

GOVERNOR'S OFFICE OF AGRICULTURAL POLICY

ANNUAL REPORT



JULY 2016-JUNE 2017



Since becoming governor of Kentucky, my administration has worked diligently to strengthen and create opportunities within our rural communities. The Master Settlement Agreement (MSA) funds have helped to bolster Kentucky's agricultural sector and created opportunities for producers across the Commonwealth. Our administration is dedicated to helping achieve the Kentucky Agricultural Development Fund's (KADF) mission of diversifying agriculture and increasing net farm income for farmers and farm families.

Kentucky's agriculture industry is robust, diverse and ever changing. The investments made through the KADF, coupled with the determination and innovative spirit of our farmers, have made Kentucky's agricultural industry top in the nation. Our farmers are an economic engine for our state, generating over \$45 billion dollars in economic activity. These monies are often invested back into local communities across the state, thus helping keep

our small towns vibrant and fiscally healthy.

We must continue to fund projects and proposals that increase net farm income for farmers and farm families, develop new markets for locally grown products and add value to Kentucky agricultural businesses. I am committed to ensuring proceeds from future MSA payments are invested wisely and, to the extent possible, will continue to be used to sustain the KADF.

I appreciate the work done by the KADB members on being good stewards of the funds and by my Office of Agricultural Policy staff in facilitating projects and programs.

United we stand, divided we fall — We are Kentucky!

Sincerely,

A handwritten signature in black ink, which appears to read "Matthew G. Bevin". The signature is fluid and cursive.

Matthew G. Bevin
Governor



As I travel the state visiting with county councils, agricultural groups and civic groups, I continue to be amazed at the impact the Kentucky Agricultural Development Fund (KADF) has had on the growth of agriculture in Kentucky. These accomplishments only encourage me to think, "What is the next big step in making these funds more effective?"

This year the Kentucky Agricultural Development Board (KADB) approved adding two additional programs. The *Next Generation Beginning Farmer Pilot Program* helps young farmers move to the front of the funding line, while the *Youth Agricultural Incentives Program*, allows county councils to assist with youth projects. Additionally, the KADB elected to allow counties to offer the County Agricultural Investment Program on an every other year basis to producers, which allows for more funds to be more widely disbursed in that county. It is a county decision to adopt the policy for 2017, which would go into effect in that county in 2018.

Over the last 16 years of the Kentucky Agricultural Development Fund's (KADF) history, there has not been a more diverse group of projects approved by the KADB than what was approved this past fiscal year. Our project portfolio continues to diversify, just as the agricultural industry itself continues to diversify. This year brought innovative projects in the areas of value-added processing, livestock marketing, hemp production and farmers market expansion.

More over, the Kentucky Agricultural Finance Corporation (KAFC) continues to assist farmers, largely young and beginning farmers, in obtaining necessary



capital to begin or expand an agricultural operation. The request for KAFC funds continues to increase at an astonishing rate as lenders become more familiar with our programs. Through these low-interest loans, the board is directly investing in farmers across the Commonwealth and increasing net farm income for those producers.

The KADB remains focused on the original intent of the KADF , which was to invest in innovative projects that increase net farm income by stimulating markets for Kentucky agricultural products. More than \$542 million have been invested in agriculture through the KADF to date, with cash receipts increasing from \$3.7 billion to as high as \$6 billion. The KADF is making a lasting impact across the Commonwealth. The only question is, "What is the next step?" Sincerely,

A handwritten signature in black ink that reads "Warren Beeler". The signature is written in a cursive, slightly slanted style.

Warren Beeler
GOAP Executive Director
KADB Chief Executive Officer
KAFC Chief Executive Officer

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YEAR IN REVIEW



ABOUT US

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. The Kentucky Agricultural Development Board (KADB) and the Kentucky Agricultural Finance Corporation (KAFC) Board are administered by the GOAP.

The **Kentucky Agricultural Development Fund (KADF)**, in statute, is administered by the KADB. The mission of the board is to invest these funds in innovative proposals that increase net farm income and affect tobacco farmers, tobacco-impacted communities and agriculture across the state by stimulating markets for Kentucky agricultural products. This includes finding new ways to add value to Kentucky agricultural products and exploring new opportunities that will benefit Kentucky farms now and in the future.

The KADB is chaired by Governor Matt Bevin 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, Dean of the University of Kentucky College of Agriculture, Food and Environment and the president of Kentucky State University.

The **Kentucky Agricultural Finance Corporation (KAFC)** addresses the unique financing needs of agriculture in the Commonwealth. The mission of the KAFC board is to strengthen Kentucky agriculture by providing access to low-interest loan programs through joint partnerships with local lending institutions. KAFC assists beginning farmers, farm families and agribusinesses in obtaining the necessary capital to establish, maintain or expand their agricultural operation.

The KAFC board is comprised of 10 private members appointed by the Governor: two represent commercial lenders, one a farm credit association, one an agricultural economist, one a tobacco farmer, one a cash grain farmer, one a livestock farmer, one a dairy farmer, one a horticultural farmer and one from the equine industry.

