,000

**Bourbon**
- Agricultural Diversification: $7,101
- C.A.I.P.: $398,000
- Forage Improvement & Utilization: $144,629

**Boyd**
- K.A.R.E. Program: $17,354

**Boyle**
- Swine Diversification: $2,000
- Greenhouse Education: $40,000
  The Boyle County Foundation was awarded Boyle County funds to purchase and construct a greenhouse to provide agricultural learning experiences for students.

**Bracken**
- Agricultural Diversification: $6,788
- Forage Improvement & Utilization: $27,500

**Breathitt**
- Shady Lawn Farm: $5,000
  Shady Lawn Farm was awarded Bracken County funds for the expansion of a goat dairy operation.
- C.A.I.P.: $75,000

**Breckinridge**
- Forage Improvement & Utilization: $50,000
- Goat & Sheep Diversification: $35,000

**Bullitt**
- C.A.I.P.: $90,000
- Dairy Diversification: $3,160
- Farm Livestock Fencing Improvement: $50,000
- Forage Improvement & Utilization: $32,000

**Computer Education for Ag Students**
- $12,500
  The Bullitt County Board of Education was awarded funds to purchase computers for Bullitt Central High School Vocational Agriculture for computer training to help producers manage their farming operations.

**Butler**
- Agricultural Diversification: $8,475
- C.A.I.P.: $60,000
- Shared-use Equipment: $11,250

**Menu Program**
- $6,199
  The Mammoth Cave Area Goat Producers Association Inc. was awarded Butler County funds to administer two model programs in a menu approach.

**Campbell**
- C.A.I.P.: $34,847

**Menu Program**
- $29,277
  The Campbell County Conservation District was awarded Campbell County funds to administer eight model programs in a menu approach.

**Carroll**
- C.A.I.P.: $147,995
- Deceased Farm Animal Disposal Assistance Program: $2,025
- Pilot Farm Management: $8,300

**Menu Program 1**
- $31,200
  Carroll County Agriculture Development Fund Inc. was awarded Carroll County funds to administer six model programs in a menu approach.

**Menu Program 2**
- $5,200
  Carroll County Agriculture Development Fund Inc. was awarded Carroll County funds to administer six model programs in a menu approach.

**Carter**
- Agricultural Diversification: $11,903

Murray State University was awarded funds for a feasibility study to analyze the effects of replacing or renovating the Breathitt Veterinary Center.

Farmers' Market Award
- $15,685
  Jackson Purchase RC&D was awarded funds for the construction of a farmers' market facility in Calloway County.

Flood Plain Remediation
- $30,000
  Jackson Purchase RC&D Foundation was awarded funds to remediate the flooding in the Clarks River Flood Plain in Calloway County.

Regional Strategy for Biobased Products in the Mississippi Delta
- $1,250
  Memphis Bioworks Foundation was awarded funds for the development of a regional plan and implementation strategy to create new opportunities for producers by stimulating the development of value-added processing, spurring the commercialization of alternative crops and creating jobs.

Calloway
- Breathitt Veterinary Center: $300,000
- Menu Program 1: $34,000
- Farmers' Market Award: $15,685
  Jackson Purchase RC&D was awarded funds for the construction of a farmers' market facility in Calloway County.

**Caldwell**
- Hay, Straw, & Commodity Storage: $34,000
- Technology: $34,000

**Regional Strategy for Biobased Products in the Mississippi Delta**
- $1,250
  Memphis Bioworks Foundation was awarded funds for the development of a regional plan and implementation strategy to create new opportunities for producers by stimulating the development of value-added processing, spurring the commercialization of alternative crops and creating jobs.

**Campbell**
- C.A.I.P.: $34,847

**Menu Program**
- $29,277
  The Campbell County Conservation District was awarded Campbell County funds to administer eight model programs in a menu approach.

**Carroll**
- C.A.I.P.: $147,995
- Deceased Farm Animal Disposal Assistance Program: $2,025
- Pilot Farm Management: $8,300

**Menu Program 1**
- $31,200
  Carroll County Agriculture Development Fund Inc. was awarded Carroll County funds to administer six model programs in a menu approach.

**Menu Program 2**
- $5,200
  Carroll County Agriculture Development Fund Inc. was awarded Carroll County funds to administer six model programs in a menu approach.

