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
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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 10th day of March, in the year of Our Lord Two Thousand Ten and in the 218th year of the Commonwealth.

STEVEN L. BESHEAR
GOVERNOR

Trey Grayson
Secretary of State
TEN YEARS OF INVESTMENTS: A Photo Tribute
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.
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.
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.

<table>
<thead>
<tr>
<th>Priority Area</th>
<th>Investment (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added Processing</td>
<td>$817,704</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>$404,000</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>$220,000</td>
</tr>
<tr>
<td>Production</td>
<td>$328,470</td>
</tr>
<tr>
<td>Marketing</td>
<td>$2,519,972</td>
</tr>
<tr>
<td>Environmental Stewardship</td>
<td>$111,000</td>
</tr>
<tr>
<td>Education</td>
<td>$276,559</td>
</tr>
</tbody>
</table>

Investments
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**

<table>
<thead>
<tr>
<th>FUNDS</th>
<th>STATE</th>
<th>COUNTY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>KADF Beginning Cash-July 2009</td>
<td>$ 19,392,316</td>
<td>$ 19,392,316</td>
<td>$ 19,392,316</td>
</tr>
<tr>
<td>Transfers In</td>
<td>$ 11,868,225</td>
<td>$ 16,419,375</td>
<td>$ 28,287,600</td>
</tr>
<tr>
<td>Transfer out/budget reduction</td>
<td>$(548,464)</td>
<td>$ (548,464)</td>
<td>$(548,464)</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KADF Funds Available</td>
<td>$ 30,712,077</td>
<td>$ 16,419,375</td>
<td>$ 47,131,452</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>STATE</th>
<th>COUNTY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements/Expenditures</td>
<td>$ 6,819,400</td>
<td>$ 6,819,400</td>
<td>$ 6,819,400</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>$ 16,419,375</td>
<td>$ 16,419,375</td>
<td>$ 16,419,375</td>
</tr>
<tr>
<td>KADF Expenditures</td>
<td>$ 6,819,400</td>
<td>$ 16,419,375</td>
<td>$ 23,238,775</td>
</tr>
</tbody>
</table>

| Cash Balances                              | $ 23,892,677 | $ - | $ 23,892,677 |

| Grants - Unexpended commitments            | $(1,717,190) | $ (1,717,190) | $(1,717,190) |

| Actual Available Grant Balance             | $ 22,175,487 | $ 22,175,487 | $ 15,995,997 |

**Off Budget**

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>STATE</th>
<th>COUNTY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 21,093,154</td>
<td>$ 16,419,375</td>
<td>$ 52,944</td>
<td></td>
</tr>
<tr>
<td>$ 37,565,473</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 18,532,440</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 18,532,440</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 19,033,033</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ (3,037,036)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 15,995,997</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix A: Financial Statements (cont.)

**Cash Flow (FY2010)**

<table>
<thead>
<tr>
<th>Jul-09</th>
<th>Aug-09</th>
<th>Sep-09</th>
<th>Oct-09</th>
<th>Nov-09</th>
<th>Dec-09</th>
<th>Jan-10</th>
<th>Feb-10</th>
<th>Mar-10</th>
<th>Apr-10</th>
<th>May-10</th>
<th>Jun-10</th>
<th>Total Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand (beginning of month)</td>
<td>10,793,022</td>
<td>10,751,570</td>
<td>10,078,507</td>
<td>9,964,762</td>
<td>9,499,486</td>
<td>9,212,294</td>
<td>6,690,236</td>
<td>6,914,893</td>
<td>6,676,639</td>
<td>6,400,804</td>
<td>6,096,638</td>
<td>6,536,704</td>
</tr>
</tbody>
</table>

**CASH RECEIPTS**

- Principal Payments (2803): 43,148
- Interest Payments (2802): 5,200
- Interest Earned (SIC / 2802): 0
- Total Cash Receipts: 48,348

**OTHER INCOME (0% Loans)**: 50,000

**Total Cash Available (before cash out)**: 10,891,370

**CASH PAID OUT**

- Loans Closed (Funds Wired): 139,800
- Refunds/Corrections: 0
- Total Cash Paid Out: 139,800

**Cash Position (end of month)**: 10,751,570

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

- Loans Committed, Not Paid: 6,520,776
- Debt Balance (owed KABC): 2,000,000
- KABC Funds (uncommitted): 6,230,794
- Pending Loans ($): 6,965,930

