

GOVERNOR'S OFFICE OF AGRICULTURAL POLICY



ANNUAL REPORT

JULY 2017 - JUNE 2018



Commonwealth of Kentucky
OFFICE OF THE GOVERNOR

Matthew G. Bevin
Governor

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Dear Friends,

I am honored to present you with the Governor's Office of Agricultural Policy (GOAP) Annual Report on behalf of the Commonwealth of Kentucky.

My administration is working through the GOAP to create an efficient agricultural atmosphere and to support and protect the livelihood of those who have dedicated their lives to a career in agriculture, while encouraging the next generation of farmers. GOAP also seeks to educate potential farmers about the growing possibilities emerging in this field.

Grants and loans are helping us to achieve these goals by facilitating the On-Farm Energy Efficiency Incentives Program, the County Agricultural Investment Program and the Kentucky Agricultural Finance Corporation Beginning Farmer Loan Program. These initiatives are ensuring the future of farming in Kentucky and are providing the funding for agricultural achievements across the Commonwealth.

Kentucky's agriculture is innovative, lucrative and a long-standing tradition held close to the heart of many. Without the Governor's Office of Agricultural Policy and the programs they facilitate, our state would be at risk of losing an important part of its farming heritage that supports countless Kentuckians and feeds so many more. Through our policies, it is necessary that we continue to modernize, diversify and capitalize on the potential that agriculture in Kentucky holds for the constituents of the Commonwealth.

I look forward to working with you to make the state of Kentucky's agriculture the best version of itself.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew G. Bevin".

Matthew G. Bevin
Governor



Governor's Office of Agricultural Policy

Matthew G. Bevin
Governor

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Warren Beeler
Executive Director

I continue to be amazed at the impact the Kentucky Agricultural Development Fund (KADF) has had on Kentucky agriculture. In the most sustainable fashion, farmers in our state are producing more with less. Through improved animal care and comfort, reproduction and growth rates have risen and farmers are receiving higher returns. With improved soils, Kentucky yields are tremendous. The KADF has helped in this continuing transformation.

The Kentucky Agricultural Development Board (KADB) continues to remain focused on the intent of the KADF: to increase net farm income. To date, more than \$575 million has been invested in agriculture through the KADF. At the Governor's Office of Agricultural Policy (GOAP), we look for regional and state projects that benefit a multitude of producers. We are showing that improvements in agriculture translate to economic development. Projects that venture beyond the trailer gate are the key to improving agriculture's economic impact. Investments in middle infrastructure processing, such as selling ethanol instead of corn, will change agriculture for the better. State funds are available for projects that appear to be the next step in capturing value for the farmer.

The county funds have spurred new investment in best management practices. This year, the KADB approved the "Innovative Agricultural Systems" category in the *County Agricultural Investment Program* (CAIP) to encourage farmers to look at new methods in updating and improving their operations.

This fiscal year, the Kentucky Agricultural Finance Corporation (KAFC) reached \$80 million in assets with more than 900 loans approved and more than half of the loan portfolio consisting of Beginning Farmer loans. As interest rates steadily rise, our 2.75 percent interest rate becomes more effective in providing farmers with a blended interest rate and limiting the risk for primary lenders. KAFC uses state funding to ensure farmers and agribusiness grow and succeed.

We at GOAP are extremely proud of the successes made from the KADF this past year. Credit goes to the great decision making by the KADB and KAFC members and the local County Agricultural Development Councils. Their selfless service to Kentucky agriculture has made the difference in the effectiveness of the KADF. I am blessed with a hard working staff that takes ownership of the programs and projects that seek to help our farmers succeed.

To continue this progress, it takes everyone pushing in the same direction. As always, driving down the road I am awed by the things I see and learn about Kentucky agriculture. The question that I think about most is, "What is the next step?"

Sincerely,

A handwritten signature in black ink that reads "Warren Beeler".

Warren Beeler
Executive Director



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Tobacco Settlement Agreement Fund Oversight Committee

The GOAP testifies monthly to the Tobacco Settlement Agreement Fund Oversight Committee to present programs and projects funded by the KADB at the previous month's board meeting.

Sen. C.B. Embry Jr. (Co-Chair)

Rep. Myron Dossett (Co-Chair)

Sen. Paul Hornback

Sen. Stephen Meredith

Sen. Dennis Parrett

Sen. Robin L. Webb

Sen. Whitney Westerfield

Rep. Kim King

Rep. Phillip Pratt

Rep. Rick Rand

Rep. Brandon Reed

Rep. Dean Schamore

Governor's Office of Agricultural Policy Staff

The GOAP staff provides support to both the KADB and KAFC with continued focus on implementing the Boards' policies and to seek out projects that have the potential to impact Kentucky's farm economy.

Warren Beeler - *Executive Director*

Bill McCloskey - *Deputy Executive Director*

Anna Arthur - *Intern*

Biff Baker - *Project Manager*

McKaylee Copher - *Intern*

Steve Doan - *General Counsel*

Hannah Forte - *Director of Loan Programs*

Sandra Gardner - *Director of Compliance and Outreach*

Andrew Glass - *Intern*

Bill Hearn - *Fiscal Officer*

Debbie Hollis - *Office Manager*

Marielle Manning - *Public Affairs Manager*

Sadie Middleton - *Compliance Manager*

Joe Montgomery - *Project Manager*

Stefanie Osterman - *County Programs Manager*

Tracey Park - *Boards and Special Events Manager*

Kentucky Agricultural Development Board Members

Governor (Chair) - Matthew G. Bevin

Commissioner of Agriculture (Vice Chair) - Ryan Quarles

Secretary of the Cabinet for Economic Development - Terry Gill Jr.