**Carter**
- Agricultural Diversification: $11,903
Central Kentucky Meats Inc. (CKCM) was awarded state funds, as zero interest loan, to purchase necessary equipment and make renovations to expand its product and service offerings.

The Clark County Conservation District was awarded Clark County funds to administer two model programs in a menu approach.

The Edmonson County Conservation District Inc. was awarded Edmonson County funds to administer five model programs in a menu approach.

The Edmonson County Cattleman Association Inc. was awarded Edmonson County funds to administer five model programs in a menu approach.

The Edmonson County Conservation District was awarded Edmonson County funds to provide cost-share to youth interested in beginning or developing an agricultural production enterprise.

Elliott Cattle Genetics Improvement $20,314
Cattle Handling Facilities $41,690
Hay, Straw, & Commodity Storage $59,963

The Fleming County Conservation District was awarded county funds to administer 10 model programs in a menu approach.

The University of Kentucky was awarded state funds to establish an endowment for the Ky. Agricultural Leadership Program.

The Kentucky Cattlemen’s Foundation Inc. was awarded state funds to create a large/food animal veterinary incentive program to support licensed veterinarian/technicians practicing large/food animal medicine in Kentucky.

Franklin County High School was awarded Franklin County funds to build a greenhouse on the grounds of Franklin County High School.

(The Continued on page VI)
Kentucky Proud Program  $3,330,000
The Kentucky Department of Agriculture was awarded state funds to continue the promotion of the Kentucky Proud Program and related activities designed to instill in Kentucky consumers' minds the value of "buy local" when shopping for food and fiber products.

Menu Program  $117,600
The Franklin County Cattlemen's Association was awarded Franklin County funds to administer multiple model programs in a menu approach.

Grant
Agricultural Diversification  $15,750
C.A.I.P. $195,000
Cattle Genetics Improvement  $15,750
Cattle Handling Facilities  $14,550
Farm Livestock Fencing Improvement  $52,500
Forage Improvement & Utilization  $15,750
Goat & Sheep Diversification  $15,750
Hay, Straw, & Commodity Storage  $52,500
Farmers' Market EBT/Debit  $60,000
Kentucky Farmers' Market Association Inc. was awarded county funds to administer five model programs in a menu approach.

Green
Pilot Farm Management  $1,240
Greenup
Hay, Straw, & Commodity Storage  $52,500
Hancock
Agricultural Diversification  $14,998
C.A.I.P. $120,176
Farmers' Market Development  $10,890
The Hancock County Fiscal Court was awarded $5,445 in state funds and $5,445 in Hancock County funds as a part of the 2008 Farmers' Market Awards Program.

Hardin
C.A.I.P. $130,000
Dairy Diversification  $30,000
Deceased Farm Animal Disposal Assistance Program  $7,500
Farm Welding Program  $5,146
The Hardin County Cattlemen's Association Inc. was approved for $8,873 in Hardin County funds to administer an educational welding program for tobacco dependent farmers.

Menu Program  $30,000
The Hardin County Goat Producers' Association Inc. was awarded Hardin County funds to administer two model programs in a menu approach: Farm Livestock Fencing Improvement; Goat & Sheep Diversification.

Hart
Forage Improvement & Utilization  $70,780
Farmers' Market Promotion  $1,500
The Hart County Chamber of Commerce Inc. was awarded Hart County funds for advertisements, signage, and other needed supplies for the Hart County Farmer's Market.

Menu Program 1  $50,000
Hart County Goat Producers Inc. was awarded Hart County funds to administer two model programs in a menu approach: Farm Livestock Fencing Improvement; Goat & Sheep Diversification.

Menu Program 2  $180,000
The Hart County Cattlemen's Association Inc. was awarded Hart County funds to administer two model programs in a menu approach: Dairy Diversification; Hay, Straw, & Commodity Storage.

Henderson
Technology  $23,827
Henry
C.A.I.P. $318,270
Deceased Farm Animal Disposal Assistance Program  $7,500
Jackson
Menu Approach  $100,000
Appalachian Alternative Agriculture of Jackson County Inc. (3AJC) was awarded county funds to administer four model programs in a menu approach.

