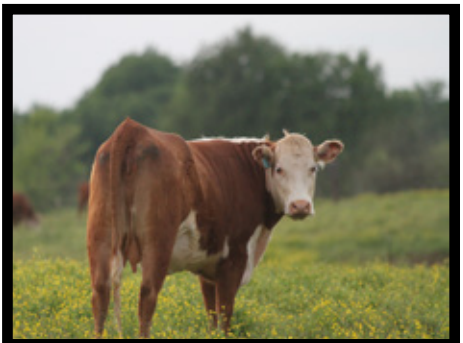
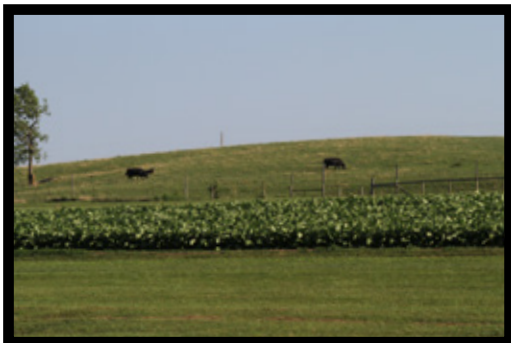


# GOVERNOR'S OFFICE OF AGRICULTURAL POLICY



**ANNUAL REPORT**  
**JULY 2019 - JUNE 2020**





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# About Us

## **Governor's Office of Agricultural Policy (GOAP)**

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 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 new ways to add value to Kentucky agricultural products and exploring new opportunities that will benefit Kentucky farms now and in the future.

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.

*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.*

## **Tobacco Master 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. Matt Castlen**

**Sen. Paul Hornback**

**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**

## **Kentucky Agricultural Development Board Members**

Chaired by Governor Andy Beshear, 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 the Kentucky State University. Appointed members are geographically distributed throughout the Commonwealth and are subject to confirmation by the Senate.

*Governor (Chair) - **Andy Beshear***

*Commissioner of Agriculture (Vice Chair) - **Dr. Ryan Quarles***

*Acting Secretary of the Cabinet for Economic Development - **Larry Hayes***

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

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

*Agricultural Lenders Representative - **Mark Barker***

*Attorney with Farm Experience - **Bobby Foree***

*Kentucky Farm Bureau Representative - **J. Fritz Giesecke***

*Active Farmers Representative - **Pat Henderson***

*Kentucky Chamber of Commerce Representative - **Matt Hinton***

*Farmers with Ag. Diversification Representative - **Stewart Hughes***

*Grain and Tobacco Farmers; Agribusinesses Representative - **Wayne Hunt***

*Cattle and Swine Farmers Representative - **Dr. Gordon Jones***

*Livestock, Grain, Tobacco and Hay/Forage Farmers Representative - **Jim Mahan***

*Active Farmers Representative - **Katie L. Moyer***

*Grain, Tobacco and Cattle Farmers Representative - **Al Pedigo***

## **Kentucky Agricultural Finance Corporation Board Members**

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.

*Commissioner of Agriculture (Chair) - **Dr. Ryan Quarles***

*Secretary of Finance and Administration Cabinet - **Holly McCoy-Johnson***

*Horticultural Farmer - **Charles "Westy" Adams III***

*Livestock Farmer - **Donna Amburgey***

*Agricultural Economist - **Dr. Kenneth H. Burdine***

*KADB Representative, Cash Grain Farmer - **Wayne Hunt***

*Dairy Farmer - **Larry Jaggors***

*Commercial Lending Representative - **Doug Lawson***

*Tobacco Farmer - **Donald Mitchell***

*Farm Credit Association Representative - **Jonathan Noe***

*Equine Industry Representative - **Frank A. Penn***

*Commercial Lending Representative - **Linda L. Rumpke***

# GOAP Staff List

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 positively impact Kentucky's agricultural economy.

<p><b>Warren Beeler</b> Executive Director Office: 502-564-4627 Warren.Beeler@ky.gov</p>	<p><b>Bill McCloskey</b> Deputy Executive Director Office: 502-782-1766 BillB.McCloskey@ky.gov</p>
<p><b>Brian Murphy</b> General Counsel Office: 502-782-1768 Brian.Murphy@ky.gov</p>	<p><b>Bill Hearn</b> Fiscal Officer Office: 502-782-1767 Bill.Hearn@ky.gov</p>
<p><b>Lindsay Bates</b> Administrative Loan Manager Office: 502-782-1758 Lindsay.Bates@ky.gov</p>	<p><b>Renee Carrico</b> Project Manager Office: 502-782-2719 Renee.Carrico@ky.gov</p>
<p><b>Diana Carrier</b> Compliance Manager Office: 502-782-1762 Diana.Carrier@ky.gov</p>	<p><b>Kelly Childers</b> Office Manager Office: 502-782-1755 Kelly.Childers@ky.gov</p>
<p><b>Grace Clark</b> Intern Office: 502-782-1769 Grace.Clark@ky.gov</p>	<p><b>Sandra Gardner</b> Director of Compliance and Outreach Office: 502-782-1759 Sandra.Gardner@ky.gov</p>
<p><b>Ali Hulett</b> Loan Programs Manager Office: 502-782-1760 Ali.Hulett@ky.gov</p>	<p><b>Marielle McElmurray</b> Director of Public Affairs Office: 502-782-1731 Marielle.McElmurray@ky.gov</p>
<p><b>Danielle Milbern</b> Project Manager Office: 502-782-1771 Danielle.Milbern@ky.gov</p>	<p><b>Stefanie Osterman</b> County Programs Manager Office: 502-782-1763 Stefanie.Osterman@ky.gov</p>
<p><b>Milinda Sosby</b> Boards and Special Events Manager Office: 502-524-0027 Milinda.Sosby@ky.gov</p>	<p><b>Martin Williams</b> Intern Office: 502-782-1757 Martin.Williams@ky.gov</p>

# Master Settlement Agreement Funds from Tobacco Companies



**\$112,659,700**

## MSA Dollars Appropriated to:

**KADF** (Kentucky Agricultural Development Fund)

**ECDF** (Early Childhood Development Fund)

**HCIF** (Health Care Improvement Fund)

**\$80,531,000**



(\$32,128,700 is subtracted for the Finance and Administration Cabinet and debt service on rural water and sewer lines.)



## Healthcare

**\$40,693,000**



## Agriculture

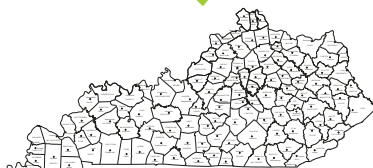
**\$39,838,000**



**State Funds**  
**\$21,083,040**

**KADF**  
State Projects

**KAFC**  
Loan Programs



**County Funds**  
**\$14,818,660**



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

Andy Beshear  
GOVERNOR

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700 Capitol Avenue  
Frankfort, KY 40601  
(502) 564-2611  
Fax: (502) 564-2517

Dear Friends,

On behalf of the commonwealth, I am pleased to present you with the Governor's Office of Agricultural Policy 2020 annual report.

As we have endured one of the most challenging years in history, I have never been more proud of Kentucky's agriculture community. Our administration is dedicated to diversifying agriculture and increasing farm income by funding innovative projects through the Kentucky Agricultural Development Fund (KADF).

The Governor's Office of Agricultural Policy (GOAP) strives to continue to advance Kentucky agriculture by investing in rural and urban communities alike. I am thankful to Kentucky's farmers, producers, scientists, agribusinesses and all agriculture organizations for the work they do to supply the world with fresh food, fiber and energy.

In June, I announced Kentucky's AgriTech initiative. GOAP's programs, both through the Kentucky Agricultural Development Board (KADB) and Kentucky Agricultural Finance Corporation (KAFC), assist those seeking to lead the world in creating new and better ways to deploy agricultural technologies. I look forward to working with you to make America's AgriTech capital in Kentucky.

Please enjoy this report which includes success stories on projects and programs that broaden the scope of Kentucky agriculture including AgriTech, research, local foods movement, youth education, energy and agribusinesses all funded through the KADF.