Dean, University of Kentucky College of Agriculture, Food and Environment - Dr. Nancy M. Cox

President, Kentucky State University - Dr. M. Christopher Brown II

Attorney with Farm Experience - Bobby Foree

Representative of Kentucky Farm Bureau - J. Fritz Giesecke

Active Farmer - Stewart Hughes

Active Farmer - Pat Henderson

Active Farmer - Wayne Hunt

Active Farmer - Dr. Gordon Jones

Active Farmer - Jim Mahan

Agricultural Lender - Wayne Mattingly

Active Farmer - Katie L. Moyer

Active Farmer - Al Pedigo

Representative of Kentucky Chamber of Commerce - C. Richard Warner

Kentucky Agricultural Finance Corporation Board Members

Commissioner of Agriculture (Chair) - Ryan Quarles

Secretary of Finance and Administration Cabinet - Col. William M. Landrum, III

Horticultural Farmer - Charles "Westy" Adams III

Agricultural Economist - Dr. Kenneth H. Burdine

KADB Representative - Wayne Hunt

Dairy Farmer - Larry Jagers

Commercial Lending Representative - Doug Lawson

Tobacco Farmer - M. Frank McAninch

Farm Credit Association Representative - Aaron M. Miller

Equine Industry Representative - Frank A. Penn

Livestock Farmer - Tonya Dee Phillips

Commercial Lending Representative - Linda L. Rumpke

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)** are administered by the GOAP.

The **Kentucky Agricultural Development Fund (KADF)**, by statute, is administered by the KADB. Its mission is to invest monies 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 new ways to add value to Kentucky agricultural products and exploring new opportunities that will benefit Kentucky farms now and in the future.

Chaired by Governor Matt Bevin, the KADB consists of five statutory members (or their designees) and 11 appointed members. Members mandated by statute include the Governor, Commissioner of Agriculture, Secretary of the Cabinet for Economic Development, Dean of the University of Kentucky College of Agriculture, Food and Environment and the President of Kentucky State University. Appointed members are geographically distributed throughout the Commonwealth and are subject to confirmation by the Senate.

The KAFC addresses the unique financing needs of agriculture in the Commonwealth. Its mission is to strengthen Kentucky agriculture by providing access to below-market interest rates through partnerships with local lending institutions. The 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 12 members who reflect the diversity of Kentucky's agricultural impact. Two statutory members include the Commissioner of Agriculture and the Secretary of Finance and Administration Cabinet. Of the 10 private members appointed by the Governor, two may represent commercial lending institutions, one may be a representative 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: 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.



Master Settlement Agreement Funds from Tobacco Companies

\$102,552,540

**General Assembly Budget
\$95,018,000**

(\$26,917,700 is subtracted for the
Finance and Administration Cabinet and
debt service on rural water and sewer lines)



Healthcare
One-Half
\$34,050,100



Agriculture
One-Half
\$34,050,200

Farms to Food Banks
\$600,000

GOAP
\$28,450,200

Division of Conservation
\$5,000,000



State Funds
\$16,532,600

KADF
State Projects

KAFC
Loan Programs



County Funds
\$11,917,600

KADF
KENTUCKY AGRICULTURAL
DEVELOPMENT FUND



KADF - The Kentucky Agricultural Development Fund

Over the past 17 years, the Kentucky Agricultural Development Board (KADB) has invested more than half a billion dollars to stimulate agricultural entrepreneurship in established and newly emerging agricultural sectors in all 120 Kentucky counties. The KADB continually searches for innovative proposals that increase net farm income, positively affect tobacco farmers, tobacco-dependent communities and agriculture. Both state and county funds are available to producers across the state.

The **Kentucky Agricultural Development Fund (KADF)** projects are expected to positively affect the economic status of farmers and the targeted community. Funding is available to larger multi-county, multi-producer impacted projects. Successful applicants will demonstrate the following: economic/commercial viability, feasibility, self-sustainability within a reasonable period of time; significant impact on farm income for multiple producers; high potential for growth and potential to include more farmers in the future. In fiscal year 2018, the KADB approved \$18,282,674 in state funds for projects.

The KADB also receives applications for locally administered county-funded programs. There are a total of five programs offered. The most utilized program is the **County Agricultural Investment Program (CAIP)**, which offers 11 investment areas that give Kentucky agricultural producers the ability to increase net farm income, add value to their products and diversify their operations. CAIP benefits and enhances agriculture across the state by stimulating markets for Kentucky agricultural products. The KADB approved more than \$13 million in CAIPs across 88 counties in fiscal year 2018.

The **Shared-Use Equipment Program** assists broad-based community organizations with the purchase of farm equipment that would normally be cost-prohibitive for individual producers. The equipment available is for producer use in a specific county on a leased basis. Nine counties adopted the shared-use equipment program this fiscal year with county funding totaling \$137,295.

The **Deceased Farm Animal Removal Program (DAR)** serves as a measure to facilitate the coordination of environmentally sound and cost-effective disposal of deceased livestock. Twenty counties implemented

the DAR program in fiscal year 2018, investing a total of \$134,138.

The **Next Generation Beginning Farmer Program (Next Gen)** targets producers that have been involved in an agricultural operation between three to ten years. In its inaugural year, five counties invested \$122,400 in Next Gen programs in fiscal year 2018.

The **Youth Agricultural Incentives Program (YAIP)** benefits youth who are interested in learning more about agriculture. Twenty-four counties directed a total of \$428,197 in funds to YAIP in fiscal year 2018.

The **On-Farm Energy Efficiency Incentives Program** provides monetary incentives for producers to implement energy efficient upgrades to their farming operations that will lower energy costs and reduce environmental impact. As energy efficiency investments often require high upfront costs that take many years to recover, this program is an effective use of state funds that helps to increase sustainability of agricultural production on farms. In fiscal year 2018, 29 producers in 19 counties were awarded \$241,861 for the program.

In fiscal year 2018, more than \$32.5 million was invested by the KADB in projects and programs across the Commonwealth.

