

The actions delineated below were taken in open session of the Kentucky Agricultural Development Board at the March 18, 2011 regular board meeting. This is provided in summary form; an official record of the meeting is available in the permanent records of the Governor's Office of Agricultural Policy (GOAP), 404 Ann Street, Frankfort, KY 40601

**Kentucky Agricultural Development Board
Summary Minutes of the Business Meeting
Franklin County Cooperative Extension Office
Frankfort, KY
March 18, 2011**

Call to Order

Mac Stone, designee for Commissioner Farmer, presiding, called the Kentucky Agricultural Development Board meeting to order at 10:00 a.m. (EDT).

Roll Call

The following members were present: Mac Stone; Karen Curtis; Rodney Dick; Don Goodin (designee for Secretary Larry Hayes); Pat Henderson; Wayne Hunt; Sam Lawson; Jim Mahan; Wayne Mattingly; Sam Moore; Troy Rankin; Dr. Kimberly Holmes (designee for President Mary Sias); Jim Sidebottom; Dean Scott Smith; Vickie Yates-Brown.

Notification of Media

Mr. Stone received verification that the media has been notified of the Kentucky Agricultural Development Board (KADB) monthly meeting.

Welcome

Mr. Stone welcomed everyone to the meeting and gave an update on Kentucky Department of Agriculture (KDA) events and activities.

Approval of Minutes

Karen Curtis moved to approve the minutes of the February 11, 2011 meeting as presented; Jim Sidebottom seconded the motion.

Vote: Motion Passed; Unanimous.

Executive Director's Report

Mr. Stone called on Roger Thomas to give the Executive Director's Report.

Mr. Thomas welcomed the board and guests.

Mr. Thomas reported on meetings and events staff in the Governor's Office of Agricultural Policy (GOAP) had attended since the February 2011 KADB meeting.

Mr. Thomas called on Kylee Palmer to give an update on the regional workshops taking place over the past month. Ms. Palmer also discussed the quarterly compliance report.

Mr. Thomas called on Bill McCloskey to give an update on the American Recovery & Reinvestment Act (ARRA) Renewable Energy Initiatives.

Mr. Thomas called on Angela Blank to provide an overview of the GOAP/Kentucky Energy and Environment Cabinet 2011 Missouri Bioenergy Tour.

Mr. Thomas gave an update on the 2011 session of the Kentucky General Assembly.

Mr. Thomas called on John McCauley to give an update on behalf of the USDA Farm Service Agency (FSA).

Mr. Thomas called on Mr. McCloskey to report on the financial position of the Kentucky Agricultural Finance Corporation (KAFC) as of February 28, 2011. **Sam Moore moved to accept the regular KAFC monthly report; Rodney Dick seconded that motion.**

Vote: Motion Passed; Unanimous.

Reports

Mr. Stone called on Christi Marksburly who introduced O'Bryan Grain Farms, Inc. (A2007-0487). Dr. Richard Coffee, Swine Extension Specialist and Associate Professor at the University of Kentucky College of Agriculture reported on the project's progress and plans for the future.

Upon conclusion of the report by Dr. Coffery, Christi Marksburly presented a memorandum regarding A2007-0487, O'Bryan Grain Farms, Inc. O'Bryan Grain Farms, Inc. was approved for \$4,777 in Daviess County funds, \$432 in Henderson County funds, and \$364,030 in State funds for expansion, research, and development of their current swine production operation in Daviess County. The University of Kentucky has been unable to utilize all of the \$25,000 in research funds that were allotted to the project. To date, they have spent \$8,000 but would like to request a time extension to allow the University of Kentucky the opportunity to do more of the technical analysis they need to evaluate the benefits of the project for swine producers in Kentucky. The Application Review Committee recommends a time extension for this project until July 31, 2012 to allow for more research on the project by the University of Kentucky.

Mr. Mahan moved to approve the committee recommendation; Dr. Kimberly Holmes seconded the motion.

Vote: Motion Passed; Unanimous.

Mr. Stone called on Jennifer Hudnall who introduced Grasshoppers Distribution, L.L.C. (A2009-0031). Ellen McGeeney reported on the project's progress and plans for the future.

The meeting recessed for lunch at 12:00 p.m. (EST).

The meeting reconvened at 1:00 p.m. (EST).