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



GOVERNOR'S OFFICE OF AGRICULTURAL POLICY

STAFF MEMBERS

Warren Beeler

Executive Director

Bill McCloskey

Deputy Executive Director

Morgan Askins

Intern

Biff Baker

Project Manager

Steve Doan

General Counsel

Hannah Forte

Compliance / Project Manager

Sandra Gardner

Director of Compliance & Outreach

Bill Hearn

Fiscal Officer

Debbie Hollis

Office Manager

Nicole Howard

Intern

Marielle Manning

Communications & Special Events Manager

Sadie Middleton

Intern

Emily Milam

Public Relations Officer

Tammy Sue Miller

Director of KADF Programs

Beth Mobley

Director of Loan Programs

Stefanie Osterman

Project Manager

Owen Townsend

Compliance / Project Manager

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT

COMMITTEE MEMBERS

Sen. C.B. Embry Jr.
[Co-Chair]

Sen. Paul Hornback

Sen. Stephen Meredith

Sen. Dennis Parrett

Sen. Robin L. Webb

Sen. Whitney Westerfield



Rep. Myron Dossett
[Co-Chair]

Rep. Kim King

Rep. Phillip Pratt

Rep. Rick Rand

Rep. Brandon Reed

Rep. Dean Schamore

Jurisdiction of the Tobacco Settlement Agreement Fund Oversight Committee includes matters pertaining to the Kentucky Agricultural Development Board, including requests to the board for grants and loans; planning by the board to establish short-term and long-term goals, to devise strategies, and to make investments that will assist farmers and the administrative, financial, and programmatic activities of the board; expenditures under the Early Childhood Development Fund and the Kentucky Health Care Improvement Fund; efforts of agencies and educational institutions to assist in the revitalization and diversification of tobacco farms; efforts of institutions of public postsecondary research in conducting alternative crop development research; review of county agricultural development council plans, and the use of Tobacco Master Settlement Agreement money.

KENTUCKY AGRICULTURAL DEVELOPMENT BOARD

BOARD MEMBERS

Matthew G. Bevin

Governor (Chair)

Ryan Quarles

Commissioner (Vice Chair)
Kentucky Department of Agriculture

Terry Gill Jr.

Secretary
Economic Development Cabinet

Dr. Nancy M. Cox

Dean, UK College of Agriculture,
Food and Environment

Dr. M. Christopher Brown II

President of Kentucky State University

Dr. Betty Bailey

Active Farmer

Stewart Hughes

Active Diversified Farmer

Bobby Foree

Attorney with Farm
Experience

Pat Henderson

Active Farmer

Wayne Hunt

Active Farmer

Dr. Gordon Jones

Active Farmer

Jim Mahan

Active Farmer

Wayne Mattingly

Agricultural Lender

Sam Moore

Kentucky Farm Bureau
Representative

Al Pedigo

Active Diversified Farmer

Richard Warner

Kentucky Chamber of
Commerce Representative

KENTUCKY AGRICULTURAL FINANCE CORPORATION

BOARD MEMBERS

Ryan Quarles

Commissioner (Chair)
Kentucky Department of Agriculture

Col. William M. Landrum, III

Secretary of Finance and
Administration Cabinet

Charles “Westy” Adams III

Horticultural Farmer

George Begley

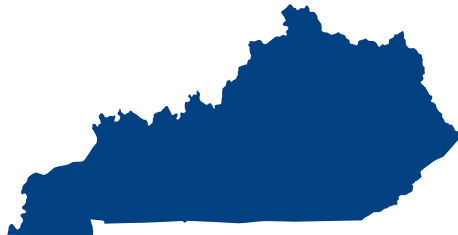
Livestock Farmer

Dr. Kenny Burdine

Agricultural Economist

Wayne Hunt

KADB Representative



Larry Jiggers

Dairy Farmer

Doug Lawson

Commercial Lending Experience

Frank McAninch

Tobacco Farmer

Aaron Miller

Farm Credit Association Representative

Frank Penn

Equine Industry Representative

Linda Rumpke

Commercial Lending Experience

KADF

KENTUCKY AGRICULTURAL
DEVELOPMENT FUND

FY 2016– 2017 Master Settlement Agreement Payment
Funds from tobacco companies -based on cigarette sales

\$90,125,640



General Assembly Budget

\$88,300,000

(\$28,727,500 is subtracted for the debt
service on rural water and sewer lines)



Healthcare

\$25,751,300



Agriculture

\$33,821,200

Farm to Food
Bank
\$600,000

Conservation
District
\$5,000,000

State Funds

\$33,470,700

GOAP

\$49,320,700

Settlement
Proceeds
Supplement
\$21,099,500

KADF State
Projects

KAFC
Loan Programs

County Funds

\$15,850,000

KENTUCKY AGRICULTURAL DEVELOPMENT FUND FINANCIAL STATEMENT

FISCAL YEAR 2017 (ENDING 6/30/2017)

	STATE	COUNTY	TOTAL	INDIVIDUAL COUNTY ACCOUNTS
BEGINNING CASH BALANCE	38,803,200		38,803,200	16,924,000
CASH RECEIPTS				
ANNUAL MSA PAYMENT	14,522,700	10,835,300	25,358,000	10,835,300
INTEREST EARNED ON CASH				58,783
TOTAL CASH BALANCE	53,325,900	10,835,300	64,161,200	27,818,083
CASH EXPENDITURES				
GRANTS DISBURSED	(7,988,700)		(7,988,700)	(15,298,883)
TRANSFERS	(14,046,600)	(10,835,300)	(24,881,900)	
TOTAL CASH EXPENDITURES	(22,035,300)	(10,835,300)	(32,870,600)	(15,298,883)
ENDING CASH BALANCE	31,290,600	-	31,290,600	12,519,200

ESSENTIAL OPERATING DATA

GRANTS APPROVED, NOT DISBURSED*	17,353,448	1,989,394
FUNDS UNCOMMITTED	13,937,152	10,529,806
ENDING CASH BALANCE	31,290,600	12,519,200

AGENCY RECEIPT ACCOUNT

BEGINNING CASH BALANCE	276,000
CASH RECEIPTS	119,600
CASH EXPENDITURES	(10,700)
ENDING CASH BALANCE	384,900

*DOES NOT INCLUDE SECOND YEAR FUNDING REQUESTS ESTIMATED AT \$5,228,492

KENTUCKY AGRICULTURAL FINANCE CORPORATION

FINANCIAL STATEMENT

FISCAL YEAR 2017 (ENDING 6/30/2017)