The **County Agricultural Development Councils** allow local farmers and community leaders to decide how their county's allocated funds should be utilized. The county funds created an unprecedented opportunity for Kentucky farmers to diversify their operations and expand farm-based enterprises. Project and program applications for county funds are submitted to the local county councils. The county council assigns a priority to applications based on the county's Comprehensive Plan for Agriculture and availability of county funds. All applications and their respective priorities are forwarded to the KADB for final funding decision.



KADF
KENTUCKY AGRICULTURAL
DEVELOPMENT FUND



KADF STATISTICS AND QUICK FACTS



NEARLY

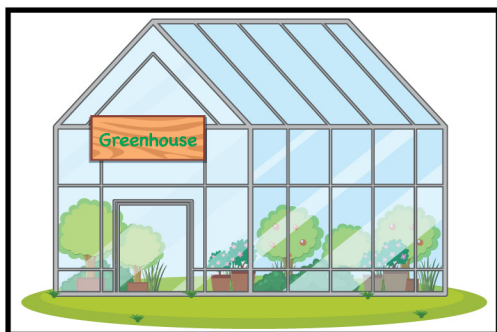
6,000

TOP FIVE

CAIP investment areas in the last 5 years
by producer count and
by total \$ cost-share awarded

- 1. Large Animal**
(Beef & Dairy Cattle, Equine)
- 2. Fencing & On-Farm Water**
- 3. Farm Infrastructure**
- 4. Forage & Grain Improvement**
- 5. Agricultural Diversification**
(Horticulture, Aquaculture, Timber)

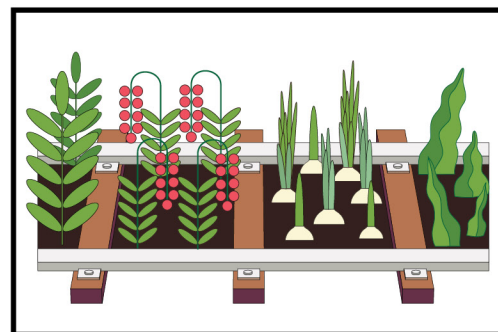
projects and programs have been approved since the inception of the KADF. The total KADF investment is **\$574,578,422**



More than \$1.5 million has been invested in greenhouses.



More than \$3.3 million has been invested in farmers markets.



\$8,750 was invested in community gardens in fiscal year 2018.

The KADF approved \$10 million for KAFC in Fiscal Year 2018

Highest State KADF Awards in Fiscal Year 2018

- Kentucky Department of Agriculture, Kentucky Proud Program - \$1,657,750**
- U.S. Geological Survey Ohio-Kentucky-Indiana Water Science Center, Water Nutrient Monitoring - \$1,030,126**
- Kentucky Dairy Development Council, Dairy Marketing and Education - \$1,003,675**
- Kentucky Beef Network, Beef Marketing and Education - \$909,498**
- Kentucky Horticulture Council, Horticulture Marketing, Research and Education - \$617,500**
- Kentucky Nutrition Service, Inc., Agribusiness Services (Transferred to KAFC Loan) - \$500,000**
- Kentucky State University, Mini Grants and Demonstration Projects - \$495,000**
- Kentucky Center for Agriculture and Rural Development, Inc., Agribusiness Services - \$350,000**
- Berea College Grow Appalachia, Grower Technical Services - \$269,664**
- Kentucky Highlands Investment Corporation, SOAR Revolving Loan Program - \$200,000**



information as of June 30, 2018



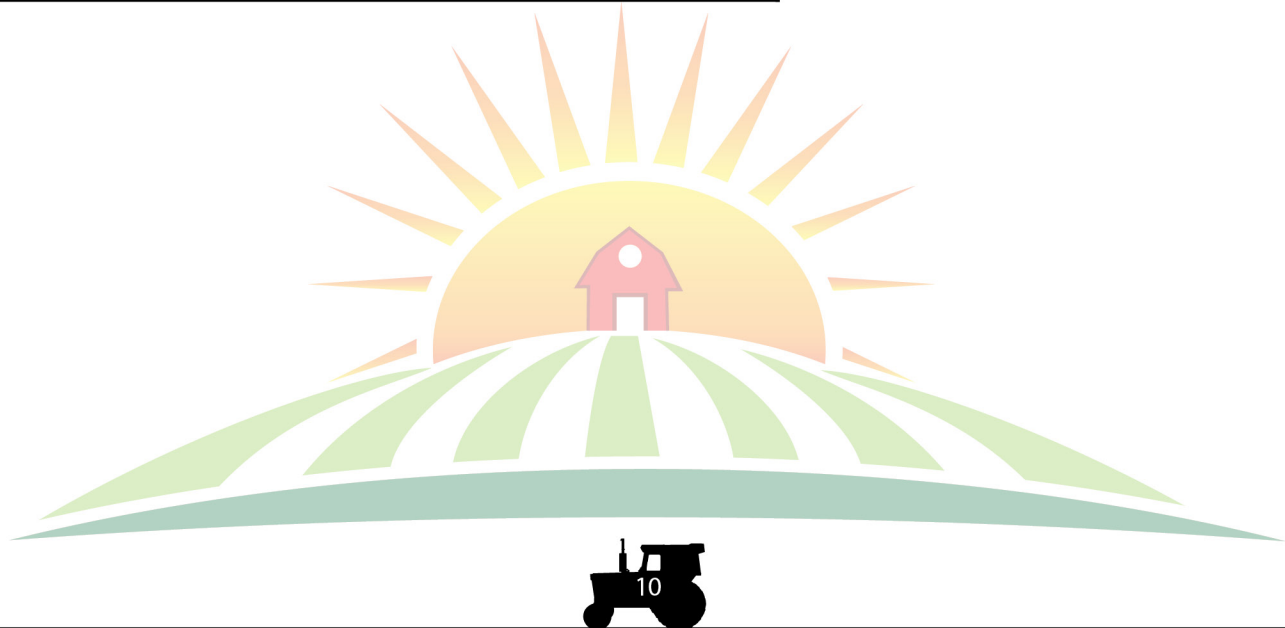
**KENTUCKY AGRICULTURAL
DEVELOPMENT FUND**