Jefferson
C.A.I.P. $63,680
Building Louisville's Local Food Economy  $90,000
The Louisville Jefferson County Metro Government Economic Development Department was approved for $87,750 in state funds and $500 each from Henry, Jefferson, Spencer, and Trimble Counties, as well as $250 from Oldham County, for a Public Interest Broker who will coordinate direct farmer access to Louisville food markets.
The Jessamine County Fiscal Court was awarded Jessamine County funds to build a community kitchen for producers in the area.

Farm Welding Program $10,000
The Jessamine County FFA Alumni Association, Inc was awarded Jessamine County funds to administer an educational welding program for tobacco dependent farmers.

Youth Cost-share Program $9,000
The Jessamine County FFA Alumni Association Inc. was awarded Jessamine County funds to provide a student agriculture project cost-share program.

Laurel
C.A.I.P. $236,000
Forage Improvement & Utilization $100,000
Hay, Straw, & Commodity Storage $69,000

Lawrence
Youth Aquaculture Education $5,115
The Lawrence County Board of Education was approved for funds to purchase aquaculture equipment for the high school agriculture curriculum.

Lee
C.A.I.P. $84,439
K.A.R.E. Program $24,558
Shared-use Equipment $17,000

Letcher
K.A.R.E. Program $15,268

Lewis
Agricultural Diversification $20,000
Cattle Genetics Improvement $18,255
Cattle Handling Facilities $49,640
Dairy Diversification $19,200
Farm Livestock Fencing Improvement $65,798
Hay, Straw, & Commodity Storage $132,859

Lincoln
C.A.I.P. $240,000
Cattle Genetics Improvement $30,000
Cattle Handling Facilities $14,750
Dairy Diversification $8,250
Forage Improvement & Utilization $54,967
Goat & Sheep Diversification $20,000
Hay, Straw, & Commodity Storage $60,000
Honey Marketing & Education $6,500
Lincoln County Beekeepers Inc. was awarded funds to conduct educational seminars on honey production and marketing and provide a cost-share assistance program related to the production, packaging and marketing of honey.

Logan
Agricultural Diversification $20,000
Shared-use Equipment $10,450
Agricultural Sale & Show Facility $117,500
The Logan County Extension District Board was awarded $100,000 in Logan and $5,000 each in Simpson, Todd and Warren County funds and $2,500 in Christian County funds for a multi-purpose agricultural facility for Logan and surrounding counties.

Menu Program $5,846
Dairy Herd Improvement Inc. was awarded Logan County funds to administer two model programs in a menu approach.

Madison
C.A.I.P. $300,000
Deceased Farm Animal Disposal Assistance Program $7,500

Magoffin
Agricultural Diversification $31,599
Menu Program $36,397
The Magoffin County Conservation District was awarded Magoffin County funds to administer three model programs in a menu approach.

Menu Program $38,754
The Magoffin County Cattle Association Inc. was awarded Magoffin County funds to administer five model programs in a menu approach.

Mason
C.A.I.P. $371,000

McClenk
Purple Toad Winery $52,000
Dossey Vineyards LLC was awarded funds to build a new facility and purchase equipment for the expansion of Purple Toad Winery in Paducah.

McCreary
Shared-use Equipment $400

Meade
C.A.I.P. $79,200

McLean
C.A.I.P. $71,000

Farm Welding Program $5,197
The Breckinridge County Board of Education was awarded Meade County funds to administer an educational welding program for tobacco dependent farmers.

Farmers’ Market Facility $53,098
The Meade County Extension District Board was awarded $17,003 in Meade County funds and $36,095 in state funds to construct a permanent market shelter.

Webb’s Butcher Block $125,000
Webb Properties LLC was awarded $124,000 in state and $1,000 in Meade County funds to expand their current value-added processing/marketing operation.

(Continued on page VIII)
Appendix C: FY2009 Investments by County (cont.)

(Continued from page VII)

Menifee

*Menu Approach* $100,000

Menifee County Beef Producers Inc. was awarded county funds to administer four model programs in a menu approach.

Mercer

C.A.I.P. $225,000

*Menu Program* $93,234

The Monroe County Conservation District was awarded Monroe County funds to administer six model programs in a menu approach.