	FY 2016	FY 2017
BEGINNING CASH BALANCE	12,453,555	11,233,850
CASH RECEIPTS		
PRINCIPAL	5,057,426	7,858,668
INTEREST	748,954	1,019,565
INTEREST EARNED ON CASH	34,601	107,925
OTHER INCOME (GRANTS, TRANSFERS)	5,244,000	12,388,801
TOTAL CASH RECEIPTS	11,084,981	21,374,959
TOTAL CASH BALANCE	23,538,536	32,608,809
CASH EXPENDITURES		
LOANS DISBURSED	(12,297,759)	(12,715,181)
REFUNDS	(6,747)	(6,146)
TOTAL CASH EXPENDITURES	(12,304,506)	(12,721,327)
ENDING CASH BALANCE	11,233,800	19,887,482

ESSENTIAL OPERATING DATA	
LOANS APPROVED, NOT DISBURSED	15,631,307
FUNDS UNCOMMITTED	4,256,175
ENDING CASH BALANCE	19,887,482
ACCOUNTS RECEIVABLE (ACTIVE LOANS 486)	49,332,807
TOTAL ASSETS	69,220,289

KENTUCKY AGRICULTURAL DEVELOPMENT FUND

PROJECTS AND PROGRAMS ACROSS THE COMMONWEALTH

KADF PROJECTS are expected to positively affect the economic status of farmers and the targeted community. Successful applicants should be able to demonstrate the following: economic/commercial viability and feasibility of the proposed project; project will be self-sustaining within a reasonable period of time; project will have a significant impact on farm income for multiple producers; project will have high potential for growth; and will have potential to include more farmers in the future.

FY17 TOTAL COUNTIES REPRESENTED: 33
TOTAL FUNDS AWARDED: \$23,487,251

COUNTY AGRICULTURAL INVESTMENT PROGRAM (CAIP)

CAIP offers 10 investment areas that give Kentucky agricultural producers the ability to increase net farm income, add value to their product and diversify their operations. CAIP benefits and enhances agriculture across the state by stimulating markets for Kentucky agricultural products.

FY17 TOTAL COUNTIES PARTICIPATING: 84
TOTAL FUNDS AWARDED: \$15,399,890

SHARED-USE EQUIPMENT PROGRAM assists broad-based community organizations with the purchase of farm equipment. The equipment purchased is made available for producer use in a specific county on a leased basis.

FY17 TOTAL COUNTIES PARTICIPATING: 16
TOTAL FUNDS AWARDED: \$272,775

DECEASED FARM ANIMAL REMOVAL PROGRAM (DAR)
 DAR serves as a measure to facilitate the coordination of environmentally sound and cost-effective disposal of deceased livestock for producers.

FY17 TOTAL COUNTIES PARTICIPATING: 21
TOTAL FUNDS AWARDED: \$135,063

NEW 2017 PROGRAMS

NEXT GENERATION BEGINNING FARMER PILOT PROGRAM

was developed due to the growing need for a specialized program that would benefit producers involved in an agricultural operation from three to seven years.

FY17 TOTAL COUNTIES PARTICIPATING: 2
TOTAL FUNDS AWARDED: \$95,000

YOUTH AGRICULTURAL INCENTIVES PROGRAM is a specialized program that benefits youth actively engaged in agriculture.

FY17 TOTAL COUNTIES PARTICIPATING: 10
TOTAL FUNDS AWARDED: \$195,700



KADF STATISTICS

TOTAL NUMBER OF
COUNTIES IMPACTED
BY KADF FUNDS:



TOTAL KADF
PROGRAMS:

6

TOTAL APPROVED
INVESTMENTS:

5,713

KENTUCKY AGRICULTURAL DEVELOPMENT FUND
PROGRAM FUNDS APPROVED:

\$271,272,177

KENTUCKY AGRICULTURAL DEVELOPMENT FUND
PROJECT FUNDS APPROVED:

\$271,241,425

TOP 5 CAIP INVESTMENT AREAS

1. LARGE ANIMAL
2. FENCING & ON-FARM WATER
3. FARM INFRASTRUCTURE
4. FORAGE & GRAIN IMPROVEMENT
5. AGRICULTURAL DIVERSIFICATION



TOTAL KADF PROJECT
& PROGRAM
INVESTMENTS:

\$542,513,602

TOP KADF STATE FUND RECIPIENTS:

1. UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION \$20,277,067
2. KENTUCKY DEPARTMENT OF AGRICULTURE KENTUCKY PROUD PROGRAM \$19,061,067
3. KENTUCKY BEEF NETWORK, LLC \$17,961,532
4. KENTUCKY HORTICULTURE COUNCIL, INC. \$12,865,067
5. KENTUCKY DAIRY DEVELOPMENT COUNCIL, INC. \$9,306,793

ON-FARM ENERGY EFFICIENCY INCENTIVES PROGRAM

The **On-Farm Energy Efficiency Program** provides monetary incentives to producers who are implementing energy efficient upgrades to their farming operations, which results in lower energy costs and reduced environmental impact. The Kentucky Agricultural Development Board (KADB) is committed to helping Kentucky farm families find ways to increase their net farm income and become more sustainable. Since energy expenses can claim a large portion of profits, the KADB supports this program to help farmers offset the costs of installing or converting systems, equipment and facilities. Eligible applicants are limited to 50 percent reimbursement for the qualified energy savings investment, up to \$10,000. Examples of potential energy efficient projects include: grain-drying systems, poultry operation upgrades (insulation, heating systems, ventilation controls, tunnel inlet doors, lighting, mixing fans) and dairy farm equipment improvement (fans, variable speed vacuum pumps, milk precoolers and bulk tank cooling systems).