**KENTUCKY AGRICULTURAL DEVELOPMENT FUND
FINANCIAL STATEMENT
FISCAL YEAR 2018 (ENDING 6/30/2018)**

	STATE	COUNTY	TOTAL	INDIVIDUAL COUNTY ACCOUNTS
BEGINNING CASH BALANCE	31,290,600		31,290,600	12,519,231
CASH RECEIPTS				
ANNUAL MSA PAYMENT	16,532,600	11,917,600	28,450,200	13,499,910
ADDITIONAL - FY17 DEBT SERVICE NOT USED	2,938,594	1,582,310	4,520,904	
INTEREST EARNED OFF - BUDGET COUNTY ACCTS				104,797
TOTAL CASH FY18	50,761,794	13,499,910	64,261,704	26,123,938
CASH EXPENDITURES				
DISBURSEMENTS/EXPENDITURES	20,050,243		20,050,243	13,708,665
TRANSFER OUT	11,570,000	13,499,910	25,069,910	
TOTAL CASH EXPENDITURES	31,620,243	13,499,910	45,120,153	13,708,665
ENDING CASH BALANCE	19,141,551	-	19,141,511	12,415,273

	STATE	COUNTY
ESSENTIAL OPERATING DATA		
GRANTS APPROVED, NOT DISBURSED	4,700,140	2,589,325
FUNDS UNCOMMITTED	14,441,411	9,825,948
ENDING CASH BALANCE	19,141,551	12,415,273

AGENCY RECEIPT ACCOUNT	
BEGINNING CASH BALANCE	384,979
CASH RECEIPTS	126,250
CASH EXPENDITURES	(114,586)
ENDING CASH BALANCE	396,643



The Seeds of Success



Roundstone Native Seed

John Seymour, owner and operator of Roundstone Native Seed, LLC, in Hart County, comes from five generations of tobacco farmers, but he decided to change professions after developing a severe allergy to tobacco. Alongside his father, Randy, John developed a seed business in 1995 after discovering a hotspot for native forages. Roundstone now offers more than 300 species of grasses, wildflowers and legumes. Roundstone used funding opportunities through both the Kentucky Agricultural Development Fund (KADF) and Kentucky Agricultural Finance Corporation (KAFC) to establish themselves as an innovative and successful agribusiness.

In 2001, Roundstone received both KADF state and county funds to purchase storage structures, including grain bins and a warehouse. The warehouse allowed for processing and marketing expansion and includes temperature and humidity controlled facilities for seed storage.

Additionally, Seymour, working with his lender, was approved for a loan under the Agricultural Infrastructure

Loan Program (AILP) through the KAFC to expand the operation in 2007. The AILP assists Kentucky producers by providing access to below-market financing for the acquisition, renovation or construction of agricultural structures which will enhance the profitability of their farming operation. The financing allowed Seymour to add onto the storage building and to purchase an additional temperature and humidity controlled seed conditioner. Both the KADF and KAFC investments improved productivity and profitability of the operation.

According to Seymour, the KADF and KAFC funds have been instrumental in the growth of Roundstone to an international business.

Seymour stated, "The funds gave us publicity, enough to validate the business and get other producers involved. Roundstone would still be a business, but it would not be at the point it is today without these funds."

Seymour along with 31 full time staff and 15 seasonal workers are meticulous in their work and dedicated in their efforts, ultimately allowing the business to succeed.

Below: John Seymour stands in one of his many fields. There are currently many different species being grown at Roundstone Native Seed.



KALP - *The Kentucky Agricultural Leadership Program*

In 2008, The Kentucky Agricultural Leadership Program (KALP) received \$1,000,000 in state funds from the Kentucky Agricultural Development Fund (KADF) for an endowment to invest in future generations and their impact on Kentucky agriculture. The program began in 1985, as the "Phillip Morris Agricultural Leadership Program" to help develop leaders involved in the burley tobacco industry from several states. The program eventually transitioned to a Kentucky focused venture to foster leadership in all segments of agriculture. KALP focuses on issues in agriculture and developing leadership, communication and management skills among agricultural individuals.

"It would have been a challenge to maintain funding for this program without the KADF funds," Dr. Will Snell

with the University of Kentucky and co-director of KALP said.

Participants are nominated and then apply and are interviewed. Only 22 applicants are selected for the two year program. Participants attend 11 seminars, which feature nationally recognized speakers and leadership workshops. They also make visits to various farms and agribusinesses. In addition to trips to Frankfort and Washington D.C., the program includes an international trip.

Participants come from many different backgrounds including farming, forestry, agricultural lending, equine, distilling and politics.

"Leadership comes through when you learn from other people that you do not necessarily agree with or

understand, but can find common ground with them," Dr. Snell said. "We try to motivate these individuals to look beyond their own farm, community, state and country."

Dr. Steve Isaacs, with the University of Kentucky and co-director of KALP, said, "Participants challenge each other in a healthy way. It's rewarding when we'll look back in 30 years and know that they made an impact in Kentucky agriculture."

Brian Lacefield, a program alum and State Executive Director of the Kentucky Farm Service Agency, is a textbook example of the excellence that results from the program.

"I can honestly say that I would not be where I am today without the Kentucky Ag Leadership Program. As a fortunate participant of Class IX, I learned a great deal about Kentucky agriculture, agricultural policy and leadership. However, the greatest thing I learned was about myself. I learned how big the world really is and the role I wanted to play in it. I learned how to be a better friend, a better leader and a better advocate for our industry," Lacefield said.

KALP costs approximately \$15,000 per participant, but with KADF support, tuition cost for each participant is reduced to only \$2,500.

Dr. Isaacs observed, "It is hard to walk into any agriculture-related meeting within the state and not see an alumni of this program."