**KABC Statement of Financial Position**

**Fiscal Year 2010**

**Assets:**

- Interest Earned from Loans: $1,776,079
- Interest Earned from State Investment Commission: $1,054,534

| 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 | $2,000,000 |

**Total Assets**: $37,525,825
Appendix B: Linked Deposit Activity Report

Linked Deposit Loan Program:
FY 2010 Activity Report

Outstanding Loans Per Lender as of June 30, 2010

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

Loan Payoffs July 1, 2009 - June 30, 2010

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

<table>
<thead>
<tr>
<th>County</th>
<th>CAIP</th>
<th>DAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adair</td>
<td>$184,177</td>
<td>$ 2,890</td>
</tr>
<tr>
<td>Allen</td>
<td>$149,641</td>
<td>$ 1,540</td>
</tr>
<tr>
<td>Anderson</td>
<td>$191,725</td>
<td>$ 3,975</td>
</tr>
<tr>
<td>Barren</td>
<td>$469,922</td>
<td>$10,750</td>
</tr>
</tbody>
</table>

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.
<table>
<thead>
<tr>
<th>County</th>
<th>CAIP Amount</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barron (cont.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Pavilion</td>
<td>$3,333</td>
<td>The Lions Club Inc. of Temple Hill was approved for $42,025 in Barron County funds for the expansion of an existing pavilion to increase capacity for their growing agriculture events.</td>
</tr>
<tr>
<td><strong>Bath</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$163,755</td>
<td>Ag. Marketing Complex</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Boone</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$150,000</td>
<td>Pilot Farm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management</td>
</tr>
<tr>
<td><strong>Bourbon</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAP</td>
<td>$7,500</td>
<td></td>
</tr>
<tr>
<td><strong>Boyle</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$324,000</td>
<td></td>
</tr>
<tr>
<td>DAP</td>
<td>$7,500</td>
<td></td>
</tr>
<tr>
<td><strong>Bracken</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$308,985</td>
<td></td>
</tr>
<tr>
<td><strong>Breckinridge</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$525,000</td>
<td>Farmers’ Market Facility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welding Program</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td><strong>Clinton</strong></td>
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<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$394,694</td>
<td></td>
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<tr>
<td><strong>Clay</strong></td>
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<tr>
<td>CAIP</td>
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</tr>
<tr>
<td>DAP</td>
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<td><strong>Cumberland</strong></td>
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<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$181,475</td>
<td></td>
</tr>
<tr>
<td><strong>Daviess</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Farmers’ Market Study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Livestock Marketing Facility</td>
<td></td>
<td>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 coral pen to increase their holding capacity.</td>
</tr>
<tr>
<td></td>
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<tr>
<td><strong>Eddison</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot Farm</td>
<td>$1,770</td>
<td>Management</td>
</tr>
<tr>
<td><strong>Elliott</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAIP</td>
<td>$189,938</td>
<td></td>
</tr>
<tr>
<td>Shared-use</td>
<td>$10,000</td>
<td>Equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Farmers’ Market Facility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

*CAIP = “County Agricultural Investment Program”  
DAP = “Deceased Farm Animal Disposal Assistance Program”*
### 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

### Franklin

**CAIP** ........................ $204,738

### 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 Garard 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 Cattlemen’s Association was approved for $75,000 in Grant County funds to construct a livestock marketing and exhibit arena.

### 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

### 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”
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 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
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.

Appendix C: FY2010 Investments by County (cont.)

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.
<table>
<thead>
<tr>
<th>County</th>
<th>CAIP (funds)</th>
<th>DAP (funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simpson</td>
<td>$74,820</td>
<td>$3,600</td>
</tr>
<tr>
<td>Taylor</td>
<td>$87,463</td>
<td>$7,200</td>
</tr>
<tr>
<td>Todd</td>
<td>$375,600</td>
<td>$5,000</td>
</tr>
<tr>
<td>Trigg</td>
<td>$165,000</td>
<td></td>
</tr>
<tr>
<td>Trimble</td>
<td>$190,000</td>
<td></td>
</tr>
<tr>
<td>Warren</td>
<td>$206,057</td>
<td>$2,500</td>
</tr>
<tr>
<td>Wayne</td>
<td>$254,500</td>
<td></td>
</tr>
<tr>
<td>Wolfe</td>
<td>$120,000</td>
<td></td>
</tr>
<tr>
<td>Woodford</td>
<td>$200,000</td>
<td></td>
</tr>
</tbody>
</table>

**Leadership Cost-share**

The Washington County Cattlemen Association was approved for $14,690 in Washington County funds 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.

\[CAIP = \text{"County Agricultural Investment Program"}\]
\[DAP = \text{"Deceased Farm Animal Disposal Assistance Program"}\]
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.

PHOTO CREDITS

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

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. 9-10, Apples at Ayres’ Orchard farm market in Owen County

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