

Governor's Office of Agricultural Policy

# Kentucky Agricultural Finance Corporation

2011

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Kentucky

## Statement of Purpose

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



## Background

1984 – KAFC originally established

2002 – KADB's *Long-term Plan for Agricultural Development*  
*Capital Access* one of top 6 Priorities

2003 – 1<sup>st</sup> Agricultural Development Fund Award to KAFC

2004 – KAFC moved to Governor's Office of Agricultural Policy (S.B.-146)

2006 – 2<sup>nd</sup> ADF Award for Beginning Farmer & Coordinated Value-Added Programs

2008 – 3<sup>rd</sup> ADF Award for new Large/Food Animal Vet Program, Beginning Farmer, and Agricultural Infrastructure

2010 – DEAL program approved to use existing interest from SIC and loan repayments



## Program Benefits



### Benefits to Kentucky Farmers:

- Below market financing
- Utilize existing lender relationship
- Application process simple and streamlined
- Flexible payment terms
- Project may begin after application is received



# KAFC Program Benefits



## Benefits to Lenders:

- Compliment not compete
- Improve customer relations
- Improve cash flow of borrower
- Streamlined application process
- KAFC subordinates to lender
- Flexible payment terms



# Lender Partnerships

Number of Participating Lenders: 67



## Lending Update

354 Loans Approved

FOR OVER

**\$42,179,667**

Invested across the Commonwealth



\*Total as of December 31, 2010



## KAFC Programs

- Beginning Farmer Loan Program (BFLP)
- Agricultural Infrastructure Loan Program (AILP)
- Large/Food Animal Veterinary Loan Program (LAVP)
- Diversification through Entrepreneurship in Agriculture Loan Program (DEAL)
- Agricultural Processing Loan Program (APLP)
- Coordinated Value-added Assistance Loan Program (CVALP)



## K AFC Programs

### Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*

**Purpose:** To assist individuals with farming experience who desire to develop, expand or buy into a farming operation.



**K AFC interest:** 2% (Requires Bank Participation)

**Requirements:** Beginning Farmer definition  
Net worth of \$500,000 or less  
Off-farm earnings of less than **\$100,000** for the household  
Five-year business plan and commitment of mentor

**Eligible Loans:** Livestock, equipment, agricultural facilities, permanent working capital, real estate down payment, investment in a partnership, and other at the discretion of the K AFC Board.



## K AFC Programs

### Beginning Farmer Loan Program

#### Calculations on Purchasing Land:

<b>Purchase Price:</b>	\$1,637,500
<b>Don's Half:</b>	\$ 818,750
<b>Minus Value of building:</b>	\$ 15,000
<b>Don's Half of the Purchase Price:</b>	<b>\$803,750</b>
<b>25% of the Purchase Price:</b>	\$200,938
<b>Plus the price of the building:</b>	\$ 15,000
<b>Total Don can borrow for land:</b>	<b>\$215,938</b>



# KAFC Programs

## Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*

**Funds committed:** \$7,477,832

**Loans approved:** 72



**Greg Young Farms**  
Marion County  
11-Bent Tobacco Barn  
\$80,629 KAFC/\$193,129 Total Project  
Central Kentucky ACA - Lebanon

**Caleb Ragland**  
LaRue County  
1,600 farrow to wean  
\$250,000 KAFC/\$1,737,280 project  
Lincoln National Bank-Hodgenville



# KAFC Programs

## Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*

**Jamie Stockdale**  
Calloway County  
Equipment for nursery stock production  
\$100,000 KAFC/\$112,000 project  
Jackson Purchase ACA - Murray



**Richard & Randy Jury**  
Nelson County  
2 parcels of land w/barns & tractor  
\$70,750 KAFC/\$159,000 Total Project  
Farm Credit Services - Bardstown



## KAFC Programs

### Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*



**Michael Miller**  
Grant County  
Dairy cattle purchase\*  
\$17,500 KAFC/\$35,000 project  
Farm Credit Services – Dry Ridge



**Mark & Terri Williams**  
Monroe County  
\*Milking parlor construction  
\$100,000 KAFC/\$350,000 project  
Farm Credit Services - Glasgow



\*Photo representative, not of actual purchase.



## KAFC Programs

### Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

**Purpose:** To assist Kentucky's agricultural producers finance long-term projects that will improve their financial viability.