KALP's Class XI, from left to right

Back row: Brad Bolinger, Jamie Guffey, Spencer Guinn, Michael Peterson
Fourth row: John Pedigo, Robert Elliott, Stacy Sipes, Alana Baker, Casey Story
Third row: Suzanne Miles, Kristin Meadors, Brandon Reece, Michael Smith
Second row: Kendall Henson, Jenny Van Wieren-Page, Jessica Wilkerson,
Joseph Sisk, Joanna Carraway
Front row: Hagan Wonn, Willie Wilson, Elizabeth Lunsford, Maggie Bowling



CAIP - *County Agricultural Investment Program* ...in Clark County

Clark County has offered the County Agricultural Investment Program (CAIP) since the inception of the program. Designed to help individual counties fund cost-share projects, CAIP offers 11 investment areas from which farmers can request funding. The 11 investment areas are Agricultural Diversification, Large Animal, Small Animal, Farm Infrastructure, Fencing & On-Farm Water, Forage & Grain Improvement, Innovative Agricultural Systems, On-Farm Energy, Poultry & Other Fowl, Technology & Leadership Development and Value-Added & Marketing. Applications are reviewed locally through a scoring system established by the Kentucky Agricultural Development Board (KADB). Each county decides the maximum funding level a producer can receive, not to exceed \$5,000.



Joy Graham, a retired teacher and Clark County beef cattle producer, has utilized CAIP for improvements to her operation. With CAIP, she was able to purchase a bull for her herd of 20 spring-calving cows. She sees this purchase as an investment in improving the quality of genetics in her herd.

"There has been a big difference in the quality of cattle in central Kentucky since the inception of the tobacco settlement funds," Clay Stamm, Clark County Agriculture and Natural Resources Agent, said.

With the ability to buy more genetically superior bulls, cattlemen are now able to market higher quality calves. Shane Wiseman, a high school agriculture instructor and Clark County beef producer, has greatly benefited from CAIP. Through the funds, Wiseman purchased fencing and installed automatic waterers and concrete feeding pads. He hopes to construct a hoop barn on the property in the future with CAIP cost-share.

"We want to get the maximum amount of productivity out of our farm."

Below: A few of the cows on Joy Graham's cow-calf operation





Early on Saturday mornings at the Owsley County High School Farm, people wait outside for the farmers market to open. Established in 2009, the market started out with just a few farmers sitting around the Booneville courthouse selling produce. The market steadily grew until supply could no longer meet the demand. The Owsley County Board of Education approved the farmers market request to build a larger pavilion on the high school farm. The idea became a reality when the farmers market received an infrastructure grant in state funds from the Kentucky Agricultural Development Board (KADB) in 2012.

The 4,000 square foot facility has restrooms, two coolers and a freezer. The covered pavilion and concrete floor allows the market to run regardless of weather conditions. The pavilion is complete with a giant Owsley County Farmers Market sign that is visible from the highly traveled Highway 28.

Owsley County Farmers Market Pavilion located on the Owsley County High School Farm.

Since the creation of the new structure, the market's annual revenue has increased from \$11,000 to more than \$70,000. With a 17 producer membership, the market sells a variety of goods including produce, jellies and soap. Paul Sizemore, Owsley County Extension Agent for Agriculture and Natural Resources, said the result of producers selling at the farmers market has changed the direction of Owsley County agriculture. Once a tobacco dependent county, farmers in Owsley County are exploring new enterprises such as cattle, hay, fruit and vegetables. This diversification in agriculture is the purpose of the Kentucky Agricultural Development Fund (KADF).

According to Sandy Gay, Owsley County CAIP administrator, "The farmers market facility has made a world of difference. By being able to put money in the hands of producers, it runs through our community, allowing everyone to buy local. It is great."

"Whether it is rain or shine, people will still come to the farmers market because the facility is so nice."



Youth Agricultural Incentives Program ...in Jessamine County

In 2017, the Kentucky Agricultural Development Board (KADB) implemented its first Youth Agricultural Incentives Program (YAIP). However, Jessamine County has had a similar program for years. According to Carl Waits, Jessamine County FFA Alumni Association Vice President, the idea started in 2001 with a request to the KADB for \$12,500 to establish a youth cost-share program which allowed 4-H and FFA students to fund their Supervised Agricultural Experience (SAE) projects.

Students could apply to receive \$500 for the first year, \$250 second year and by third year students were on their own. Most students continued to reinvest their funds into their projects and expand. Matthew DeMoss, a current student at UK, originally used his \$500 to buy two Kiko meat goats when he was a freshman in high school. His operation, which started with those two goats, now totals 54 head on the farm. Limiting students to two years of

participation allows other students the opportunity to be involved in the program.

In attending the Jessamine County Fitting Show, a local youth livestock show, many students were proud of what they have accomplished with the money received through the program.

Landon Hack, current YAIP participant and sixth grader, first used the cost-share money to purchase a market wether sheep. He continues to invest his money to buy better quality sheep year after year.

Below: Landon Hack shows progeny of his first wether sheep purchased with YAIP cost-share money at the Jessamine County Fitting Show.



"The best part of the cost-share program is when the hard work pays off."

Shared-Use Equipment Program ...in Pulaski County

In 2006, the Pulaski County Conservation District had one no-till seed drill for lease to farmers in the county. There were thoughts of selling the drill and no longer renting it out to local producers. However, John Burnett with the Pulaski County Conservation District saw the potential of a shared-use equipment program for the area. The Pulaski County Conservation District was approved for \$11,998 in Pulaski County funds from the Kentucky Agricultural Development Board (KADB) in 2009 to begin its shared-use equipment program.

The KADF has helped the Pulaski County Conservation District obtain a total of 14 pieces of active equipment and also supported the construction of a storage building to keep the equipment at a central location. Some of the equipment available includes no-till seed drills, post drivers and bale wrappers.