Thank you,

A handwritten signature in blue ink that reads "Andy Beshear".



*"Being the global leader in the AgriTech industry will not only make Kentucky's farms more productive and efficient, but will also benefit every citizen and every region of the Commonwealth in creating industry and jobs," Gov. Beshear said.*

## **Agricultural Pharmaceuticals - From the Field to the Pharmacy**

AgriTech provides opportunities for agriculturalists to improve current operations, as well as diversify agricultural production within the commonwealth. Agriculturalists who implement AgriTech on their operation see how necessary technological advancements are to meeting the needs of a growing and changing world. Kentucky BioProcessing, Inc. (KBP) fits this mold perfectly, having implemented technology to take on a unique sector of agricultural processing - pharmaceuticals.

Founded in 2006 in Daviess County, Kentucky BioProcessing diverged from the beaten path set by its predecessors to become a national leader in AgriTech. The facility, led by President Hugh Haydon, works to manufacture a variety of products for the medical industry, including vaccines and treatments for some of the most well-known diseases in recent years.

Along with a business partner, Haydon was informed of an Owensboro area company that was struggling to stay afloat. Haydon recalled saying someone should buy this and manage it properly, and soon thereafter, looked for investors to fund the opportunity. **The KADB was one of the initial funding sources for KBP to purchase technology to produce therapeutic proteins and create a new market for tobacco products.**

KBP utilizes tobacco plants to express, extract and purify proteins to be used in pharmaceutical products. Tobacco was chosen because the development process using plants is much quicker and less expensive compared to methods that use animals, yeast, bacteria and other means. Timeliness and affordability are of utmost importance when it comes to producing treatments and vaccines that are safe, affordable and successful. They work with different licensed technologies to encode the plants with the genetic instructions to produce certain proteins and in turn be useful in situations they otherwise would not have been.



*"Our system allows us to combine the tremendous knowledge gained by our farming community through decades of experience in growing tobacco with the scale of commercial agriculture to produce biopharmaceuticals a way that not only assures safety but is faster than alternate methods" said Haydon.*

KBP has collaborated with a number of commercial and governmental organizations to develop new pharmaceutical products to meet the growing needs of the world. One of their biggest success stories was their work to develop a treatment for the Ebola virus. Working with the U.S. Department of Health and Human Services and a California based biotech company, they quickly manufactured ZMapp™, used to help treat the first two Ebola patients in the United States in 2014 as well as patients in Africa.

Agriculturalists constantly work to adapt their operations and look to find new opportunities for revenue to ensure they are profitable in a changing society. This adaptation is supported by leaders in Kentucky agriculture, and seen in all types of operations, whether they are growing food, fuel or fiber. Through funding Kentucky BioProcessing, the KADB set the stage for a new era in Kentucky agriculture and in tobacco production, one characterized by a more diverse industry.

**Above: A tobacco growing area at Kentucky BioProcessing in Daviess County**



## Governor's Office of Agricultural Policy

**Andy Beshear**  
Governor

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Frankfort, Kentucky 40601  
(502) 564-4627  
Fax (502) 564-8990  
agpolicy.ky.gov

**Warren Beeler**  
Executive Director

This is a year we will all remember. The coronavirus pandemic has been a roller coaster ride for agriculture as it shut us down like nothing any of us had ever seen in our lifetime. A life with hugs and handshakes was quickly replaced by masks and a 6 foot distance. Out of the farm's control, commodity prices moved back and forth and the crisis revealed some of agriculture's weaknesses. **While the negatives throughout 2020 may have been many, the spotlight on our essential agriculture industry was positive.** The virus gave us a chance to evaluate what happened and fix it. We learned some valuable lessons. No matter what the disaster might be, Kentucky's vital agriculture industry will continue to produce for the commonwealth thanks in part to the Kentucky Agricultural Development Fund (KADF).

As a result of COVID-19, meat processing came to the forefront as well. The Kentucky Agricultural Development Board (KADB) approved a new program to help Kentucky processors and farmers meet consumer demands. The Meat Processing Investment Program (MPIP) was developed to help incentivize an increase in Kentucky animals processed at both USDA-inspected and custom processors. The KADB's quick action on this program is just one example of a positive that happened in 2020. This successful investment in infrastructure will have positive effects lasting for decades.

Additionally, the recently revised On-Farm Water Management Program, thanks to Kentucky Farm Bureau's proactive efforts, solidified the KADF's long-term investment in water as economic development. Especially in times of drought, a working knowledge of agricultural water usage and conservation is tremendously important as our industry grows and changes.

Kentucky has been so fortunate to have the Tobacco Master Settlement Agreement funds to invest in farmers, agribusinesses, rural communities and new markets. The programs offered through the Governor's Office of Agricultural Policy (GOAP) are meant to adapt to the ever-changing demands of our world. The KADB and Kentucky Agricultural Finance Corporation (KAFC) continue to support our most-essential industry, agriculture.

We at GOAP are very proud of the more than \$630 million invested in successful projects and programs by the KADF. This annual report will highlight a few of those successes. The question is "Where do we go from here?" We need to be proactive, forward-thinking and anticipate change rather than reacting to a catastrophe after the fact. We need ideas, and we need to use 2020 as a teacher in determining our next step. We have these funds to help us get there.

Thank you,

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

Executive Director

# KADF Success Stories

## University of Kentucky Grain and Forage Center of Excellence

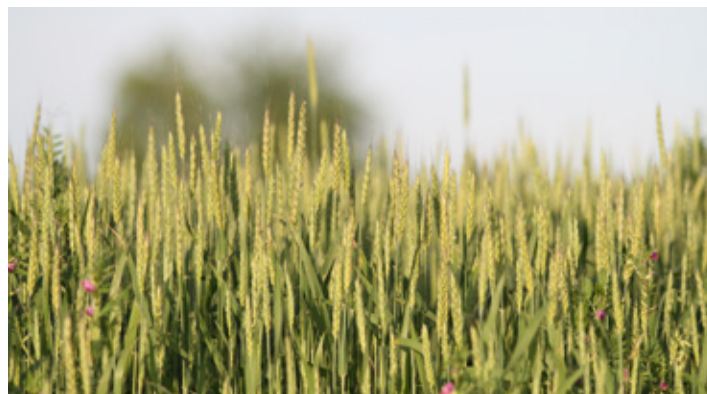
Consumers and agriculturalists continue to ask unanswerable questions. These questions ponder the feasibility of maximizing agricultural efficiency and productivity, while keeping the industry environmentally friendly and sustainable. Accomplishing such a feat and answering some of the unknowns in agriculture requires our industry to pour more into research, education and outreach. Luckily, the KADB has done just that through funding its single largest investment, the University of Kentucky's Grain and Forage Center of Excellence.

**The KADB provided \$15 million to reinvigorate, renovate and expand the research and education center in Princeton.** This site will exude the principles of research, education and outreach the University of Kentucky was founded upon in 1865. The Center embodies these principles, as it seeks answers for numerous questions in agriculture.

The idea to develop a collaborative space to research diverse topics impacting grain and forage producers sparked from a conversation in 2012 between producer Don Halcomb and UK Extension soil scientist Lloyd Murdock. The idea worked its way into commodity groups' conversations and eventually the hands of Dr. Chad Lee, director of the Grain and Forage Center of Excellence. Dr. Lee credits the idea coming to fruition to the supportive funding of the KADB, other sponsors and the innumerable agriculturalists who jumped on board with the idea. Dr. Lee said a few farmers in the community even gave up their chance on purchasing the additional land intended for irrigation and research plots, so that UK had time to find funding to invest in the property.

*"The Grain and Forage Center of Excellence came to reality because of our continued partnership with local farmers, farmer organizations, businesses and interested citizens. We stay committed to helping them produce safer food, feed and fuel. We stay committed to addressing local concerns and recognize that some of our efforts will have global impact," said Dr. Chad Lee, Executive Director of the UK Grain and Forage Center of Excellence.*

The UK Grain and Forage Center of Excellence is equipped with state-of-the-art technology and talented faculty to guide it towards answering big questions in agriculture.



