

Kentucky Agricultural Development Board

Minutes of the July Board Meeting

The regular meeting of the Kentucky Agricultural Development Board was held on **July 16, 2004** at **1:00 PM EDT**, at the Franklin County Extension Office in Frankfort. Keith L. Rogers called the meeting to order, and the Secretary called the roll.

Members Present

Donna Amburgey; H. H. Barlow; Vickie Yates Brown; Daniel Case; Rodney Dick; Commissioner Richie Farmer; Dennis Griffin; Wayne Hunt; Sam Lawson; Jim Mahan; Sam Moore; Dean M. Scott Smith (David Sparrow, designee); Secretary Gene Strong (Steve Dale, designee)

Members Absent

John Cleaver; Governor Ernie Fletcher

Others Present

Staff – Catherine Ball; David Bratcher; Brian Furnish; Sandy Gardner; Tim Hughes; Kara Keeton; Maggie May; Bill McCloskey; Joel Neaveill; Brad Nelson; Keith Rogers; Stephen Yates
Guests – Jimmy & Linda Baird, Little Kentucky Smokehouse; James D. Young, Casey County Cattlemen's Association; Jenrose Fitzgerald; Larry Snell, Kentucky Center for Cooperative Development; Bill Oldham, Center for Information Technology Enterprise (CITE); Steve Zea, West Kentucky Corporation; Billy & Rebecca Webb, Sheltopee Farm; Mitchell Paschall, KY West Nursery Cooperative; Mike Ovesen, KY Pork Producers Association; Lowell Atchley, Legislative Research Commission; Blake Oliver; Shauna Herron, Community Farm Alliance

Notification of Media

Keith L. Rogers, Chief Executive Officer, verified that the media had received notice regarding the Agricultural Development Board meeting.

Welcome

Mr. Rogers noted that Commissioner Farmer was running late and would join the meeting shortly.

Mr. Rogers, Chief Executive Officer, welcomed everyone to the meeting. Mr. Rogers introduced two of the three new members to the Board: Jim Mahan of Fayette County; Dennis Griffin of Kenton County; Mr. Rogers mentioned the third member, John Cleaver of Nicholas County, who could not attend.

Commissioner Richie Farmer, presiding, welcomed everyone to the meeting.

Approval of Minutes

The minutes of the June 18, 2004 meeting were approved as presented.

Executive Director's Report

Mr. Rogers presented the Executive Director's Report.

Mr. Rogers noted changes in staff, since the June meeting; Love Sanders, Edith Fultz, and Brad Wellons have left the office. Mr. Rogers announced that office's new receptionist is Nicole Ray from Lawrenceburg. Mr. Rogers introduced Tim Hughes as the new Marketing and Business Development Coordinator for the KY Agriculture Finance Corporation, which officially became a program administered by the Governor's Office of Agricultural Policy this week.

Mr. Rogers pointed out the materials in the Update folder: memo regarding committee assignments; list of referrals; an update for Acres of Land (A2004-0072); list of Withdrawn Applications; list of Projects not Executing Agreement; financial statement for the Agricultural Development Fund.

Mr. Rogers announced that any Board member who wished to attend the KY Farm Bureau ham breakfast, during the state fair, needed to make a reservation with the Board Secretary.

Mr. Rogers provided an update from the Tobacco Settlement Agreement Fund Oversight Committee. Mr. Rogers reviewed a map of counties where state funds have been received, noting counties that are highly tobacco dependent and have not had state funds awarded in the county. Mr. Rogers noted that over the next few months staff and the Board should look at possible opportunities in those areas. Mr. Rogers also commented that several projects have received funds in one county, but benefit other counties. Mr. Rogers provided an example of this in that the Cooperatives are in one county, but benefit many counties.

Mr. Rogers announced that the Governor has set up a Consortium for life sciences and biotechnology. Mr. Rogers also announced the Farmland Preservation working group has been meeting.

Mr. Rogers announced that the Commodity Breakfast, which kicks off the Kentucky State Fair, is Thursday, August 19 and the Board meeting is Friday, August 20 at the State Fair.

Commissioner Farmer apologized for being tardy to the meeting. Commissioner Farmer welcomed the new members of the Board.