The equipment is scheduled, housed and maintained by the Pulaski County Conservation District. The rental dollars received by the conservation district go towards maintenance of current equipment and to future purchases of equipment. The annual Pulaski County Farm Field Day showcases new and available equipment ready to be used by producers in the area.

According to Burnett, the Pulaski County shared-use program would not be successful without KADF support and outreach.

“The shared-use program has cultivated a better working relationship with the conservation district and the land owners,” Burnett said. “The program encourages farmers to diversify their operations, especially away from tobacco, and try new methods by making otherwise seldom used equipment accessible.”

Rodney Dick, former KADB member and Pulaski County native, said, “Serving on the board allowed me to see the program from a different perspective. It bridged a gap between farmers and gave diverse options on equipment. Pulaski County was first in the state to purchase a post driver for shared-use and has taken full advantage of purchasing additional equipment with the funds available. The program serves as a model that other counties in Kentucky can structure their programs off of.”

Pulaski County’s shared-use equipment program has allowed farms to diversify, expand and succeed.

Pulaski County shared-use proudly showcases a KADF sign at their equipment storage building. Equipment is stored and ready for locals to rent.





KAFAC - KENTUCKY AGRICULTURAL FINANCE CORPORATION

loan programs utilize state funds intended for regional or statewide, multi-county, multi-producer projects. The KAFAC provides access to below-market financing through its participation loan programs in partnership with lenders across the state. The KAFAC offers low interest rates to mitigate risk for lenders and improve cash flow for farmers and makes financing possible for many agricultural projects that would otherwise be under or unfunded.

The KAFAC provides access to capital. The participating loans can fund up to half the project costs, while taking a subordinate position behind the originating lender. The following loan programs are available to Kentucky producers and processors who are currently engaged or entering into the agricultural industry:

AILP - AGRICULTURAL INFRASTRUCTURE LOAN PROGRAM

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.

APLP - AGRICULTURAL PROCESSING LOAN PROGRAM

provides loan opportunities to companies and individuals in Kentucky that are interested in adding value to Kentucky grown agricultural commodities through further processing.

BFLP - BEGINNING FARMER LOAN PROGRAM

assists individuals with farming experience to develop, expand or buy into a farming operation. Eligible projects include the purchase of real estate, equipment and livestock. Loans are also available for the construction or renovation of agricultural facilities, as well as funds to invest into a farm partnership or business.

DEAL - DIVERSIFICATION THROUGH ENTREPRENEURSHIP IN AGRIBUSINESS LOAN PROGRAM

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.

VET - LARGE ANIMAL VETERINARY LOAN PROGRAM

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





KAFC Statistics and Quick Facts

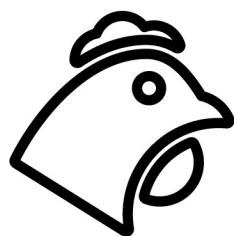
920+ loans approved for more than **\$125,500,000**

Based on an evaluation by the University of Kentucky from 2015, 79% of lenders would not have financed a Beginning Farmer Loan project without the KAFC participation.

KAFC Loans Approved in Fiscal Year 2018 and in Total

Loan Program	FY18	Total
BFLP	\$10,964,420	\$63,153,139
AILP	\$3,189,552	\$32,002,146
APLP	\$880,000	\$21,677,832
DEAL	-	\$727,500
VET	-	\$979,253

Highest Funded KAFC Commodities in Fiscal Year 2018



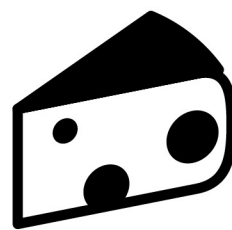
Poultry
\$5,885,350



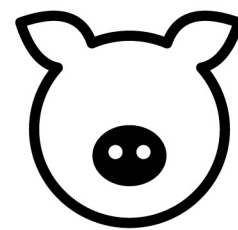
Beef
\$3,921,450



Grain
\$2,547,090



Micro Processor
\$880,000

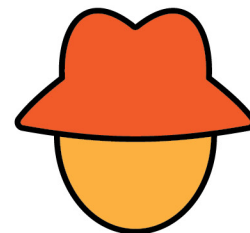


Swine
\$500,000



KAFC has funded the construction of 344 poultry houses in Kentucky.

The KAFC loan portfolio consists of over \$80 million in assets.



The average age of a: *
KAFC loan participant is 48 years old
BFLP participant is 37 years old
Kentucky farmer is 58 years old