Montgomery

*Goat & Sheep Diversification* $3,000

*Menu Approach* $200,000

The Montgomery County Conservation District was awarded Montgomery County funds to administer three model programs in a menu approach.

Nelson

*Agricultural Diversification* $20,000

C.A.I.P. $165,000

*Menu Program* $216,040

South Kentucky Rural Electric Cooperative Corp. was awarded funds to develop an in-depth plan for a beef processing plan in southeastern Kentucky. The business plan will be a guide for construction, staffing and operation of the facility that would produce beef jerky, beef snack foods and pork rinds.

Nicholas

*Menu Approach* $269,274

The Nicholas County Fiscal Court was awarded county funds to administer eight model programs in a menu approach.

Ohio

C.A.I.P. $125,377

*Menu Program* $93,234

The Monroe County Conservation District was awarded Monroe County funds to administer six model programs in a menu approach.

Oldham

C.A.I.P. $50,000

*Menu Program* $323,981

The Pendleton County Agricultural Diversification Association Inc. was awarded Pendleton County funds to administer ten model programs in a menu approach.

Owen

C.A.I.P. $350,000

K.A.R.E. Program $139,245

*Menu Program* $323,981

The Pendleton County Agricultural Diversification Association Inc. was awarded Pendleton County funds to administer ten model programs in a menu approach.

Owsley

C.A.I.P. $423,752

K.A.R.E. Program $56,306

*Menu Program* $323,981

The Pendleton County Agricultural Diversification Association Inc. was awarded Pendleton County funds to administer ten model programs in a menu approach.

Pendleton

C.A.I.P. $223,188

*Menu Program* $323,981

The Pendleton County Agricultural Diversification Association Inc. was awarded Pendleton County funds to administer ten model programs in a menu approach.

Pike

K.A.R.E. Program $16,506

*Menu Program* $323,981

The Pendleton County Agricultural Diversification Association Inc. was awarded Pendleton County funds to administer ten model programs in a menu approach.

Powell

Agricultural Diversification $7,000

*Menu Program* $50,000

The Powell County Livestock Producers Association Inc. was awarded Powell County funds to administer two model programs in a menu approach.

Pulaski

*Beef Processing Facility Development* $216,040

South Kentucky Rural Electric Cooperative Corp. was awarded funds to develop an in-depth plan for a beef processing plan in southeastern Kentucky. The business plan will be a guide for construction, staffing and operation of the facility that would produce beef jerky, beef snack foods and pork rinds.

Robertson

C.A.I.P. $308,669

Farm Livestock Fencing Improvement $100,000

*Menu Program* $200,000

The Montgomery County Conservation District was awarded Montgomery County funds to administer three model programs in a menu approach.

Rowan

Agricultural Diversification $6,000

C.A.I.P. $96,400

Cattle Genetics Improvement $20,000

Cattle Handling Facilities $9,827

Farm Livestock Fencing Improvement $15,000

Hay, Straw, & Commodity Storage $16,000

Russell

The Russell County Cattlemen’s Association Inc. was awarded county funds to administer four model programs in a menu approach.

*Russell County Farmers’ Market* $3,500

The Russell County Farmers’ Market Association was awarded funds for a mobile shelter for the farmers’ market.

Scott

Farmland Preservation $5,000

Thoroughbred RC&D Council was awarded funds for a purchase of conservation easements program in Scott County.

*Menu Approach* $218,436

The Scott County Beef Improvement Group Inc. was awarded county funds to administer nine model programs in a menu approach.

Regional Agritourism Promotion $50,000

The Bluegrass Agritourism Association was awarded funds for the establishment of a regional agritourism organization.

*Tenant Program* $38,220

The Scott County Beef Improvement Group Inc. was awarded county funds for the continuation of the tenant farmer program for agricultural equipment.
Shelby

*Bovine Colostrum Supplements* $351,257
Re-Borne Inc. was awarded funds for research, equipment and start-up costs for a production facility that will source, process, market and sell a sterile bovine colostrum based nutrient supplement.

*Dead Animal Removal* $10,000
Shelby County Fiscal Court was awarded funds to provide Shelby County residents dead animal removal services for fiscal year 2009.

Spencer

C.A.I.P. $216,040
Deceased Farm Animal Disposal Assistance Program $3,250

Todd

*Dead Animal Removal* $6,534
Todd County Fiscal was awarded funds to cost-share on the dead animal removal program for fiscal year 2009.