Funding from the KADB aided in the 20,000 sq. ft. addition to the facility, which includes new laboratories, conference rooms and even student access rooms. Access rooms allow faculty at Princeton to connect with students in Lexington at the push of a button, totally transforming the way research and education can be shared.

Accessibility sets this program apart from other programs across the country. Not only is education more obtainable for students and faculty, but research is more accessible to producers who need it. Generous funding and support of the Center sent ripples across the state and country, connecting talented researchers and faculty to finding solutions to problems farmers face every day. For example, faculty created online resources to aid farmers dealing with recent late-season freeze on wheat crops. Research takes time, but the Center's faculty challenge themselves to make information readily available for producers to access and use now.

The UK Grain and Forage Center of Excellence is an incredible tool for Kentucky agriculture to utilize to find solutions for enticing questions for not only increased efficiency, but also long-term sustainability that will allow agriculturalists to continue this lifestyle for years to come.

**Above photo: Wheat grows on a Southern Kentucky farm, and is one of the many crops the Center has conducted research on.**



**Above left: The Kentucky Agricultural Development Fund and Kentucky Agricultural Finance Corporation boards join for a photo at the UK Grain and Forage Center of Excellence in Princeton. Board members can be found on page 5. | Above right: UK staff, state and local officials and members of the community break ground commemorating the start of construction in March 2018.**



# About KADB

Over the past 19 years, **the Kentucky Agricultural Development Board (KADB)** has invested more than \$630 million 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 2020, the KADB approved \$27,812,304 in state and county funds for more than 230 projects and programs.**

**The KADB also implemented a \$1 million initiative through the Meat Processing Investment Program (MPIP) in fiscal year 2020.** The program provides funding for meat processors to financially incentivize economical expansion of business to process more Kentucky beef, dairy, pork, lamb, goat and poultry products.

In its third year, the On-Farm Water Management Program continued to promote water resilience on farms. The Small Scale Grant (SSG) provides an opportunity for private farms to implement best water management practices in a simple application format. The Practical Implementation Project (PIP) is used by private farms that wish to implement larger best management practices for water management on their farm. The Research, Development and Demonstration (RDD) projects provide a ground for water management practices on public regional farms. **In fiscal year 2020, \$31,596 was committed to SSG projects and \$287,996 was committed to projects that fall under RDD project guidelines. A total of nine projects in nine-counties benefitted from the On-Farm Water Management Program.**

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 to help increase sustainability of agricultural production on farms. **In fiscal year 2020, 45 producers in 26 counties were approved for \$368,069 in State funds for the program.**

The KADB receives applications for its locally administered county-funded programs. 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.

The most utilized program is the County Agricultural Investment Program (CAIP), which offers 11 investment areas that provide Kentucky agricultural producers cost-share assistance on practices that increase net farm income and opportunities to try new and innovative technologies or systems that improve farm efficiency and productivity. CAIP benefits and enhances agriculture across the state by stimulating markets for Kentucky agricultural products. **The KADB approved more than \$12 million in CAIPs across 72 counties in fiscal year 2020.**

The Deceased Farm Animal Removal Program (DAR) was developed to aid in the coordination of environmentally sound and cost-effective disposal of deceased livestock. **Seventeen counties implemented the DAR program in fiscal year 2020, investing a total of \$150,878.**

The Next Generation Farmer Program (NextGen) was developed to address the growing need for a specialized program that would benefit producers ages 18 to 40 that have been engaged in an agricultural operation for a minimum of three years. **Five counties invested \$215,976 in NextGen programs in fiscal year 2020.**

The Youth Agricultural Incentives Program (YAIP) benefits youth who are interested in learning more about agriculture. **Eighteen counties directed a total of \$366,156 in state funds to offer YAIP in fiscal year 2020.**

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. **Fourteen counties purchased equipment through the Shared-Use Equipment Program this fiscal year with county funding totaling \$232,865.**



**KENTUCKY AGRICULTURAL DEVELOPMENT FUND  
FINANCIAL STATEMENT**

FISCAL YEAR 2020 (ENDING 6/30/2020)

	STATE	COUNTY	TOTAL	INDIVIDUAL COUNTY ACCOUNTS
<b>BEGINNING CASH BALANCE</b>	24,801,866		24,801,866	16,858,197
<b>CASH RECEIPTS</b>				
ANNUAL MSA PAYMENT	21,083,052*	14,818,660	35,901,712	14,818,660
INTEREST EARNED OFF - BUDGET COUNTY ACCTS				147,067
<b>TOTAL CASH FY20</b>	45,884,918	14,818,660	60,703,578	31,823,924
<b>CASH EXPENDITURES</b>				
DISBURSEMENTS/EXPENDITURES	8,242,968		8,242,968	14,156,127
TRANSFER OUT	6,556,925	14,818,660	21,375,585	
<b>TOTAL CASH EXPENDITURES</b>	14,799,893	14,818,660	29,618,553	14,156,127
<b>ENDING CASH BALANCE</b>	31,085,025	-	31,085,025	17,667,797

\*INCLUDES \$7,000,000 - KY STATE FAIR BOARD

<b>ESSENTIAL OPERATING DATA</b>	STATE	COUNTY
BUGETED/APPROVED, NOT DISBURSED	17,940,220	3,609,575
FUNDS UNCOMMITTED	13,144,805	14,058,222
ENDING CASH BALANCE	31,085,025	17,667,797

<b>AGENCY RECEIPT ACCOUNT</b>	
BEGINNING CASH BALANCE	363,231
CASH RECEIPTS	9,500
CASH EXPENDITURES	(52,103)
ENDING CASH BALANCE	320,628



# Farm to Table

With a national shortage of products seen in grocery stores brought on by the COVID-19 pandemic, local agriculture stepped up to the plate to meet demands - marketing their products from farmers markets to major retailers. These three KADF projects exemplify agriculturalists meeting the needs of their communities, all in different ways.

## Community Farm Alliance

Not all news is negative when it comes to the COVID-19 pandemic, an example being local agriculture and farms across Kentucky. Producers who market directly to the public saw an increase in demand for their products - beef, eggs, fruits, vegetables and more. While the local food movement has been on the rise for years, the reliability and quality of locally-sourced products attracted even more consumers once the pandemic affected food availability. The KADB has, on a number of occasions, funded projects to support local agriculture. The KADB provided grants to help local processors expand their business, build new farmers market pavilions and provide resources for farmers to market directly to consumers. Since 2001, more than half a billion dollars has been invested in projects to improve local agriculture.

With help from the KADB, Community Farm Alliance (CFA) developed a network to promote local agriculture and improve the accessibility of healthy foods within communities across the state. CFA is a member-driven organization that works to improve the agricultural industry through policy, value chain development, community engagement and a variety of initiatives to build healthier communities.

**CFA's most recent ventures, funded by the KADB, include Kentucky Farmers Market Support Programs, Farmers Market Incentive Program and a Double Dollars program.**

Each program serves to positively impact those involved in farmers markets on every level - manager, vendor and consumer. These programs have worked to promote the local food movement in urban and rural communities long before the COVID-19 pandemic, but have become even more prominent in its wake.



**Top: Products at the Lexington Farmer's Market, which hosts a few of the KADF-supported programs including Double Dollars. | Bottom: Kentucky Proud beef products are available in all Krogers in the commonwealth, as well as some stores in surrounding states thanks to Beef Solutions LLC.**

## Beef Solutions, LLC

In 2017, national retailer, Kroger, knew that customers had a large desire for local Kentucky beef products marketed in their stores and began conversations with the Kentucky Cattlemen's Association (KCA) to make that a reality. The result is a product that has become a go-to for consumers during the COVID-19 pandemic.

Beef Solutions, LLC was designed as a single entity to showcase products from Kentucky farm families to consumer plates around the Bluegrass.

**With the support of the KADB, Beef Solutions has become a self-sustaining and successful entity, whose success stems from catering the product to the consumers.** A total of 159 Kroger stores carry at least one of the three Kentucky Proud beef products marketed by Beef Solutions, including a majority of the Kroger stores in Kentucky and a few stores in surrounding states.