* based on NASS/USDA 2017 State Agriculture Overview





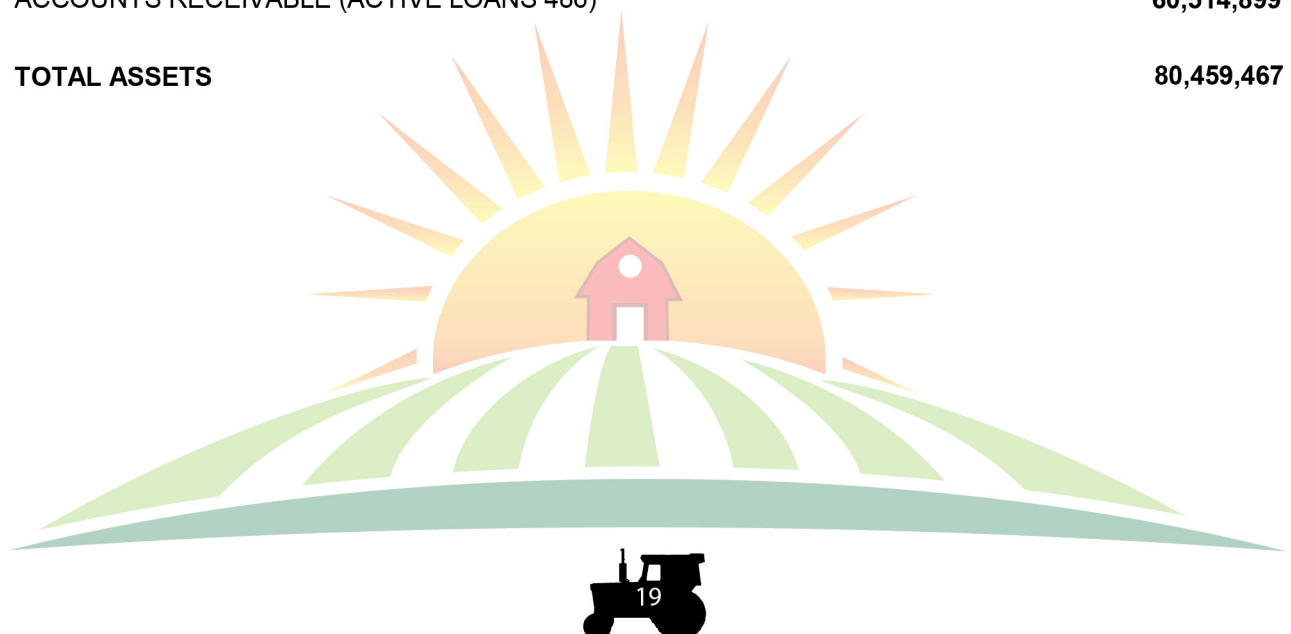
**KENTUCKY AGRICULTURAL FINANCE CORPORATION
FINANCIAL STATEMENT**

FISCAL YEAR 2018 (ENDING 6/30/2018)

	FY 2017	FY 2018
BEGINNING CASH BALANCE	11,233,850	19,887,482
CASH RECEIPTS		
PRINCIPAL	7,858,668	6,104,483
INTEREST EARNED ON LOANS	1,019,565	1,000,795
INTEREST EARNED ON CASH	107,925	210,465
OTHER INCOME (GRANTS, TRANSFERS)	12,388,801	10,000,000
TOTAL CURRENT YEAR RECEIPTS	21,374,959	17,315,743
TOTAL CASH FY18	32,608,809	37,203,225
CASH EXPENDITURES		
LOANS DISBURSED	(12,715,181)	(17,256,607)
REFUNDS	(6,146)	(2,050)
TOTAL CASH EXPENDITURES	(12,721,327)	(17,258,657)
ENDING CASH BALANCE	19,887,482	19,944,568

ESSENTIAL OPERATING DATA

LOANS APPROVED, NOT DISBURSED	11,859,523
FUNDS UNCOMMITTED	8,085,045
ENDING CASH BALANCE	19,944,568
ACCOUNTS RECEIVABLE (ACTIVE LOANS 486)	60,514,899
TOTAL ASSETS	80,459,467



AILP - AGRICULTURAL INFRASTRUCTURE LOAN PROGRAM

Southerland's Greenhouse spans eight acres in Bourbon County. Will Southerland has operated the family "indoor farm" since 1973. Mums, poinsettias, hanging baskets, ferns and more are grown year-round inside the greenhouses. Southerland's supplies stores in six states beyond Kentucky with plants.

In 2014, the Kentucky Agricultural Finance Corporation (KAFC), along with Central Kentucky AgCredit Association (CKACA), provided funding

through the Agricultural Infrastructure Loan Program (AILP) for a new boiler system to heat the greenhouses. Additionally, Southerland's received \$10,000 in state funds under the On-Farm Energy Efficiency Incentives Program in 2014 to replace the outdated boiler system. The system takes up less space and is more efficient than the old boiler units. Even when the outside weather is below zero degrees, the boiler system maintains a temperature of around 65 degrees or warmer.

"Without the help of the KAFC and CKACA, we would not have been able to upgrade our outdated heating system," Southerland said.

In the past four years, average energy savings are 10-20 percent since the installation. With consistent heat in the greenhouses, Southerland's is always one step ahead of the game and provides high-quality plants for every season.



Southerland's Greenhouse in Bourbon County spans eight acres under roof.



APLP - AGRICULTURAL PROCESSING LOAN PROGRAM

Ronny Drennan was raised on a production dairy and tobacco farm, but now works on the processing side of agriculture. In 1999 with his wife, Beth, Drennan purchased Broadbent B&B Foods custom processing facility from the Broadbent family in Lyon County.

Broadbent B&B is known for its award-winning country ham, bacon and sausage. Broadbent's country ham has been named Grand Champion 17 times at the Kentucky State Fair. In 2008, the Drennan's were able to move Broadbent's to a larger facility with the help of the Kentucky Agricultural Finance Corporation (KAFC) and participating

Country hams age in the new Broadbent B&B facility.

lender Fredonia Valley Bank in Eddyville, Ky. Drennan was approved under the Agricultural Processing Loan Program (APLP) that allowed for the purchase of a bacon slicer and packaging machine.

Drennan said, "I can't say enough about what the Governor's Office of Agricultural Policy (GOAP) staff does to help small businesses. We have been blessed beyond our means."

Over the years, food services have been added to the business and mail orders continue to grow. The Drennan's support eleven surrounding counties 4-H country ham projects by assisting in the curing process.

Brent Bugg, loan officer with Fredonia Valley Bank, said, "The Drennan's have been blessed, starting from the original building to development in the new location. We are glad to be a part of it alongside the KAFC."

"I can't say enough about what the Governor's Office of Agricultural Policy (GOAP) staff does to help small businesses. We have been blessed beyond our means."



BFLP - BEGINING FARMER LOAN PROGRAM

For the Hendrickson brothers, farming has always been a family affair. Growing up in western Kentucky, the four brothers Bryan, Daniel, Adam and Tyler were raised producing hogs and row cropping. The brothers always knew they wanted to continue farming, but due to the increase in the price of land, they decided to look for alternatives to row cropping and found poultry.