Mr. Rogers introduced Steve Dale as Secretary Gene Strong's designee for Economic Development. Mr. Dale introduced himself, and noted that he has a farm background.

Commissioner Farmer noted that he and several others in attendance attended a Taste of Kentucky at the West Kentucky Growers Cooperative the day before.

Referral of August Projects¹

Mr. Rogers presented projects A2004-0312 to A2004-0361 for referral to the Board's Project Review Committees. Danny Case moved that projects A2004-0312 to A2004-0361 be referred the Board's Project Review Committees; Rodney Dick seconded the motion. The motion passed without dissent.

Approval of Model Programs²

Commissioner Farmer submitted projects A2004-0274, A2004-320, A2004-0327, A2004-0337, A2004-0338, A2004-0342, A2004-0347, A2004-0349, A2004-0351, and A2004-0352 as projects meeting the model **Agricultural Diversification Program** guidelines.

Commissioner Farmer submitted projects A2004-0303, A2004-0312, A2004-0322, A2004-0328, and A2004-0339 as projects meeting the model **Fencing Improvement Program** guidelines.

Commissioner Farmer submitted projects A2004-0323, A2004-0326, A2004-0344, and A2004-0350 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Commissioner Farmer submitted project A2004-0309 as a project meeting the model **Forage Improvement Shared-Use Equipment** guidelines.

Commissioner Farmer submitted projects A2004-0271, A2004-0313, A2004-0333, A2004-0335, A2004-0346 and A2004-0348 as projects meeting the model **Genetics Improvement Program** guidelines.

Commissioner Farmer submitted projects A2004-0257, A2004-0317, and A2004-0340 as projects meeting the model **Goat Diversification Program** guidelines.

Commissioner Farmer submitted projects A2004-0231, A2004-0314, A2004-0324, A2004-0329, A2004-0336, and A2004-0343 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Commissioner Farmer submitted projects A2004-0273 as a project meeting the model **Cattle Handling Facilities Shared-use Equipment** guidelines.

Commissioner Farmer submitted projects A2004-0316, A2004-0321, A2004-0330, A2004-0334, A2004-0341, and A2004-0345 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Commissioner Farmer submitted projects A2004-0304 and A2004-0331 as projects meeting the model **On-farm Water Enhancement Program** guidelines.

Mr. Dick moved that said applications be approved for the named model programs; Donna Amburgey seconded the motion. The motion passed without dissent.

¹ A detailed list of the referred projects is attached as Appendix A.

² A detailed list of projects funded under each model program category is attached as Appendix B.

Review of Amendments

Commissioner Farmer presented the following amendments for approval.

A2003-0658, Shelby County Cattlemen, Inc., was approved for \$25,500.00 on February 20, 2004. The applicant requests an additional \$10,000.00 for the Genetics Improvement Program in Shelby County. The request received a High priority from the Shelby 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 \$35,500.00.

A2004-0046, Wolfe County Conservation District, was approved for \$61,024.02 on March 19, 2004. The applicant requests an additional \$143,735.00 for the Hay, Straw, & Commodity Storage program in Wolfe County. The request received a High priority from the Wolfe County Council. The term of the program shall remain 18 months from the execution date of the original agreement. Approval of this request would bring the program total to \$204,759.02.

A2004-0122, The Family Farm Project Cooperative Association (Trimble), was approved for \$61,510.00 on April 29, 2004. The applicant requests a decrease in project funds of \$51,986.11 for the Agricultural Diversification Program in Trimble County. Funds for Trimble County were overcommitted, so this reduction will balance the county's account. Approval of this request would bring the program total to \$9,523.89.

A2004-0210, Caldwell-Lyon Cattlemen's Association, Inc. (Lyon), was approved for \$25,000.00 on May 21, 2004. The applicant requests a decrease in project funds of \$735.25 for the Fencing Improvement Program in Lyon County. These funds are to be reallocated to the county account. Approval of this request would bring the program total to \$24,264.75.

A2003-0365, Lyon County Conservation District, was approved for \$25,000.00 on July 18, 2003. The applicant requests a decrease in project funds of \$16,500.00 for the Forage Improvement Program in Lyon County. These funds are to be reallocated to the Hay, Straw, & Commodity Storage Program [A2004-0316]. Approval of this request would bring the program total to \$8,500³.