Beef Solutions' gold standards for care and traceability are what give consumers a peace of mind when they purchase the Kentucky Proud beef. Kentucky producers must have accurate records to verify the beef has been on a Kentucky farm for at least 60 days prior to delivering the animal to a Global Food Safety Initiative (GFSI) certified processor. As long as producers are willing to provide proper paperwork and certifications, Beef Solutions is willing to work with producers of all shapes and sizes.

This unique supply chain benefits all involved parties – Beef Solutions, Kentucky producers, Kroger and consumers. Producers often receive a higher price for their animals sold to Beef Solutions, which pays the hot carcass weight value. Kroger provides a quality, local product that consumers desire while not having to figure out the logistics to get it from the producer to the store. Additional KADB-supported businesses - Creation Gardens, the packager, and multiple GFSI certified processors also benefit from Beef Solutions' market.

*"I was very pleased with the process and tickled to death to be receiving a hot carcass weight value for my animal," said Daviess County producer, Chris Pantle. "After a little paperwork and putting a tag in the cow's ear, a few other producers and I were able to fill a load to send for processing."*

Kroger and KCA developed a master supply chain to effectively put what consumers want in their hands, while benefiting each piece of the chain.

Few states, if any, share such a brilliant marketing plan between their producers and big name merchandisers. A simple conversation got the ball rolling, and now, just a couple years down the road, Kentucky Cattleman's ground beef is a huge success.

## Marksbury Farm Foods

COVID-19 pushed meat processors, on every level of the supply chain, to their max capacity. With orders delayed for months, many processors struggled to keep up with market demands, especially with reduced numbers of employees per pandemic safety guidelines. Marksbury Farm Foods in Lancaster continues to work hard to meet the growing demands for its products, especially throughout the pandemic.

With just 45 employees, Marksbury processes 35,000 pounds of meat per week for external sellers in Kentucky. Among those sellers is Beef Solutions. **Previous funding through the KADB allowed Marksbury to expand its processing facilities to safely streamline the process, while also allowing some funding for improving administrative facilities.** Such improvements have paid dividends towards meeting COVID-19 demands. The company has been able to have such an impact on the market, that it is planning to expand further and increase its weekly harvest capacity.

Marksbury Farm Foods is an incredible example of how the funding of local agribusinesses helped to prevent further damage to supply chains due to the global pandemic. The KADB investment in the local food movement has come full circle in 2020.



Above: Kentucky is the largest producer of beef cattle east of the Mississippi River, with farms all across the state. Local producers and processors are teaming up to market locally-sourced meat to their communities.

# The Next Generation

In the early years of the KADF, board members recognized the importance of agricultural education in continuing to grow and diversify Kentucky's agricultural industry. **To better serve the youth of Kentucky, the KADB contributed a \$2.2 million endowment to both the Kentucky 4-H and FFA Foundations.** Each year, the interest earned on the endowments provides members with opportunities for funding projects, grants for conventions and conferences.

## Head, Heart, Hands and Health of Tomorrow

Kentucky 4-H began in 1909 with roots in agriculture and now, just over a century later, more than 280,000 members of 4-H pledge their head, heart, hands and health to service beyond themselves.

Kentucky 4-H split its KADF funding into three categories, as well as emergency funds. These three programs are the Agriculture Mini Grants, out-of-state travel and the Achievement Program. Funding in these categories allow youth unique opportunities to connect with others and travel to places they otherwise would not have the chance to go.

*"Though 4-H's roots are in agriculture, Kentucky 4-H offers something for youth entering the organization from all walks of life," said Melissa Miller, Executive Director of the Kentucky 4-H Foundation.*

The Agriculture Mini Grants allow county 4-H groups to apply for a dollar for dollar match to support funding for new or existing agriculturally-focused projects. For example, construction of ham houses through the mini grants is a great chance for counties to grow their ham programs. Similarly, the out-of-state travel funds are utilized in a dollar for dollar match to allow clubs and counties to travel for educational trips or competitions. Members who make it to national competition are great examples of how out-of-state funding helps 4-H members go places they would not otherwise get to experience, just like the Montgomery County's 4-H Culinary Team competing in Texas.

The Achievement Program sets Kentucky 4-H apart from other states as the program's impact is unique to Kentucky communities. Developed by Paul Hall, a former Kentucky 4-H State President and Foundation board member, the program recognizes 4-H participants who have outstanding accomplishments and provides incentives for youth to increase their knowledge, skills and abilities. 4-Hers must record their hours of service and involvement in their local communities to become eligible to receive Bronze, Silver and Gold awards to eventually reach the coveted highest honor of the Emerald Award.

Few members attain the honor of being an Emerald Award Recipient, but National Champion 4-H Livestock Judge and fourth generation



**Above: The 2019 Emerald Award winners from left to right; Walter Steely, Beth Huffman, Will Banks and Morelia Falcon. The Emerald Award is the highest honor the Kentucky 4-H Foundation bestows on its members.**

4-H member, Will Banks, can attest to its value and the worth of the KADF.

*"Winning the Kentucky 4-H Emerald Award has impacted me in more ways than imaginable. It's almost like being a professional athlete but in 4-H. When you win the Emerald Award, you are now one of four poster children that get to represent Kentucky 4-H for the coming year. With that, you also have the opportunity to meet people from all across the country at the National 4-H Conference and interact with some of the top 4-H leaders in the nation. Winning the Emerald Award also blessed me with the ability to help younger 4-Hers build their resume to become the next Emerald winner," said Will Banks, 2019 Emerald Award winner.*

Funding from the KADB allowed Banks the opportunity to compete across the country and achieve one of the most coveted awards in Kentucky 4-H. Banks' experience in 4-H helped develop him into the hardworking, service-driven community member he is today. Without this funding, similar youth would not have had the opportunity to have these experiences.



## Premier Leadership, Personal Growth and Career Success

The Kentucky FFA Association is home to more than 14,000 members who seek to develop their potential for premier leadership, personal growth and career success through agricultural education. FFA members have the opportunity to compete in career and leadership development events focused on a wide variety of agricultural topics - from marketing and communications to traditional agricultural topics like agronomy and livestock judging. Along with competition, they are able to participate in experiences including conferences, workshops and annual trips to the Kentucky FFA Leadership Training Center.

The Foundation serves members in all 159 Kentucky FFA chapters by providing funding to ensure these experiences are available for all members. The Foundation administers funding from the KADF endowment, known as LEAD funding, as well as donations and other income from sponsors.

*"The goal for this funding is to invest in programs that will pay dividends to the agriculture industry in Kentucky for years to come," Kentucky FFA Executive Secretary Matt Chaliff said.*

This investment is made in a handful of different ways, with the focus centered heavily around professional development opportunities and funding for experiential learning for both students and agricultural educators.

Agricultural education is split into three areas - classroom, FFA, and Supervised Agricultural Experiences (SAEs). This 'three circle model' provides for a well-rounded experience for all students that combines hands-on work with what is learned in the classroom. The KADF supports all portions of the three circle model in a variety of ways.

Educators have a number of resources available to them to ensure their classroom environment continues to be engaging for students. One of the newest and most impactful resources is the implementation of a Program Development Specialist who works with new teachers to help develop curriculum, solve problems and overall assist starting teachers with all that goes into running an agricultural education program and FFA chapter. Program Development Specialist Jeff Hayes, a former agriculture teacher from Rockcastle County, works to ensure that new teachers have the resources needed to start educating in a successful manner, as well as how to become involved with the local community.

Educators in their 5<sup>th</sup> to 20<sup>th</sup> years of teaching have the opportunity to apply for the Kentucky Master Agriculture Teacher program,

a two year training program which strives to reignite participants' passion for their careers through personal and professional development in a small group setting.

All FFA members are required to have an SAE, or Supervised Agricultural Experience, an opportunity for members to have hands-on work experience in any agriculture-related topic. The Agricultural Experience Tracker (AET) is a management and financial tracking system utilized to track students' SAE's, allowing them to develop skills that are impactful for whatever career they may choose. Every student in Kentucky agriculture classrooms has access to AET at no cost, something only seen in a few states. Members can apply for grants to kick start or enhance their SAEs through the Agricultural Entrepreneurship Program. Students apply for these grants by presenting a business plan and can be awarded between \$500 to \$2,000 in funding.