FY17 TOTAL COUNTIES REPRESENTED:.....	22
TOTAL NUMBER OF AWARDS:.....	45
TOTAL FUNDS AWARDED:.....	\$339,752



INVESTING IN PRODUCERS



Lazy Eight Stock Farm is a certified organic farm that spans 420 acres through Madison and Garrard counties. The farm has been a Baumann family affair since 1947. In 2012, the family transformed the cattle and cropland into a Community Supported Agriculture (CSA) venture and for the first time in four generations, the land finally has

a full-time farmer. Bryce Baumann has been involved in vegetable farming and farmers markets since he was 12 years old. Today, his devotion to growing organic produce has created a CSA of more than 200 members. Three times a week, produce is boxed and delivered to members throughout central Kentucky. Members receive fruit, vegetables and a recipe for the produce they receive.

Lazy Eight Stock Farm is the recipient of many Kentucky Agricultural Development Fund (KADF) programs. The County Agricultural Investment Program (CAIP) funded more than 8,000 feet of water lines for cattle. The Baumann's plan to raise certified-organic beef next year. The beef will be available as an add-on to the CSA delivery program.

Bryce said, "Becoming certified-organic adds value to the work we are already doing. It allows us to expand into a bigger market with a value-added product." By expanding products for members and appealing to the organic market demand, Lazy Eight Stock Farm expects to double CSA membership in the next few years.

"The Baumanns have a progressive farming operation that has capitalized on various opportunities to expand their operation and provide a quality product locally and in the region," said Brandon Sears, Madison County Agriculture & Natural Resources Extension Agent.



Bryce was awarded a \$10,000 KADF On-Farm Energy Efficiency Incentives Program grant that contributed to a wood-burning furnace and hydronic system to heat the greenhouse. Energy savings are projected to create a payback on investment in less than eight years. Thousands of plants are germinated in these greenhouses before being transplanted across the road to grow in the 50 acres of dedicated vegetable fields. One benefit of the heated greenhouse is the opportunity to jumpstart the growing season for early entry to the market when there is less competition, thus generating greater revenue.

The Baumanns also received a Beginning Farmer Loan (BFLP) through the Kentucky Agricultural Finance Corporation in cooperation with Central Kentucky AgCredit to finally purchase the land that Lazy Eight had been leasing. Bryce credited the BFLP loan's below-market interest rate for making it all possible.

"The financing rate allowed us to secure the future of our business. It is right across the road, already certified organic and established. Staying close to home lowers costs and is important to our success," Bryce said.

INVESTING IN COUNTIES

The **County Agricultural Investment Program (CAIP)** in Bath County is administered through the Bath County Conservation District office. Each year they are able to fund around 80 producers. With so many participants, Bath County is a great example of how



CAIP helps farmers diversify or expand their operations.

"It has changed the county," **Sidney Harmon**, a cattle producer, said. Sidney has received CAIP funding several years and has used the funds to improve fencing and to purchase farm equipment, bulls and elite heifers.

Billy Stewart has used CAIP funding to purchase a chute and alleyway for working cattle, to build a hoop barn for hay storage and to construct a fencing runway. Stewart explained how these



items have helped him to do a lot more by himself. Outside of when his two grandchildren visit, he has a little help on the farm.



Vern Stampers, a horse breeder and cattle producer, claims that CAIP is "the best thing the government has ever come out with." The program has helped him obtain both a hay barn that stores hay for his horses and corral panels that make it safer to work his cattle and horses. Stampers has also been able to buy higher quality bulls through CAIP.

Glenn Spencer was in the nursery business until 2015. For many years, CAIP funding helped him purchase necessities for his business such as, tree liners, a tree spade and more. Glenn has since transitioned to vegetable and hay production and CAIP has helped him purchase a hay accumulator, baskets for produce and a building that serves as storage for both vegetables and hay.



Joe and Patsy Karrick have owned and operated a nursery since 2003. With the help of CAIP funding, they have been able to purchase tree spades, an irrigation system, tree liners, an air compressor and tree planters. The nursery closed in 2015 and the Karricks transitioned to vegetable production. CAIP has since helped them to purchase a building used to sort and store vegetables before they are sold at the local farmers market.

Mary Bach is often found selling peaches at the Bath County Farmers Market. She has grown and harvested peaches for 12 years and CAIP has helped her purchase spray chemicals vital to her orchard. "It has made a positive difference in our operation," she said.



INVESTING IN DIVERSITY

LanMark Farm, LLC in Sharpsburg, Kentucky raises fiber-producing animals (sheep, llamas and alpacas) and processes the raw fiber into value-added products like batting and pre-felts. The farm has a rich history in tobacco and fiber. As recently as 2004, tobacco hung in what is now the wool felt mill and store.



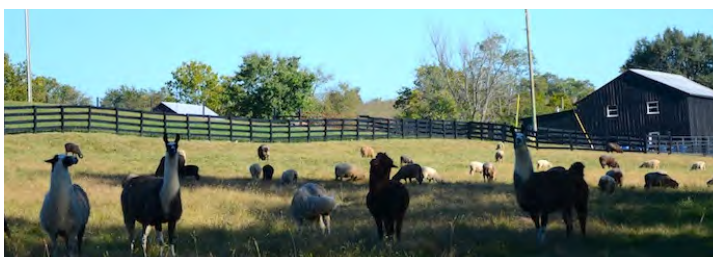
Lanette Freitag, LanMark Farm & FeltLOOM, Inc. president, previously had to wet felt by hand. This was a very time consuming process that produced a lower quality product and resulted in significant profit loss. Don Bowles, LanMark Farm & FeltLOOM, Inc. vice president, developed a small-scale version of the larger industry needle loom to help create felts from raw wool designs. Bowles's expertise as an engineer assisted in the development phase of the FeltLOOM. Once the prototype was complete, they received funding from the Kentucky Science and Technology Board to apply for a U.S. patent.

To date, approximately 200 FeltLOOMs have been sold in 17 countries. 3M, the global innovation company, has purchased a FeltLOOM for its laboratory. Photographers

use "clouds" of wool made from the FeltLOOM for newborn baby photography shoots. Additionally, clothing and accessories designed and produced at LanMark Farm, LLC have been displayed at Kentucky Fashion Week.