Old Business

Mr. Thomas discussed ways that GOAP staff is investigating new opportunities and utilizing existing resources such as working with the Economic Development Cabinet. Mr. Thomas asked Joel Neaveill to update members on the South Kentucky Rural Electric Coop's efforts to find investors for a Kentucky Snack Foods plant. Mr. Neaveill also updated members on efforts by GOAP staff to partner with the Cabinet Economic Development staff to implement KADB suggestions.

Diane Fleming discussed her conversations with Economic Development Cabinet's General Counsel and the ways KADB can target different areas of Kentucky.

Ms. Blank discussed future regional meetings to discuss new possibilities with the Kentucky Agricultural Development Fund.

New Project Applications for Referral

Mr. Stone referenced the following applications for referral:

A2011-0013 Western Kentucky University

A2011-0018 Eastern Kentucky University

A2011-0019 Jessamine County FFA Alumni Association Inc.

A2011-0020 Jessamine County Fiscal Court

Mr. Moore moved to refer the submitted applications; Wayne Hunt seconded the motion.

Vote: Motion Passed; Unanimous.

Program Recommendations

Mr. Stone referenced for the Board's consideration five (5) County Agricultural

Investment Program (CAIP) applications requesting county funds totaling \$450,884; two (2) Deceased Farm Animal Disposal Assistance Program (DAR) applications requesting county funds totaling \$15,000, and three (3) Shared-use Equipment applications requesting county funds totaling \$17,439. **Pat Henderson moved for the approval of the submitted program recommendations as presented; Mr. Goodin seconded the motion.**

Vote: Motion Passed; Unanimous.

Program Amendments

Mr. Stone referenced for the Board's consideration three (3) County Agricultural Investment Program (CAIP) amendments requesting county funds totaling \$109,051. **Jim Mahan moved for the approval of the submitted amendments as presented; Mr. Sidebottom seconded the motion.**

Vote: Motion Passed; Unanimous.

Memo Action Items

Ms. Fleming presented a memorandum regarding A2003-0536, Lake Cumberland Milling. Lake Cumberland Milling (LCM) was approved for a \$1,165,000 loan to purchase an existing milling plant. The loan was structured as a forgivable loan and to date LCM has earned \$190,155.05 in forgiveness. Payment is due in full on December 21, 2019 unless forgiven. The KADB holds a mortgage on the real property subject to the first priority mortgage held by Citizens Bank in the amount of \$850,000. In 2010 GOAP was notified by KDA that LCM would be losing its certification to conduct business. Over the past year the situation has deteriorated with no additional requests for forgiveness being submitted. It is GOAP's understanding that LCM is no longer able to pay their debts. Recently, a Legal Agreement was drafted that proposes to auction the LCM property (consisting of 5 lots), either as a group or as separate lots. Ms. Fleming will be collecting more data to bring before the board for action next month.

No Action was taken.

Jennifer Hudnall presented a memorandum regarding A2005-0458, Cumberland Farm Products Association, Inc. Cumberland Farm Products Association, Inc. was approved for \$95,000 in State funds as a 0% interest loan. Cumberland Farm Products Association, Inc. was approved for \$35,000 in Wayne County Funds to renovate and remodel the existing warehouse for lease to a full-service farm supply store for the benefit of Wayne County producers. The applicant states that 25% of the roof was replaced at a cost of \$10,000 as a part of the latest renovation. The applicant states that the remaining 75% of the roof is in need of repairs. Cumberland Farm

Products is requesting that \$30,000 be forgiven from the remaining balance of the loan (\$85,500) to complete the repairs for the remainder of the roof. Cumberland Farm Products states they would pay the remaining \$55,000 on a set schedule. The applicant states this roof repair will complete the last phase of the renovation to make the project secure. The Application Review Committee recommends re-amortizing the zero interest loan from a ten year loan to a 14 year loan. Annual payment due in September would go from \$9,500 to \$6,107.14 beginning in September 2011 with last payment due September 2024 for \$6,107.18. Roof repairs shall be completed on or before August 31, 2011 with receipt of proof of repairs, which include, but are not limited to, invoices, cancelled checks/itemized receipts and photographs. Failure to complete repairs by the deadline will result in enforcement of the terms and conditions of the original Legal Agreement as written.

Upon receipt of new financial information from Cumberland Farm Products, Mr. Hunt moved to approve \$30,000 zero percent interest loan over a 6 year period that will be transferred to and serviced by the Kentucky Agricultural Finance Corporation; seconded by Mr. Henderson

After much discussion, Mr. Mahan called the question.