The final portion of the three circle model is experience in FFA. The KADF supports a number of programs available to FFA chapters across Kentucky. The Rising Sun Conference is held annually for chapter and regional leaders, facilitated by the State FFA Officer team. This conference focuses on how students can best work with their fellow members to make a positive impact in their homes and communities. A \$5,000 grant is available for newly chartered chapters to provide a stable base for the group. Beginning agriculture teachers are also eligible for similar grants depending on the stability of the program they are entering.

The Kentucky FFA Foundation continues to support the initial mission of the KADF by utilizing these funds to develop and sustain programs that are focused on continuing to grow and diversify Kentucky agriculture education students as well as the agriculture industry in the state as a whole.

## Youth Agricultural Incentives Program: Oldham County

When COVID-19 forced schools to transition to online learning, many students had extra time to spend on hobbies, relaxing at home or just sleeping in. **Thanks to the KADF's Youth Agricultural Incentives Program (YAIP) funding, two Oldham County students took advantage of their time at home to continue working with their own agricultural projects.** Chloe and RJ Gallahue are both recipients of YAIP funding and currently are the owners and caretakers of bees and chickens, respectively.

*"I am so thankful for the NTI school days because they have been able to dedicate so much more time to their agriculture projects, which I think is just a dream come true," said Christeena Gallahue, RJ and Chloe's mother.*

RJ, an eighth grader, and Chloe, a sixth grader, heard about the YAIP program through a friend and decided to apply because of prior interest in chickens, ducks and bees. Both researched their prospective topics, applied for grants and attended other established agricultural operations to learn as much as possible about their topics. Upon approval, RJ got involved with the local 4-H Poultry Club and Chloe joined the Oldham County Beekeepers Club, Kentucky State Beekeepers Association and Kentuckiana Beekeepers Association.

Chloe is heavily involved in the Kentucky beekeeping industry and has attended field days, bee schools and club meetings in both Oldham and surrounding counties. Along with these activities, she is a Certified Queen Bee Breeder with the Kentucky Queen Bee Breeders Association – another KADF supported project. Every 10-14 days, Chloe dons her full beekeeper gear, helmet and all, to check on her five beehives. She harvests their honey and hopes to begin to market this honey to the public very soon. Chloe works under the guidance of her beekeeping mentor, Claude Nutt.

*"My favorite part of beekeeping is watching the bees bring in nectar and pollen," said Chloe. "I really like inspecting the beehives and meeting researchers, like Dorothy Morgan (President of the Kentucky Queen Bee Breeders Association) who work with queen bees."*

Though his original interest was in ducks, RJ made the decision to invest in chickens due to their usefulness as meat animals as well as their egg laying ability. On average, his chickens lay 13 eggs per day and because of this, he has begun to sell the eggs to family and friends to help offset the costs of the chickens. In the future, he hopes to be able to sell chicken meat to the public along with the eggs.

*"This project has really opened me up to agriculture. I have met new people and am more involved with the community," said RJ. "I like selling eggs and making money from something I worked so hard on. The best part of it all is the fun I am having!"*

Both Chloe and RJ have developed a wide variety of skills through their projects. Prior to even applying for funding, they did research over their future projects, got involved with local organizations and did all that they could to ensure if they received a grant they would utilize it in the most effective way possible.

They have also gained many hands-on skills with their animals including raising and caring for both the bees and chickens, building a chicken coop and solving problems that have arisen throughout their experiences. RJ noted that one very important skill has been making sure he is able to make a profit, or at minimum cover the costs of his operation and to do so they have put together plans and budgets. Both RJ and Chloe have already dedicated hours of work to their projects and are incredibly excited to continue them, in large part thanks to the Youth Agricultural Incentives Program.



**Top: Chloe checks on her bees one to two times a week and has five beehives. | Bottom: RJ poses with an egg from his hens. He hopes to begin selling the eggs at farmers markets in the future.**

**2020 YAIP Fiscal Year Investment:  
\$366,156 in 18 counties**

## Kentucky Sheep and Goat Development Office

Kentucky is often known for being the “largest beef cattle producer east of the Mississippi” or as the “horse capital of the world”, but few know of the smaller livestock species making a big impact in Kentucky. The commonwealth is home to a variety of plant and livestock species on our farms, including a growing population of sheep and goats. The Kentucky Sheep and Goat Development Office serves to create a more profitable and community-based environment for all producers who raise these small ruminants. Approximately 121,000 sheep and goats reside in the Bluegrass state and are raised for fiber and/or meat.

The Kentucky Sheep and Goat Development Office acts as the umbrella organization for both the Kentucky Sheep and Wool Producers Association and the Kentucky Goat Producers Association. **The office was founded in 2007 thanks to a grant from the KADB and has received multiple grants since to ensure the office can provide professional and educational support to producers in all corners of the state.** The organization works to promote the production of sheep and goats for both meat and fiber production, as well as the usage of their byproducts by the general public as a way to ‘try something different’ on your plate, in your home and in your fashion.

*“Right now, Kentucky is on the brink of becoming a more prominent figure in the fiber production industry,” said Kentucky Sheep and Goat Development Office Executive Director Kelley Yates. “We are working to educate our producers on how to move to that next level.”*

One main function of the Kentucky Sheep and Goat Development Office is to provide resources for current producers, as well as those looking to get into the industry, to expand their knowledge through professional and educational opportunities. The biggest of these opportunities is the Small Ruminant Profit School, or SRPS. The SRPS gives new producers knowledge to kick off their operations or expansions in a positive way, with focus on a variety of topics vital to sheep and goat production. The course takes place through 15 online modules and one in-person class, covering topics such as market trends, facilities and fencing, goat and sheep breeds, parasite management and recordkeeping, among others. These courses provide a well-rounded knowledge base for those wanting to get involved with the production of goats and sheep.

The Sheep and Goat Development Office also serves as a resource for fiber producers around the state and is home base for the Kentucky Sheep and Fiber Festival, Kentucky Fiber Trail and the Kentucky Natural Fiber Center. The Fiber Festival is an annual event that brings together fiber producers and artisans who utilize the fiber in their products and presents both to the general public. The Fiber Trail is a yearlong resource for fiber producers and artists to connect with those who are involved in this facet of the industry.

The organization works to build deeper relationships between art and agriculture and promotes the usage of natural fibers produced here in Kentucky by providing opportunities for producers and artists to sell and promote their products. The Kentucky Natural Fiber Center is a new initiative that will be a physical headquarters for fiber producers and artists from around the state.

Producers and those interested in both industries have a unique opportunity to gain a variety of skills through the Kentucky Sheep and Goat Development Office. Yates and her staff are constantly working to improve the amount of resources available for current and future sheep and goat farmers. They also strive to develop the industry within Kentucky, so that Kentucky will not only be known for its beef and horses, but also its small ruminant industry.



**Above: The Kentucky Sheep and Fiber Festival is an annual opportunity for producers to connect with the public. While the 2020 edition was postponed due to COVID-19, this annual event attracts thousands to learn more about the small ruminant and fiber industries in Kentucky.**

## On-Farm Energy: A Perfect Example of Kentucky AgriTech

Fish and lettuce typically are not a combination, unless they are sandwiched between two toasted buns and covered in tartar sauce. However, for Tammie and Steven McCullough in western Kentucky, the combination was a beginning to a new way of life. Early on, the couple realized their shared dream of being entrepreneurs. One evening while brainstorming ways to own their own business, they came across the idea of aquaponics and fell in love. Almost immediately, they began to work on building what is now known as West KY Aquaponics (WKA).

Aquaponics is a symbiotic, closed system between fish and plants. At their operation in Benton, tilapia are maintained in one area of the system, which pushes the nutrient rich water back to the plants for food. All the while, the plants clarify and filter the water to be run back down to the holding area for the fish. This system allows WKA to market both plants and tilapia. WKA mainly raises lettuce, but also grows varieties of herbs, kale and tomatoes.