In 2014, Adam and Tyler contracted with Tyson and established Hendrickson Bros. Farm, LLC, in Webster County through the Kentucky Agricultural Finance Corporation's (KAFC) Agricultural Infrastructure Loan Program (AILP) in participation with Planters Bank in Hopkinsville, Ky. They purchased 14 broiler barns across two farms and

eventually purchased a third farm with six additional houses.

Jason Jenkins, loan officer with Planters Bank, said, "The brothers have exceeded expectations. They performed on their first two farms, which is how they were able to acquire their third farm."

Bryan Hendrickson contracted with Far Best to raise turkeys. He was approved for the construction of six barns through the KAFC's New Agricultural Enterprise Loan Program in participation with Farm Credit Mid-America in Henderson, Ky. Hendrickson recognizes that this opportunity could not have been possible without the KAFC.

"The KAFC loan program was key in getting this whole deal going," Hendrickson said.

Since building his houses in 2014, he averages almost 48 pounds per bird across the 48,000 turkeys he houses per flock.

Josh Renaker, loan officer at Farm Credit Mid-America, said, "The loan program has allowed us to finance things we would not have been able to finance in the past."

The KAFC's low interest rate has contributed to diversified agriculture in Kentucky, including growing the poultry industry, now Kentucky's number one commodity.



The Hendrickson family standing in front of one of six chicken houses located at their farm in Webster County.



Bryan Hendrickson standing in front of turkey house.

DEAL – DIVERSIFICATION THROUGH ENTREPRENEURSHIP IN AGRIBUSINESS LOAN PROGRAM

The Diversification through Entrepreneurship in Agribusiness Loan (DEAL) program uses one agribusiness or individual to impact many producers. This program finances limited resource individuals wishing to start or purchase an agribusiness with the intent of diversifying their operation through non-traditional production or services.

A lifelong farmer from McLean County, Brandon Shocklee pursued exactly the type of project the DEAL program was intended for. In 2011, Brandon, and his wife, Evon, received financing through the Kentucky Agricultural

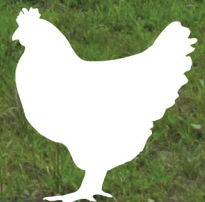
Finance Corporation's (KAFC) DEAL program in participation with Independence Bank in Livermore, Ky. to purchase an existing local poultry house cleanout business. The purchase included four pieces of cleanout equipment, two belt conveyors and two skid steers.

Since that time, Shocklee has been able to grow his operation to a total of 10 pieces of equipment including a windrowing bucket for his skid steer. At the time of the purchase, the business had around 265 customers; it is now close to 300 customers in Webster, McLean, Ohio and Daviess counties and has three full-time employees.

According to Shocklee, one of the biggest risks at the time of purchase was the lack of guaranteed customer base. According to Dan Harkins, former Independence Bank loan officer, Shocklee's work ethic and financial management have been key components in the success of the business. Shocklee, who prides himself on being fair and dependable, credits the DEAL program for allowing his business to be where it is today.

"I wouldn't have been able to do this without KAFC and Dan. It has changed my livelihood, built my asset value, and increased my income," Shocklee said.

"I wouldn't have been able to do this without KAFC and Dan. It has changed my livelihood, built my asset value and increased my income."



The Shocklee Family

VET - LARGE FOOD/ANIMAL VETERINARIAN PROGRAM LOAN

After graduating from Auburn University's College of Veterinary Medicine, Dr. Karen Young of Scott County decided to purchase her own veterinary practice. With participation of the Kentucky Agricultural Finance Corporation's (KAFC) Large Food/Animal Veterinarian (VET) Program Loan and Farm Credit Mid-America (FCMA) in Lexington, Young's dreams became a reality. The VET program 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.

The Young Family is proud of the clinic and the hard work that has gone into its success.

At only 28 years old, Dr. Young purchased the Scott County Veterinarian Clinic. However, the clinic has had to undergo some changes since her initial purchase. In 2015, Dr. Young and her husband, Chad, built a new facility with its own laboratory with advanced equipment in a new location adjacent to the original property.

"We definitely wouldn't have been able to come this far this fast without the loan," Dr. Young said.

Dr. Young is thankful for the working relationship she has formed with FCMA.

Michael Smith, loan officer with FCMA, said, "We have worked with the KAFC in our office for years and have seen these funds be used for many different projects to expand and lessen a dependence on tobacco."

Serving both large and small animals, Dr. Young sees growth of the clinic with the help of the other two veterinarians. She plans to expand and build a facility with capacity for large animals, with many sheep, goat and equine clients. The Scott County Veterinary Clinic has grown and excelled thanks to excellent management and lending relationships.



"We definitely wouldn't have been able to come this far this fast without the loan."

Scott County Veterinary Clinic's new facility, which opened in 2015.



Thank You...

to all partners throughout the Commonwealth that contribute to the unprecedented success of the KADF's projects and programs. The Tobacco Master Settlement Fund impact would not be at the current level without the network of individuals and organizations that support Kentucky agriculture.

Please see below for a list of references and contact information that may be useful.

County Cooperative Extension Service

www.extension.ca.uky.edu/county

Kentucky Cabinet for Economic Development

www.thinkkentucky.com

(502) 564-7670

Kentucky Center for Agriculture and Rural Development

www.kcard.info

(859) 550-3972

Kentucky Department of Agriculture

www.kyagr.com

(502) 573-0282

Kentucky Department of Fish and Wildlife

www.fw.ky.gov

(800) 858-1549

Kentucky Division of Conservation

conservation.ky.gov

(502) 564-3080

Kentucky Division of Water

www.water.ky.gov

(502) 564-3410

Kentucky Small Business Development Center

<https://www.ksbdc.org/>

USDA Farm Service Agency

www.fasa.usda.gov/state-offices/Kentucky

USDA Natural Resource and Conservation Services

www.nrcs.usda.gov/wps/portal/nrcs/site/ky/home/

USDA Rural Development

www.rd.usda.gov/ky

(859) 224-7300

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