LanMark Farm, LLC received funding from the Kentucky Agricultural Development Fund (KADF) to construct an agritourism location and retail building to sell Kentucky products. A variety of products are available to visitors including fashionable hand bags, ponchos, scarves and hats.

Freitag and Bowles have also benefitted from the KADF On-Farm Energy Program with the installation of a wood burning furnace at the mill. The furnace provides an efficient way to keep their working environment warm. LanMark Farm, LLC has grown from a hobby to an internationally renowned fashion company and technological innovator.



INVESTING IN AGRITOURISM



Carl and Debra Chaney had an *udderly* fantastic idea to create an agritourism destination on their family dairy farm in Warren County. **Chaney's Dairy Barn, Inc.** received funding through the County Agricultural Investment Program (CAIP), On-Farm Energy Program and a grant from the Kentucky Agricultural Development Board (KADB). Additionally, they received a loan through the KAFC Agricultural Infrastructure Loan Program (AILP) with Farm Credit Mid America as the participating lender.

In 2005, Chaney's Dairy Barn, Inc. was approved for a Kentucky Agricultural Development Fund (KADF) grant to construct a storefront, which features homemade ice cream, sandwiches, burgers, soups, salads and an array of Kentucky Proud products for purchase. As business increased, the Chaney's wanted to expand the facility to include a large dining area and additional parking to accommodate more customers. This expansion was funded in part by a KADF forgivable grant and loan.

The On-Farm Energy Program was essential in maximizing energy efficiency by replacing outdated equipment, including fans and lighting with new energy-efficient options. They utilized CAIP funding for the construction of a compost barn. The barn allows waste from the dairy cattle to be collected and stored until it can be used as fertilizer for the fields.

"Watching Debra and Carl transition the family dairy farm into a successful agritourism destination over the last 16 years has been impressive. This project perfectly aligns with the intent of the General Assembly's commitment of utilizing Master Settlement Agreement Funds to provide financial assistance to improve efficiencies, diversify family farm operations, which increases net farm income," said Bill McCloskey, deputy executive director of the Governor's Office of Agricultural Policy.

Perhaps the most unique thing about Chaney's Dairy Barn is the experience visitors receive on a tour. The tours include an informative video about the farm's history, a birds-eye view of cows in the barn and a public viewing of the robotic milker. The robotic milking system is one of three in Kentucky and was purchased in part with a low-interest loan from KAFC. The system increases efficiency and milk production, while decreasing stress on the cows.

Guests have the opportunity to enjoy seasonal events, such as breakfast with the Easter Bunny and an Easter egg hunt, "Ice Cream and a Moovie on the Lawn," Agriculture Night, a corn maze and pumpkins in the fall, breakfast with Santa and their dairy month celebration-Miss Glimmer Appreciation Day.



"The Governor's Office of Agricultural Policy helped to make this possible," Carl Chaney said, as he shared the story of how the farm has grown from two cows in 1940 when his father started, to more than 70 cows today.

INVESTING IN EFFICIENCY



The Kentucky Beef Network (KBN) allocates a portion of its funding to the **University of Kentucky Integrated Resource Management (IRM) program**. The program began in 2015, to educate producers and provide technical assistance. The program has supported cattlemen training classes, artificial insemination (AI) assistance, management education, marketing and facility improvements statewide. The goal of the program is to stimulate long-term changes in management practices in order to

increase reproductive performance.

Dr. Les Anderson, UK Extension Professor and IRM Core Coordinating Committee member, says, “When prices are low, cattlemen must be at their best.”

To combat low points in the natural market cycle, the IRM program focuses on improving marketing and productivity for Kentucky cattle farmers. Since 2015, the program has grown from 130 farms to 250 and each farm sees, on average, a 30 percent increase in revenues when implementing IRM practices. These methods improve AI efficiency by reducing time and costs. Two major benefits to participation in the IRM program are the ability to shorten calving seasons and “pick your own bull,” which improves cow-calf herd efficiency. To shorten calving seasons, the IRM program promotes Estrus Synchronization and Artificial Insemination (ESAI).

Estrus synchronization improves AI pregnancy success rates by nearly 70 percent per herd. Farmers save money by choosing the exact genes (sometimes from the top one percent of bulls nationwide)



and by purchasing semen straws instead of a high-dollar bull. The average participating producer increased farm profits by more than \$6,300 through improving cow-calf practices in 2015. In 2017, 4,000 head of cattle were bred using IRM practices and the program continues to grow.

“IN MY 30 PLUS YEARS IN THE FIELD, THIS HAS BEEN THE MOST IMPACTFUL PROGRAM OF MY CAREER.”

***-TOMMY YANKEY, ANDERSON COUNTY
AGRICULTURE & NATURAL RESOURCES EXTENSION AGENT***

INVESTING IN SPECIALTY CROPS



David and Connie Kiser were not chickens when it came to transforming their poultry laying operation into a herb and root facility. With funds received from the Kentucky Agricultural Development Fund County Agricultural Investment Program (CAIP) in Carter County, the Kisers converted their poultry house into a facility that allows them to prepare their natural herb and root products for resale.

The entire family has strong roots in the operation, and often the grandchildren help with the many steps to prepare the herbs and roots for resale. After obtaining the herbs and roots, the first step is to wash them. The Kisers have repurposed concrete mixers as washing machines to remove small rocks, dirt and debris. From there, the material is moved to a dryer. Similar in function to a grain dryer, the Kisers have adapted a shipping container with a false floor and gaps that allow air to blow up through the material and dry it. After that material is dry, it is hand sorted to eliminate any unsatisfactory pieces or foreign matter. After sorting, the material is bagged or baled and then stored in the converted poultry houses. Ultimately, it is sold to international pharmaceutical companies.