Bringing aquaponics to western Kentucky on a large scale was a completely new venture for a part of the state focused mainly on conventional methods of row crop agriculture. McCullough admitted the idea was met with some criticism and laughter, but she did not let that stop their dream. Her father and son quickly jumped on board too. Using her father's land and her son's knowledge of plumbing, they built the entire system themselves to produce lettuce and tilapia year-round.

*"We are excited to bring a different form of agriculture to our area that is local, natural and sustainable," said Tammie McCullough*

To maintain temperatures for year-round production, West KY Aquaponics operates under an 8,000 square foot greenhouse. This space allows them to produce approximately 280 heads of lettuce per day. In order to produce at such a high capacity, the system requires a great deal of AgriTech, including a fully programmable system with timers for automatic opening/closing of the roof and sides of the greenhouse. **The KADF recently helped West KY Aquaponics reduce its monthly energy bill from approximately \$3,000/month to \$500/month through the On-Farm Energy Efficiency Incentives Program.** This program has allowed WKA to cut costs which increased WKA's profitability.

The On-Farm Energy Efficiency Incentives Program provides incentives for Kentucky farm families to increase the energy efficiency of existing equipment or facilities. Successful applicants may receive up to 50 percent reimbursement of the actual cost of a qualified energy saving item, up to \$10,000. Applicants may also be reimbursed an additional \$150 for a third-party energy assessment. **Since its inception in 2012, more than \$5.3 million has been approved for 562 approved applications in 67 counties.** WKA was just one, of many operations, that have benefitted from this program.

West KY Aquaponics markets its produce locally, but also delivers to restaurants and stores as far as St. Louis, Missouri. Students and customers come from far and wide to purchase and tour the unique operation. McCullough's goal is making tours educational and fun, greeting groups with one liners such as, "Lettuce show you around" and gifting each person with a free head of lettuce. In the end, nothing brings a bigger smile to this western Kentucky family's face. They get to work hard and do what they love, providing a new form of agriculture to western Kentucky and producing a safe and healthy product.



**Top: West Kentucky Aquaponics' mission is to grow high quality produce and fish in a controlled greenhouse environment using high tech agriculture and to provide education regarding Aquaponics. | Bottom: Tammie's father, Tim Watkins, with a flat of lettuce grown in the aquaponic system.**



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.

## KADF and KAFC'S Hatching of Chickenology

Experiencing and connecting with something so deeply it becomes a larger part of one's life is called passion. Daniel Hayden's passion is rooted in agriculture and shaped him into an ever-growing agriculturalist on his family's farm, Hayden Farms.

Located in Ohio County, Hayden Farms was first established by Daniel's parents in 1983 as a cattle and tobacco farm. Slowly phasing out of tobacco, the Haydens turned to the emerging poultry side of the industry. Twenty three years ago, the opportunity to build broiler poultry houses with Perdue presented itself. During this time, Hayden became more involved in the operation and fell in love with the opportunity to provide a source of food to consumers across Kentucky and the world.

*"It is an incredible blessing to have the ability to raise a healthy and safe protein for the world and be able to educate people with influence on what we really strive to do in this industry," said Daniel Hayden.*

Upon graduating from Murray State University, Daniel met his wife Danielle and realized while poultry operations were a daily task for them, most people would never have the opportunity to step inside a poultry house. The Haydens found this aspect of the poultry industry to cause a lot of confusion and distaste for some consumers and sought to change that perception.

In 2017, the Haydens' operation grew by four new poultry houses as they had an idea that would truly change the way the world is able to view the poultry industry. **With support from the KADB, a viewing/education room for one of their chicken houses was installed.** With the approval of Perdue's corporate office, the Haydens, KADB and other sponsors recognized what type of impact it could have and created the nation's first poultry barn viewing room.

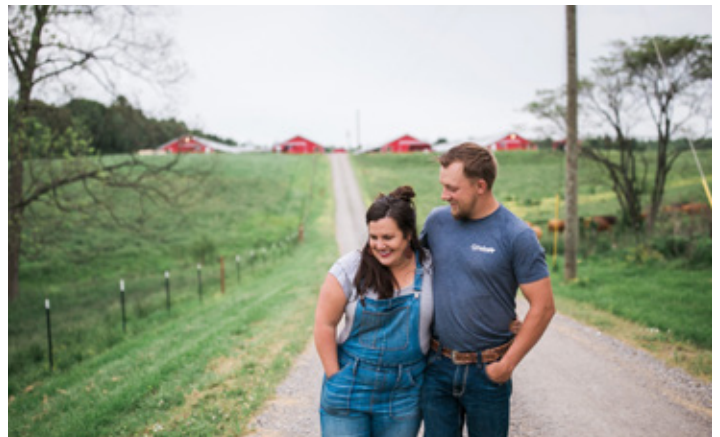
In a new era in agriculture education, Hayden Farms continues to produce approximately 1.6 million chickens a year. In the two years the viewing barn has been open, visitors from 28 countries and at least 10 states have toured. The Haydens' goal for the viewing barn is to educate people of influence. Daniel and Danielle are solely responsible for teaching what they like to call "chickenology" to their guests.

From people both inside and outside the realm of agriculture, Hayden emphasizes how vital community support has been to the success of their operation. At the end of the day, Hayden finds it a blessing to have the opportunity to connect with people on a personal level, share his passion for agriculture and provide a quality product to their consumers.

In addition to the KADB grant, the Haydens utilized the KAFC in 2020. Just recently, in cooperation with Brandon Gilles at Farm Credit Mid-America, Hayden worked with KAFC to further invest in his farm through the Beginning Farmer Loan Program (BFLP).

*"When Daniel and Danielle approached me about the opportunity to purchase part of their family's farm, I was very happy to work with them. It is an exciting opportunity for their family and will make a lasting impact on the legacy of their farm. The relationship with KAFC and KADB has been an integral part in working together in securing the future of rural Kentucky," said FCMA Loan officer Brandon Gilles.*

This investment allows Hayden to be a larger part of the operation and take on more responsibility of directing Hayden Farms' decision making process for the upcoming years. KAFC plays a critical role in allowing younger generations of agriculturalists to invest in the industry and get their feet wet in agriculture.



**Above left: The poultry barns located at Hayden Farms, which were purchased thanks to the KAFC. | Above right: Danielle and Daniel Hayden are carrying on the Hayden Farm's name as the second generation to farm the land in Ohio County.**

# About KAFC

**Kentucky Agricultural Finance Corporation (KAFC)** loan programs utilize state funds intended for regional or statewide, multi-county, multi-producer projects. The KAFC provides access to below-market financing through its participation loan programs in partnership with lenders across the state. The KAFC 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 underfunded or unfunded.

The KAFC 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:

**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.

**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.

**Beginning Farmer Loan Program (BFLP)** assists individuals with some 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.