Vote: Motion Passed; Wayne Mattingly dissented.

Mike Tobin presented a memorandum regarding A2007-0261, Bluegrass Lamb and Goat, LLC. Bluegrass Lamb and Goat, LLC was approved for \$200,000 in State Funds and \$48,000 in multiple County funds. The State funds were awarded in the form of a forgivable loan. The applicant has requested an amendment to the forgiveness terms executed in the original contract. The applicant has requested revisions that include:

1. Forgiveness granted on all Kentucky sheep and goats processed.
2. Forgiveness increased to \$20/head for Kentucky animals harvested.
3. Using USDA Scrapie tags as a basis for forgiveness for Kentucky-sourced animals.
4. If amendments are approved to the forgiveness formula, having all harvests made to date retroactive to the beginning of the project.

The applicant has requested this amendment to improve viability of the project and to continue availability of unique services provided to Kentucky sheep and goat producers.

The Application Review Committee recommends approving:

1. Removing the tobacco dependent clause.
2. Increasing the forgiveness to \$20/head for two years beginning March 1, 2011 and ending March 1, 2013. At this time the applicant will submit forgiveness earned by March 1, 2013 and the \$20/head forgiveness terms will be reevaluated by the Board.
3. Using USDA Scrapie tags as identification for Kentucky-sourced animals.

The Application Review Committee recommends denying the request to apply the amended forgiveness formula to harvests retroactive to the beginning of the project.

Mr. Mahan moved to approve the committee recommendation; Ms. Curtis seconded the motion.

Vote: Motion Passed; Unanimous.

Mr. Tobin presented a memorandum regarding A2009-0023, Marksbury Farm Foods, LLC. Marksbury Farm Foods, LLC was approved for up to \$75,000 in State funds with County funds to leverage State funds up to this amount. The applicant has received funding in the amount of \$75,000 in State funds and \$75,000 in County funds for a total of \$150,000. Marksbury Farm Foods, LLC has received a priority sheet from Washington County allocating \$25,000 to their project. The applicant requests the allocation of \$25,000 in Washington County funds. If approved the final allocation would be \$75,000 in State funds and \$100,000 in County funds for a total of \$175,000 to the Project. The Application Review Committee recommends approving the addition of \$25,000 in Washington County funds allocated to the Marksbury Farm Foods, LLC project.

Mr. Moore moved to approve the committee recommendation; Troy Rankin seconded the motion.

Vote: Motion Passed; Unanimous.

Mr. Tobin presented a memorandum regarding, A2009-0057, University of Kentucky. The University of Kentucky was approved for \$358,904 in State funds to develop a Food Systems Innovation Center (FSIC). The FSIC has requested an extension to their current project that is due to expire on April 14, 2011. To ensure the scope of the project is fulfilled, the applicant states the project needs to be extended for an additional nine months. The applicant states these initiatives may leverage additional

USDA funding to value added food projects in Kentucky. Staff recommends extending the ending date of the project to December 31, 2011.

Mr. Mahan moved to approve the staff recommendation; Sam Lawson seconded the motion.

Vote: Motion Passed; Unanimous.

Mr. Tobin presented a memorandum regarding A2009-0127, Kentucky Forage and Grassland Council. Kentucky Forage and Grassland Council was approved for \$215,000 in funding to continue their on-farm switchgrass to biofuel demonstration. The funding was allocated as \$100,000 in State Funds, \$100,000 in ARRA funds, and \$15,000 in County funds. The applicant has been working with East Kentucky Power Cooperative (EKPC) to develop a market for the switchgrass produced. The applicant intended to coordinate the establishment of 750 additional acres of switchgrass through USDA funded programs in 2010 and 2011. The 2010 NRCS EQIP program required a ten year contract and signup was limited to around 50 acres. The 2011 EQIP program only requires the farmers to commit five years of production. A total of 500 acres is now anticipated to be a part of this effort. EKPC continues to support this demonstration and educational initiative, but they are not ready to offer long-term production contracts. The Kentucky Agricultural Development Board Energy Committee recommends approving the request to decrease the amount of acreage seeded (from 750-500) and to utilize \$46,500 in KADFs to purchase and modify a densification machine as requested by the Applicant.

Mr. Dick moved to approve the committee recommendation; Mr. Rankin seconded the motion.