"The Kiser's operation is a unique example of how the Kentucky Agricultural Development Funds have helped producers diversify away from tobacco production," said Warren Beeler, executive director of the Governor's Office of Agricultural Policy. "Innovative projects, like the Kiser's root and herb operation, offers another market for eastern Kentucky agricultural products."

INVESTING IN TECHNICAL ASSISTANCE



The Kentucky Center for Cooperative Development began working with businesses, primarily cooperatives, in 2001. An increased demand for services from many producers and agricultural businesses looking to diversify prompted the evolution of the Center into the **Kentucky Center for Agriculture and Rural Development (KCARD)**. KCARD is the primary technical assistance provider for producer-owned agribusiness development in Kentucky. Farmers and agribusiness owners have access to assistance with business planning, marketing, financial projections, bookkeeping, grant facilitation, feasibility studies and more.

The services offered by KCARD are most effective when a relationship is established during the development phase of the operation and continued long-term with a primary focus on financial stability. For 16 years, KCARD has assisted in the establishment of 104 farmer-owned LLCs, 17 non-profit organizations and 25 cooperatives. In the past three years, KCARD's assistance has resulted in the creation of more than 98 jobs and preservation of more than 379 jobs, with a business success rate of 86 percent. KCARD served 379 different entities in 2016, 163 percent higher than two years ago. New business contacts are continuously developed by word-of-mouth to include agritourism destinations, meat processors, greenhouses, feed mills, farmers markets and value-added operations.



Through the agribusiness grant facilitation program run by KCARD, Kentucky farms, agribusinesses and agricultural organizations have received \$3.4 million in competitive federal grants just in 2016 and more than \$5 million since 2014. This is in addition to more than \$900,000 in federal funds secured by KCARD to expand its work in that time.

“We leverage the Kentucky Agricultural Development Fund (KADF) to bring in additional federal funds, to support KCARD to work to support Kentucky farmers. Without the KADF we couldn't provide the services we do to as many producers as we do,” said Aleta Botts, KCARD executive director.

For more information about the services provided by KCARD, visit www.kcard.info.

“WHERE THERE IS A NEED, WE ASSIST OR FIND A RESOURCE TO OFFER ASSISTANCE.”

-ALETA BOTTS, KCARD EXECUTIVE DIRECTOR

INVESTING IN EDUCATION



Jennifer Elwell has served as the Executive Director for **Kentucky Agriculture and Environment in the Classroom (KyAEC)** since 2014. Through KyAEC, she works with the Commonwealth's farm organizations to manage and develop programs that aim to educate youth about agriculture and its impact on their daily lives. Multiple

mobile science activity centers visit schools where resources and professional development opportunities are made available for teachers and volunteer educators.

"Our farm and education communities are excited about what we are creating," said Elwell. "There are many more easy-to-implement options to teach Kentucky students about agriculture and conservation, and that would not have been possible without the Kentucky Agricultural Development Fund."



According to Elwell, KyAEC programs were only reaching about 25,000 students annually prior to receiving KADF assistance. However, over the span of its 2-year grant, Elwell estimates KyAEC's programs have reached 250,000 students.

"By adding and reinvigorating programs that focus on getting farm-based lessons and resources into the hand of teachers and educators, such as farmers and agribusiness professionals, the student reach grows exponentially," Elwell explained.

For more information about the Kentucky Agriculture and Environment in the Classroom, visit www.teachkyag.org.

***"KYAEC IS THANKFUL FOR THE KADF'S INVESTMENT IN
GROWING A FUTURE OF EDUCATED CONSUMERS."
-JENNIFER ELWELL, EXECUTIVE DIRECTOR OF KYAEC***

KENTUCKY AGRICULTURAL FINANCE CORPORATION

FINANCING PROGRAMS



Kentucky Agricultural Finance Corporation (KAFC) provides capital access loan programs. By partnering with lenders across the state, the KAFC is able to provide low cost loans to facilitate the development of agricultural based enterprises and projects. The following loan programs are available to Kentucky producers and processors who are currently engaged or entering into the agricultural industry:

Agricultural Infrastructure Loan Program (AILP) assists Kentucky producers by providing access to below market financing for the acquisition, renovation or construction of agricultural structures that enhance the profitability of their farming operation.

Beginning Farmer Loan Program (BFLP) assists individuals with farming experience develop, expand or buy into a farming operation. Eligible projects include the purchase of real estate, equipment and livestock, the construction or renovation of agricultural facilities, as well as funds to invest into a farm partnership or business. Based on a survey done by the University of Kentucky, 78 percent of lenders surveyed stated they would not have financed a project without KAFC participation.

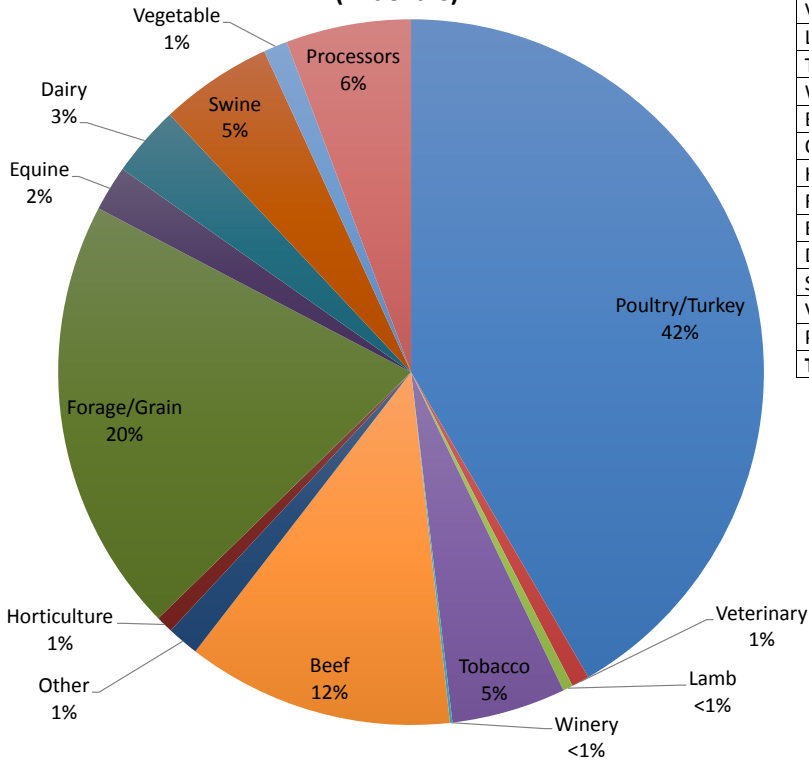
Large Animal Veterinary Loan Program (Vet) helps individuals licensed to practice veterinary medicine in Kentucky construct, expand, equip or buy into a practice servicing large/food animal producers, including goats, sheep, swine and other smaller food animals.