**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.

**Large Animal Veterinary Loan Program (VET)** 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 Loans Approved in Fiscal Year 2020 and Total

Loan Program	Fiscal Year 2020	Total
<b>BFLP</b>	\$17,953,750	\$90,366,119
<b>AILP</b>	\$1,297,250	\$34,862,364
<b>APLP</b>	\$1,950,000	\$22,706,332
<b>DEAL</b>	\$205,000	\$1,032,500
<b>VET</b>	\$225,000	\$1,201,753
<b>Total</b>	<b>\$21,631,000</b>	<b>\$150,169,069</b>



**KENTUCKY AGRICULTURAL  
FINANCE CORPORATION  
FINANCIAL STATEMENT  
FISCAL YEAR 2020 (ENDING 6/30/2020)**

	FY 2019	FY 2020
<b>BEGINNING CASH BALANCE</b>	19,944,567	18,132,918
<b>CASH RECEIPTS</b>		
PRINCIPAL	7,034,033	10,577,199
INTEREST EARNED ON LOANS	1,209,256	1,415,390
INTEREST EARNED ON CASH	414,183	210,824
OTHER INCOME (GRANTS, TRANSFERS)	5,786,002	5,000,000
<b>TOTAL CURRENT YEAR RECEIPTS</b>	<b>14,443,475</b>	<b>17,203,413</b>
<b>TOTAL CASH FY20</b>	<b>34,388,042</b>	<b>35,336,331</b>
<b>CASH EXPENDITURES</b>		
LOANS DISBURSED	(16,253,748)	(17,801,541)
REFUNDS	(1,376)	(66)
<b>TOTAL CASH EXPENDITURES</b>	<b>(16,255,124)</b>	<b>(17,801,475)</b>
<b>ENDING CASH BALANCE</b>	<b>18,132,918</b>	<b>17,534,856</b>

<b>ESSENTIAL OPERATING DATA</b>	
LOANS APPROVED, NOT DISBURSED	9,549,325
FUNDS UNCOMMITTED	7,985,531
ENDING CASH BALANCE	17,534,856
ACCOUNTS RECEIVABLE	76,925,648
<b>TOTAL ASSETS</b>	<b>94,460,504</b>



# Beginning Farmer Loan Program

Well cared for seeds can sprout into corn. Properly maintained calves can become high producing cows. In the same effect, properly allocated funding can ensure a young farmer a lifestyle one can be passionate about. Such a scenario was the case for Lance Johnson from Grayson County, Keith and Jillian Nash from Washington County and Brandon Henning in Breckinridge County, when they received funding through the K AFC's Beginning Farmer Loan Program (BFLP). A love for farming and a respect for hard work is a trending theme seen amongst BFLP's applicants. Like many other beginning farmers, high startup costs and the large amounts of capital required to invest in a farm hinder many from entering the industry. **The Kentucky Agricultural Finance Corporation's BFLP serves to empower young farmers to overcome these issues and get started with their own operation.**

**60%**

of the K AFC loan portfolio  
is comprised of BFLP loans

**\$17,953,750**

total \$ invested in  
BFLP in FY20

**41**

average age of  
BFLP recipient

## Brandon Henning

After receiving his degree from Western Kentucky University, Brandon Henning headed straight back to the farm to do what he loved and capitalize on the family aspect of agriculture. A self-proclaimed 'Google warrior', Henning found opportunities with K AFC and other resources across the state to come back home and farm. If he had not found the BFLP, he may have never been able to do it.

Working with the K AFC and Wayne Mattingly of Independence Bank in Owensboro, Henning and his wife, Taylor purchased their dream farm. They settled down in "Henningville", as some folks jokingly refer to the area, and raise about 200 acres of row crop, 10 acres of tobacco and have even tried their hand at raising a little hemp this past year. Without proper financial guidance and properly configured financing, Henning may have never had this opportunity.

*"I think this is an incredible opportunity for Brandon to get started in his farming operation," said Wayne Mattingly, Independence Bank Loan Officer.*

Enjoying the family aspect of agriculture, Henning applies daily lessons learned from his dad and his time at WKU to his own operation.



**Above photo: The Henning Family on their farm - Brandon, his wife Taylor, and son Henry.**

His family works hard together but also enjoys the fruits of their labor as they sit out around the combines and share a meal together. Henning is excited to be able to raise his 15 month old son, Henry, in such a family-centered industry with hopes that maybe Henry will one day choose to come back and settle down in "Henningville" doing what his dad does.





## Keith and Jillian Nash

Reared in the agriculture industry, Keith and Jillian Nash purchased a farm and began their large fruit and vegetable operation in Washington County in 2017 thanks to the BFLP. Over the past few years, their production has doubled all while increasing food security in their community.

One main goal of the Nash family farm is to supply the local community with the nutrition they need. Pulling some ideas from the Global Food Initiative, the couple worked diligently to bridge the gap between farmers and food insecure consumers. Touching base and connecting with consumers is one of Jillian's favorite things about being able to grow and market their vegetables. If not for guidance from Richard Medley, loan officer with Central Kentucky Ag Credit in Lebanon, they may have never had the opportunity to impact their community in such a way.

*"The Nash family is a hardworking young farm family that have deep roots in Agriculture production from many facets. They utilize their combined knowledge to build their business to become economically sustainable into the future. AgCredit working in conjunction with K AFC has enabled one of their dreams to come true," said Richard Medley, Central Kentucky Ag Credit Loan Officer.*

Between K AFC and Ag Credit's support, the Nash's live a lifestyle they never imagined having the opportunity to continue. Better yet, they are able to provide their two young boys, ages 2 and 3, the chance to play and learn on the farm like they did.

Nearly 60 percent of K AFC's loan portfolio consists of beginning farmer loans. Since the inception of the program, \$90,366,120 has been approved under BFLP. BFLP has been an avenue for younger generations of agriculturalists to dive into an industry that needs younger participants.

**Above photo: Keith and Jillian Nash and their sons in a vegetable field.**



## Lance Johnson

If not for funding through K AFC in participation with Jonathan Green at Cecilian Bank, Lance Johnson could not have afforded the risk associated with being a young farmer. Speaking with Johnson, he emphasized how debt associated with farm/on-farm purchases and market fluctuations made things hard for him and his family.

*"Making profit is almost non-existent. It is all about managing your risk and trying to break even," said Johnson.*

Johnson's career is in poultry, but he found a fondness for producing premium quality feeder animals and maximizing their growth potential. Feeding out lambs and calves for individuals who contract with him and a select few restaurants, Johnson has grown fond of his ability to raise animals. His passion for feeding out these animals is obvious when speaking to him, as he willingly dives into the fine details of his operation. In particular, the financial planning aspect of becoming a young farmer and how he was able to afford the agricultural lifestyle he loves.

Thankfully in Kentucky, Johnson stated there are vast resources available throughout the state for young farmers to use to get started and better manage the risks. The UK Extension Service provided Johnson resources to maintain superior quality in the feeder lamb and calf process. With resources and community assistance making it easier to educate himself and fund his operation, Johnson was able to enjoy his favorite part of the operation: watching his boys learn and enjoy this agricultural lifestyle. While watching the calves and lambs grow may be fun, at the end of the day, nothing beats having the opportunity to allow his kids grow up in agriculture which may otherwise have not been possible.

**Above photo: Lance Johnson and his sons at the farm. Johnson is incredibly proud of the fact his kids are able to grow up in agriculture like he did.**

# KAFC Success Stories

## Sherwood Acres

Most fathers receive something along the lines of a grill or fishing pole on Father's Day, but a few years ago, Jon Bednarski, received three Belted Galloways from his kids. Those Belted Galloways sparked a pursuit for an agricultural lifestyle which focused Bednarski on marketing local, farm-fresh beef under the name of their farm, Sherwood Acres. Sherwood Acres became the Bednarski's introduction into agriculture as first generation farmers.

Bednarski's background in sales and marketing allowed him to truly hit the ground running with Sherwood Acres. Equipped with a Kentucky Proud product, the farm has made a powerful splash at farmers markets. In 2019, Jon and his wife, Sylvia, worked with Beth Mobley at Central Kentucky Ag Credit to apply for the Agricultural Infrastructure Loan Program (AILP). **Funding through the KAFC allowed the Bednarski's to improve their facilities and add a barn on their farm in Mercer County to allow better accessibility for guests and consumers.**

*"They have a great story to tell about being non-traditional and first generation farmers, who have been able to utilize state and county programs to help implement best management practices on their farms. They are great ambassadors for the beef industry, who embody what hard work and perseverance can achieve," said Beth Mobley, Central KY Ag Credit Loan Officer.*

The Bednarski's goal with Sherwood Acres is to leave the land better than they found it. The couple works closely with UK Extension Service and their local conservation district to research and implement new land management practices, conservation efforts and animal welfare improvements. Their love for even the "aesthetic" of the farm keeps them on guard when managing waste and water run-off and preserving water quality. The AILP building improvements helped to allow space to facilitate many watershed education activities.