**KAFC interest:** 2% with tobacco documentation; 4% without  
(Requires Bank Participation)

**Requirements:** 20% of Gross Income must come from farming

**Eligible Loans:** Limited to *structural improvements* that enhance the farm's profitability, including livestock facilities, grain bins, tobacco barns, fencing, and other long-term structures at the discretion of the KAFC Board of Directors.



# KAFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

**Funds committed:** \$16,691,635

**Loans approved:** 254



### Back Forty Farms

Hardin County  
83,000 bushel grain bin  
\$53,045 KAFC/\$106,090 project  
Farm Credit Services-Elizabethtown

### Rocky Fork Feeders

Shelby County  
1200' x 70' feeder cattle barn  
\$100,000 KAFC/\$285,400 project  
Farm Credit Services-Shelbyville



# KAFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*



### Lloyd Chandler

Simpson County  
100' x 150' equipment/hay shed  
\$62,500 KAFC  
South Central Bank-Franklin

### Walden Farm

Barren County  
64' x 404' tobacco barn  
\$100,000 KAFC / \$260,000 project  
PBI Bank-Glasgow



# KAFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

### Critchelow Farm

Breckinridge County  
48' x 210' tobacco barn  
\$30,000 KAFC/\$60,000 project  
South Central Bank of Hardin County



### Wright Farm

Logan County  
124' x 44' hay/straw barn  
\$22,135 KAFC / \$44,270 project  
Franklin Bank & Trust



# KAFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

### Bivens Farms

LaRue County  
Grain facility  
\$100,000 KAFC / \$395,755 project  
Magnolia Bank-Elizabethtown



### William & Susan Mattingly

Marion County  
107' x 192' dairy barn  
\$100,000 KAFC/\$240,000 project  
Central Kentucky ACA-Lebanon



# K AFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*



### Coleman Crest Dairy (Stuart Jones)

Marion County

Misc. dairy facility improvements

\$100,000 KAFC/\$289,305 project

Farm Credit Services - Campbellsville



# K AFC Programs

## Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

### Eddie Gibson

Kenton County

Dairy facilities

\$100,000 KAFC/\$299,095 project

Farm Credit Services – Dry Ridge



### Horseshoe Bend Winery

Washington County

Construction of winery

\$100,000 KAFC/\$200,000 project

BB&T - Springfield



## KAFC Programs

### Large/Food Animal Veterinary Assistance Loan Program

**Purpose:** 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.

**KAFC interest:** 2% (requires bank participation)

**Requirements:** Valid Kentucky veterinary medicine license

Net worth of \$500,000 or less

Five-year business plan and commitment of a lender

**Eligible Loans:** Buy-in, start-up or expansion of existing practice; capital improvements



## KAFC Programs

### Large/Food Animal Veterinary Assistance Loan Program

*Taking care of Kentucky's animal agriculture.*

**Funds committed:** \$563,565

**Loans approved:** 6



**Dr. Melissa Lipps**  
Shelby County  
Buy-in to veterinary practice



**Drs. Adams & Scalf**  
Morgan County  
Buy-in to veterinary practice



## KAFC Programs

### Diversification through Entrepreneurship in Agriculture Loan



**Purpose:** To assist entry level agri-entrepreneurs with the establishment of or purchase into a business that provides agricultural products or services to other producers.

**KAFC interest:** 2% (fixed)

**Requirements:** Majority of household income from farming enterprises

Net worth of \$500,000 or less

Annual off-farm income less than \$100,000

Five-year business plan and feasibility study

Mentor



## KAFC Programs

### Agricultural Processing Loan Program

**Purpose:** To provide loan opportunities to companies and individuals in Kentucky interested in agricultural processing.

**Funds committed:** \$13,224,246

**Loans approved:** 8



**Pittman Creek Wood Products**  
Pulaski County  
Lumber Processing Facility

#### Kentucky BioProcessing

Daviess County

R&D of plant-made pharmaceuticals



# KAFC Programs

## Agricultural Processing Loan Program



### Siemer Milling

Christian County

Wheat mill expansion to increase capacity by 3.5 million bushels

\$3 million KAFC/\$15 million project



# Faces of Agriculture



# Governor's Office of Agricultural Policy

Kentucky Agricultural Finance Corporation

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Executive Director

**Bill McCloskey**  
Director of Financial Services

**Cyndi Hall**  
Financial Records Specialist

**Bill Hearn**  
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