Trigg

*K.A.R.E. Program* $44,095
*Regional Agritourism Promotion* $5,258
The Pennyrile Region Agritourism Association Inc. was awarded $5,258 in county funds from Caldwell, Christian, Lyon, Todd and Trigg Counties to promote Agritourism in the area.

*Youth Education* $10,000
Carolines Garden was awarded Trigg County funds to develop a model farm educational program for area youth.

*Youth Program Development* $18,909
The Trigg County 4-H Council Inc. was awarded county funds from Christian, Trigg, Crittenden, and Calloway Counties to purchase livestock equipment for the expansion and improvement of youth programs in the region.

Trimble

C.A.I.P. $188,000
Deceased Farm Animal Disposal Assistance Program $2,500

Warren

*Agricultural Diversification* $40,000
*Technology* $12,296
*Agritourism Facility Expansion* $10,000
Chaney’s Dairy Barn was awarded Warren County funds to expand their current agritourism facility to accommodate growing sales and increased ice cream production.

*Livestock Processing Facility* $20,000
Johns Custom Meats, LLC was awarded $10,000 each in Barren and Warren County funds to complete the construction of their current livestock processing facility and purchase new equipment.

Washington

*Deceased Farm Animal Disposal Assistance Program* $6,677
*K.A.R.E. Program* $213,402
*Shared-use Equipment* $9,720
*Switchgrass Education & Seeding Program* $51,000
The Washington County Cattlemen’s Association Inc. was awarded Washington County funds to provide an education and seeding program for the establishment of switchgrass.

Wayne

*Deceased Farm Animal Disposal Assistance Program* $3,250
*Foothills Country Meats* $485,000
Foothills Products and Services Inc. was awarded funds to purchase and make improvements to Foothills County Meats a USDA inspected and custom slaughter business in Wayne County.

*Menu Approach* $131,401
The Wayne County Agriculture Development Council Inc. was awarded county funds to administer 10 model programs in a menu approach.

Webster

C.A.I.P. $25,639
K.A.R.E. Program $29,337

(Continued on page XI)
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 effect 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.
Appendix C: FY2009 Investments by County (cont.)

(Continued from page IX)

(Westover County, cont.)

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Menu Program</td>
<td>$8,415</td>
</tr>
</tbody>
</table>

The Green River Area Beef Improvement Group Inc. was awarded Webster County funds to administer two model programs in a menu approach.

Whitley

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hay, Straw, &amp; Commodity</td>
<td>$35,000</td>
</tr>
<tr>
<td>Storage</td>
<td>$14,700</td>
</tr>
<tr>
<td>On-farm Water Enhancement</td>
<td></td>
</tr>
</tbody>
</table>

The Wolfe County Conservation District was awarded county funds to administer three model programs in a menu approach.

W驼fe

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Menu Approach</td>
<td>$117,000</td>
</tr>
</tbody>
</table>

The Wolfe County Agriculture Advancement Council Inc. (WCAAC) was awarded Wolfe County funds to administer three model programs in a menu approach.

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.A.I.P.</td>
<td>$200,000</td>
</tr>
<tr>
<td>Shared-use Equipment</td>
<td>$11,594</td>
</tr>
<tr>
<td>Menu Program 1</td>
<td>$75,750</td>
</tr>
</tbody>
</table>

WCAAC was awarded Woodford County funds to administer three model programs in a menu approach.

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Menu Program 2</td>
<td>$98,818</td>
</tr>
<tr>
<td>Menu Program 3</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

WCAAC was awarded Woodford County funds to administer three model programs in a menu approach.

Photo Credits

Governor's Office of Agricultural Policy
Keeton Communications
Kentucky Office of Creative Services

Full Page Photos:

p. vi, Kentucky Capitol during farmers' market event on capitol lawn
p. 5, Owen County Farmers' Market
p. 9, LaRue County grain bin
P. 13, Franklin County farm
P. 17, Monroe County High School agriculture students (2002)
p. 21, Kentucky wheat

Governor's Office of Agricultural Policy
404 Ann Street
Frankfort, KY 40601
(502) 564-4627
govkyagpolicy@ky.gov
agpolicy.ky.gov