The Bednarski's efforts towards best land and livestock management has earned the family praise both locally and on national and international levels. Sherwood Acres was the first farm in Kentucky to receive the Leopold Conservation Award in 2013, which recognizes agricultural land owners actively committed to a land ethic. Prior to COVID-19, the couple was also set to host the World Galloway Congress at NAILE with stops at their farm and venues across the state. The event has been rescheduled to November of 2021. The family has earned praise through their diligence in staying informed and informing others on best management practices.

Thankful for their lifestyle and the many resources available in Kentucky to improve management practices, the Bednarski's hope that one day their grandkids have a passion to continue their management practices and pursue an agricultural lifestyle.



**Top: Part of Bednarski's Belted Galloway herd. | Bottom photo: Jon and Sylvia Bednarski after they recieved the Leopold Conservation award, the first Kentuckians to be granted this award.**

**2020 AILP Fiscal Year Investment:  
\$1,297,250**

## Mill Creek Veterinary Center

The agriculture industry's livelihood relies heavily on the health of the livestock. No farmer or agriculturalist wants to see their livestock suffer, especially from illness or injury. This is not solely because their livestock ensures they have food on their table, but also because agriculturalists genuinely care for the health and well-being of their animals. Sadly, there has been a shortage of large animal veterinarians across the country, even in Kentucky. This shortage can leave producers and supply chains vulnerable when disease outbreaks occur. **Mill Creek Veterinary Center in Greensburg has made an effort to combat this vulnerability through participating in the KAFC's Large Animal Veterinary Loan Program (VET).**

The VET program is designed to assist individuals licensed to practice veterinary medicine in Kentucky who desire to construct, expand, equip or buy into a practice serving large animal producers, including goat, sheep, swine and other smaller food animals. In hopes of preventing vulnerability to producers, livestock and communities, KAFC strives to make large animal care more available to producers. In 2012, KAFC approved Mill Creek for the construction of a veterinary center in Green County.

After graduating from vet school at St. Georges University in Grenada, Dr. Ange Olt, DVM, and her husband, Steven, recognized the need for a large animal vet in Green County and set out to build her own veterinary clinic from the ground up. She encountered a huge learning curve on trying to start a business, staff the office and get supplies for her office when she had not learned anything about running a business in vet school. However, resources like KAFC and their community helped them overcome those struggles.

*"We had a dream and vision, but we had to use our team and resources or we never could have gotten to where we are now," said Dr. Ange Olt.*



Dr. Olt says one of her favorite things is to be able to look around her office and see family instead of co-workers. The staff regularly spends upwards of 70 hours a week working to care for their more than 18,000 patients. Mr. Olt emphasizes how critical the staff is at Mill Creek. Without them, the Olt's feel their dream and business would have never been possible.

The KAFC support was instrumental in making the Olt's dream a reality, accrediting much of the new technology in the office to additional capital saved by the below market interest rates through the VET loan. The office has in-house bloodwork, Doppler ultrasound equipment and digital x-ray. Dr. Olt uses this advanced technology to introduce older farmers to increased efficiency and quality in large animal health. Mill Creek is able to highlight the educational aspect of veterinary medicine and teach many producers more cost-effective ways to treat and prevent illnesses or injury on the farm. Dr. Olt has also seen her practice convert more to an educational role as she understands working with livestock requires a lot of hard decisions that many other vets, without personal farming experience, may not understand.

Farmers across the area are open to new ways of practice and education. Though only 30% of her practice is large animal patients, she has had an enormous impact on local agriculture through providing sound advice to farmers. Dr. Olt's dream has become a reality. The reality is they are able to do what they love on a daily basis while making quality animal healthcare more accessible to local producers.



**Above left: Mill Creek Veterinary Center, located in Green County, was constructed by Dr. Ange and Steven Olt. | Above right: The cattle chute purchased through the KAFC VET loan program, which allows Mill Creek to serve a broader range of customers.**

## Kentucky-Processed Goo-oodness

Nothing beats a hot sizzling sausage patty being dropped on a breakfast plate. For a succulent breakfast of pancakes, eggs and fruit, a juicy sausage link or patty is, to some folks, the “cherry on top.” When heading down the grocery aisle, consumers have many different choices to meet their sausage needs. Although, rarely, do consumers find a local family business in large name grocery stores. Purnell’s is breaking this trend and has been an iconic name in sausage for years.

The business idea came from a simple lunch shared between Fred Purnell and one of his coworkers. Fred, whose nickname was ‘Old Folks’ used to take his sausage biscuits to work every day for lunch. He shared it with co-workers who liked it and began buying it. When he became partially disabled he turned to making sausage as a full-time business. Since the inception of the business, it has relocated its roots to Simpsonville and the family has become more intertwined with the business dealings in Purnell’s “Old Folks” sausage. The past few years has been marked by expansion and growth for Purnell’s.

**In 2011, Purnell’s utilized KAFC’s Agricultural Processing Loan Program (APLP).** The APLP is designed to provide loan opportunities to companies and individuals in Kentucky interested in adding value to Kentucky-grown agricultural commodities through further processing. Purnell’s accomplishes this goal through adding value to pork and marketing their sausage patties, links, brats, gravy and pre-cooked products. Their processing loan has allowed for business expansion, much needed refrigeration, a water tower and has allowed advancements in their meat processing equipment. Purnell’s is a perfect example of how KAFC desires to see their funding used.

*“We aim to make safe, great quality products our customers will love,” said Todd Purnell, grandson of Fred Purnell. “We don’t want to sell anything we wouldn’t eat, and we certainly eat a lot of our sausage.”*

Purnell’s typically averages between 650,000 to 750,000 lbs. worth of production on a weekly basis. Producing at such a high capacity has helped keep grocery stores filled during the COVID-19 pandemic, even though they have had to mainly focus on producing their top products. Funding from the KAFC in 2011 allowed them to invest in an impingement freezer to allow them to quickly get their hot ground product chilled, frozen and out the door. Mr. Purnell emphasizes how a customer once explained how consumers wanted the product they want, just the way they want it, exactly when they want it. This idea has stuck with the Purnell’s and they have remained focused on providing a fast and fresh product to consumers across the country.

The Purnell family, as well as other families invested in the business, work hard to ensure consumers have a tasty sausage patty on their plate whenever they may need or want. Keeping the family legacy, the Purnell’s work to share their delicious recipes for those around them to enjoy. Though grocery store coolers may be stocked with a variety of sausage options, Purnell’s “Old Folks” stands out as an iconic local brand that is the “cherry on top” of many consumers’ breakfast plates.

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**Top: A breakfast plate with Purnell’s “Old Folk’s” sausage as the centerpiece. | Bottom: Todd Purnell pictured with some of the Purnell’s “Old Folk’s” sausage products.**

**2020 APLP Fiscal Year Investment:  
\$1,950,000**



# Thank You...

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 Agreement 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.

<p><b>County Cooperative Extension Service</b>  <a href="http://extension.ca.uky.edu/county">extension.ca.uky.edu/county</a></p>	<p><b>Kentucky Division of Water</b>  <a href="http://www.water.ky.gov">www.water.ky.gov</a>, (502) 564-3410</p>
<p><b>Kentucky Cabinet for Economic Development</b>  <a href="http://ced.ky.gov">ced.ky.gov</a>, (502) 564-7670</p>	<p><b>Kentucky Small Business Development Center,</b>  <a href="http://www.ksbdc.org">www.ksbdc.org</a>, 859-474-1085</p>
<p><b>Kentucky Center for Agriculture and Rural Development</b>  <a href="http://www.kcard.info">www.kcard.info</a>, (859) 550-3972</p>	<p><b>USDA Farm Service Agency</b>  <a href="http://www.fsa.usda.gov/state-offices/Kentucky">www.fsa.usda.gov/state-offices/Kentucky</a></p>
<p><b>USDA Rural Development</b>  <a href="http://www.rd.usda.gov/ky">www.rd.usda.gov/ky</a>, (859) 224-7300</p>	<p><b>USDA Natural Resource and Conservation Services</b>  <a href="http://www.nrcs.usda.gov/wps/portal/nrcs/site/ky/home/">www.nrcs.usda.gov/wps/portal/nrcs/site/ky/home/</a></p>







# TEAM KENTUCKY

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