Agricultural Processing Loan Program (APLP) provides loan opportunities to companies and individuals in Kentucky that are interested in adding value to Kentucky grown agricultural commodities through further processing.

Diversification through Entrepreneurship in Agribusiness Loan Program (DEAL) supports entry-level agri-entrepreneurs attempting to diversify their farming operation by establishing or buying into a business that provides agricultural products or services to other producers. Eligible projects include the purchase of real estate, equipment or facilities, construction or renovation of structures and permanent working capital.

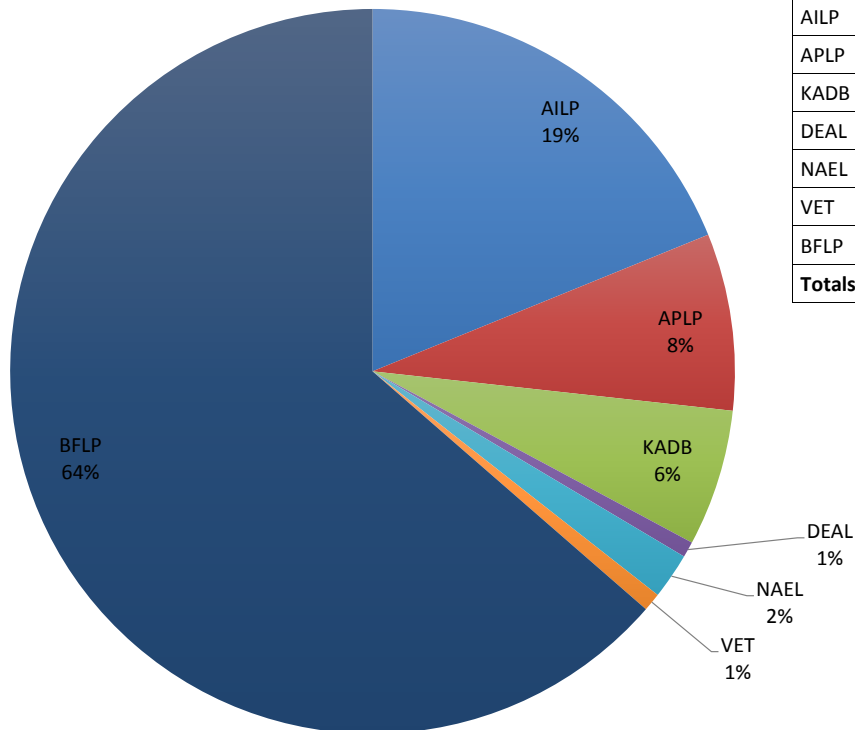


**K AFC Loan Portfolio
Current & Approved Loan Balances
(in dollars)**



Enterprise	Balance (\$)	%
Poultry/Turkey	\$27,008,982	42%
Veterinary	\$527,079	1%
Lamb	\$299,820	<1%
Tobacco	\$3,417,861	5%
Winery	\$73,210	<1%
Beef	\$7,935,481	12%
Other	\$947,314	1%
Horticulture	\$509,381	1%
Forage/Grain	\$13,005,114	20%
Equine	\$1,347,175	2%
Dairy	\$2,114,846	3%
Swine	\$3,346,800	5%
Vegetable	\$708,629	1%
Processors	\$3,722,423	6%
Total	\$64,964,115	100%

**K AFC Loan Portfolio
Current & Approved Loan Balances
(in dollars)**



Program	Balance (\$)	%
AILP	\$12,233,788	19%
APLP	\$5,119,602	8%
KADB	\$3,956,426	6%
DEAL	\$456,090	1%
NAEL	\$1,328,971	2%
VET	\$527,079	1%
BFLP	\$41,342,159	64%
Totals	\$64,964,115	100%

FINANCING DREAMS



Sara and Greg Cavill fulfilled their dream of owning a horse farm in 2005 when they opened **Twilight Riding School**. The Cavill's purchased 26 acres in Winchester to expand the boarding and lesson program. Today, the farm is home to 12 horses owned by the Cavills.

The Cavills received a loan through the Kentucky Agricultural Finance Corporation's Beginning Farm Loan Program (BFLP), with Farm Credit Mid-America as the participating lender, to construct a hoop barn that serves as the arena, stalls and teaching area. The structure is semi-transparent, which allows for maximum natural light with the benefits of an indoor facility, making it energy efficient.

Twilight Riding School was intentionally designed to maximize efficiency and profit.

Aaron Miller, a lender through Farm Credit Mid America, said, "It has been exciting to see the success of Twilight Riding School. Greg and Sara have been very committed to impacting the youth throughout the Bluegrass Region and as a result their operation has flourished," Miller said. "It's great to see young people excel in the operation while making a positive impact within their community."