Vote: Motion Passed; Unanimous

Mr. Tobin presented a memorandum regarding A2009-0132, Kentucky Sheep and Goat Development Office, Inc. The Kentucky Sheep and Goat Development Office, Inc. (KSGDO) was approved for \$85,000 in State funds to continue operations and promote the Kentucky Fiber Festival held in 2010. The applicant was approved for an extension to close out the project by March 31, 2011. The applicant has made the updated report revision needed to satisfy the requirements of their existing responsibilities. In the updated final report the applicant had an excess of expenditures in the marketing category of \$3,947.51. The applicant verified this is the only budget category in which the project had excess

expenditures, noting that the travel category was originally budgeted for \$10,000 and only \$5,607.62 was expended. The Application Review Committee recommends approving the \$3,947.51 variance in the marketing category of the budget.

Mr. Rankin moved to approve the committee recommendation and to reduce the match requirement; Mr. Goodin seconded the motion.

Vote: Motion Passed; Unanimous

Recommendations for No Funding

Ms. Marksbury presented A2011-0012, City of Jeffersontown Farmers Market. City of Jeffersontown Farmers Market is requesting \$1,000 to purchase a water station for the market. The Application Review Committee recommends no funding the application due to a low priority from the Jefferson County Agricultural Development Council.

Mr. Sidebottom moved to approve the committee recommendation; Mr. Mattingly seconded the motion.

Vote: Motion Passed; Unanimous

Recommendations for Pending

The following application was presented, but no action was taken:
A2011-0011 Meade County Riverport Authority

Closing Remarks

Mr. Mahan moved to adjourn; Dean Scott Smith seconded the motion.

Vote: Motion Passed; Unanimous

The meeting adjourned at 2:45 (EDT).

Presiding Officer: *Mac Stone*

Secretary: *Amanda Fischer*

Appendix A: New Applications for Referral

App #	Applicant	Request Type	Submitted
A2011-0013	Western Kentucky University	Project	2/8/2011
A2011-0018	Eastern Kentucky University	Project	2/25/2011
A2011-0019	Jessamine County FFA Alumni Association Inc.	Project	2/25/2011
A2011-0020	Jessamine County Fiscal Court	Project	2/25/2011

APPENDIX B: Program Lists

CAIP

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2011-0014	Knox County Soil Conservation District	Knox	\$51,429.00
A2011-0021	Jessamine County FFA Alumni Association Inc.	Jessamine	\$230,000.00
A2011-0022	Gallatin County Livestock Association, Incorporated	Gallatin	\$104,455.00
A2011-0023	Wayne County Agriculture Development Council Inc	Wayne	\$45,000.00
A2011-0026	Henry County Cattlemen's Association, Inc.	Henry	\$20,000.00
			\$450,884.00

Deceased Farm Animal Disposal Assistance Program

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2011-0015	Nicholas County Conservation District	Nicholas	\$7,500.00
A2011-0017	Washington County Fiscal Court	Washington	\$7,500.00
			\$15,000.00

Shared-use Equipment

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2011-0016	Bell County Agricultural Advancement Council, Inc.	Bell	\$3,292.00
A2011-0024	Pulaski County Conservation District	Pulaski	\$11,347.00
A2011-0025	Pulaski County Conservation District	Pulaski	\$2,800.00
			\$17,439.00

Total County Funds Recommended for Approval in Programs: **\$483,323.00**

Appendix C: Requested Program Amendments

App # A2010-0138
Applicant Name Metcalfe County Conservation District
Original Amount Approved \$272,303.00
Original Approval Date 9/17/10
Requested Change The applicant requests an additional \$21,721.00 for the *CAIP*. The request received a high priority from the Metcalfe County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$294,024.00.
Recommendation Approval

App# A2010-0144
Applicant Name Scott County Conservation District Board
Original Amount Approved \$284,000.00
Original Approval Date 9/17/10
Requested Change The applicant requests an additional \$40,850.00 for the *CAIP*. The request received a high priority from the Scott County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$324,850.00.
Recommendation Approval

App# A2010-0172
Applicant Name County Agricultural Investment Program Council, Inc.
Original Amount Approved \$90,980.00
Original Approval Date 11/19/10
Requested Change The applicant requests an additional \$46,480.00 for the *CAIP*. The request received a high priority from the Russell County Council. The term of the program shall remain 12-months from the execution date of the original agreement. Approval of this request would bring the program total to \$137,460.00.
Recommendation Approval