Greg Cavill's background as a design engineer contributed to the design, construction and maintenance of the horse barn. As a student at the University of Kentucky, Sara developed what would become the business plan for Twilight Riding School in a class with Dr. Bob Coleman, associate professor and equine extension specialist. Now, Coleman serves as their mentor in the BFLP.

Dr. Coleman said, "Sara Cavill has worked hard in setting goals for her business and works very hard to meet and exceed those goals. The facility has been well received in the area, and Sara is providing many with that first opportunity to be involved with horses. Twilight Riding School brings a valuable service to the industry through this first time introduction to horses."

According to Sara, the goal at Twilight Riding School is to teach students to work well with horses, have fun and grow confidence. Students are encouraged to build a partnership with their horse regardless of riding discipline. Students spend time learning inside and outside of their one-hour lessons. Aside from learning to ride, students learn how to care for a horse by grooming, saddling and bridling their mount for lessons. The indoor arena has an area for students to differentiate breeds of horses and identify parts of the saddle, bridle and horse. Ultimately, Twilight Riding School teaches its students to handle all aspects of equine care, so they can maintain their own horses.

In her middle school yearbook, Sara wrote, "I will own my own horse farm." The low-interest loan from KAFC enabled the Cavills to establish the Twilight Riding School and turn dreams into reality.



FINANCING INNOVATION



Owensboro Grain Company has been a pioneer in soybean processing since the 1940s. Its edible oils, meal, hull pellets and lecithin have sold internationally for many years, bringing in \$600 million a year. In 2005, Owensboro Grain realized that as the agriculture industry changes, the company must become innovative in soybean processing. They received a forgivable loan from the Kentucky Agricultural Development Fund to construct biodiesel facilities adjacent to the existing soybean processing plant. The new operation

creates biodiesel and its by-product, glycerin. The addition of value-added processing to Owensboro Grain Company has been critical in its success overall.

Annually, Owensboro Grain produces 50 million gallons of biodiesel, 40 million pounds of glycerin and 450 million pounds of refined oil. The company purchases 38 million bushels of soybeans a year, 20 million of which are from Kentucky farmers. Everything produced is a by-product of biodiesel production and the plant generates very little waste. As for the future of biodiesel, the outlook is bright. The Environmental Protection Agency mandates that diesel produced from fossil fuels must be blended with biodiesel made from renewable resources to reduce carbon emissions. According to Jeff Erb, Chief Financial Officer of Owensboro Grain, biodiesel is a step in making our nation energy-independent and decreasing reliance on foreign oil. As biodiesel becomes part of environmental, economic and national security issues, Owensboro Grain looks forward to continuing its successful impact on Kentucky and the world.



Quint and Leah Pottinger call Affinity Farms their home. An agricultural economics graduate of UK, Quint came home to put his business expertise to the test. Farming has been in his family for generations, but Quint has grown his business significantly since he rented his first 50 acres in 2007. The KAFC Beginning Farmer Loan Program, through Town & Country Bank, financed

a 2017 purchase of 78 acres with improvements. The couple currently farms over 1,500 acres of soybean, corn and pasture land.

“I’m always looking for more land to grow the farm,” Quint said.

He received original grain bins from his dad, and built three new grain bins himself to accommodate a corn drying facility.

The new facility can accommodate the 130,000 bushels of grain he produces a year. A large portion of his soybeans is sold to Owensboro Grain to produce biodiesel, and the corn is distributed to distilleries or bagged and sold during deer season. Quint’s impact goes beyond his own farm, though. His passion for international agricultural policy won him a White House Champion of Change award in 2014. He is a graduate of the Kentucky Agricultural Leadership Program, the American Soybean Association DuPont Young Leader program and is working with Haitian farmers and educators to help start a vocational agriculture school in Haiti. Quint has been innovative in bringing a centuries-old family farm to a new level.

SUPPORTING A TOP COMMODITY

Recognizing the economic impact and diversification opportunities for Kentucky farmers the Kentucky Agricultural Development Board (KADB) has continued to invest Master Settlement Agreement funds to support the poultry industry. Supported by the KADB-funded “Poultry House Evaluation” identifying the need for upgrades and improvements for poultry house efficiencies, the Kentucky Agricultural Development Fund (KADF) On-Farm Energy Efficiency Incentives Program evolved out of a previously federally supported energy program to provide these needed improvements. Poultry farmers making investments in equipment and technology on the farm are eligible for half the project cost up to \$10,000.



Doug Hartline, Hopkins County Poultry producer, received \$10,000 to make improvements to his poultry houses. Doug has reported a return on his investment with the KADF grant after the first year of operation. According to Doug, another benefit of the KADF energy grant has been improved bird comfort, meaning an increased feed conversion translating into more profits. With the mission of diversifying Kentucky Agriculture in mind, the KADF’s lending arm, the Kentucky

Agricultural Finance Corporation (KAFC), realized access to capital was an important component to grow a capital intensive enterprise like poultry. KAFC, working with Kentucky lenders, is able to provide low interest financing for both the established farmers and beginning farmers in making improvements to poultry houses, purchasing poultry houses or new construction.

Bryant Gross, a third generation farmer, has taken advantage of the KAFC Beginning Farmer Loan Program working with his lender. Bryant bought his first poultry barns in McLean County not long after graduating from Western Kentucky University. Bryant is following in the footsteps of his father and grandfather who both ran poultry operations. Bryant is using the KAFC loan in participation with his lender, Independence Bank, to renovate his building that houses layer chickens and to upgrade to an automated egg packing system.

“This will be the first automated egg packer in Kentucky,” Gross shared.

He plans to use the time this packer will save him from hand packing eggs to spend more time expanding his cattle herd and raising crops.

Diane Bickett, loan officer with Independence Bank said, “This KAFC Beginning Farmer Loan Program is a good program to get young farmers started and allow them to carry on business.”



KADF

KENTUCKY AGRICULTURAL
DEVELOPMENT FUND



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