A2003-0133, Green County Cattlemen's Association, was approved for \$117,000.00⁴ on April 18, 2003. Due to a typographical error, this project should have been approved for \$117,500.

Ms. Amburgey moved that said amendments be approved; Mr. Dick seconded the motion. The motion passed without dissent.

Committee Reports

³ The incorrect total was presented to the Board; the amount listed in these minutes is the correct balance after approval.

⁴ The incorrect beginning balance was presented at the meeting.

Blue Project Review Committee

Recommendations for Funding

H. Barlow reported for the Red Project Review Committee (PRC). Mr. Barlow noted that the Blue PRC is presenting nine projects for funding consideration.

Mr. Barlow presented **A2004-0072, Acres of Land**. The application received a high priority from Madison County. Acres of Land requested \$199,050 of State funds and \$5,000 of Madison County funds to establish a vegetable processing and retail deli operation. Funds would be used to purchase equipment to establish a certified kitchen, as well as equipment to operate a vegetable processing center. Mr. Barlow shared the staff recommendation.

Mr. Lawson asked what the Committee's intent with the Agri-tourism component is. Mr. Barlow noted that this project was the lead of several others that are coming down the line, and the committee wanted to see some guidelines established. Mr. Hunt added that the whole project was complicated, but only a portion of the project was presented.

Vickie Yates Brown shared her concerns with the project. Mr. Lawson noted that he is concerned with agri-tourism in general. Ms. Brown added that the Committee does want to begin that discussion, and to show a tighter link between the processing component and agri-tourism component of the project.

Commissioner Farmer noted that the Department does have money to set up the Agri-tourism Office, and will be advertising the Coordinator position shortly to promote agri-tourism in Kentucky and coordinate the effort. Commissioner Farmer noted that there are four distinct regions in the state each with their own unique qualities to be promoted.

Mr. Rogers commented on the application at hand, as far as the original request and the recommendation that was made today.

Mr. Barlow moved that **A2004-0072 remain in pending status**; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0143, Franklin County Fair Board**. The application received a high priority from Franklin County. The Franklin County Fair Board requested \$37,000 of Franklin County funds to construct a covered open-sided sale & exhibition pavilion (42"x105"). The facility will be built inline with the existing Farm Bureau Pavilion at the Lakeview Park. The project will provide opportunities for youth and adult members of the area agricultural community to show livestock and horses in a safely designed show ring. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0143 be approved for \$37,000 in Franklin County funds**; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0238, Sheltoewe Farm Inc.** The application received a high priority from Bath County. Sheltoewe Farm, Inc. requested \$3,000 in Bath County

funds and \$40,500 in state funds for expansion of organic mushroom production and education. Funds would be used to acquire specialized mushroom equipment for a sterilization unit for year-round shiitake production and a building to house this operation. The objectives of this project are to increase production and add variety, while enhancing year-round shiitake mushroom production ability. The Committee recommended approving a \$37,750 forgivable loan, which represents 50% of the costs of the building and equipment. Mr. Barlow reviewed the proposed terms and conditions of the project. Mr. Barlow recognized that Bill and Rebecca Webb, the applicants, were present in the audience.

Mr. Case commented on his trip to the facility and the project. Mr. Case noted that since Shelton can provide their market (restaurants, etc.) mushrooms 365 days a year, they provide a stable supply and are able to help smaller producers by buying their mushrooms for resale.

Ms. Amburgey added that the Webbs attended a local rotary club meeting and showed their diligence and hard work in going after the business, instead of waiting for it to come to them.

Mr. Barlow moved that **A2004-0238 be approved for \$3,000 in Bath County and \$34,750 in state funds, as a forgivable loan**; Mr. Griffin seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0248, Farmers' Market Association, Inc. of Taylor County**. The application received a high priority from Taylor County. The Farmers Market Association of Taylor County requested \$10,000 in county funds to build a 24' X 40" expansion to the existing structure, with 20' of this space enclosed for storage, water and electricity hookups, and a shelter area. County funds would also be used for a portion of the cost of electrical installation in the new portion of the structure. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0248 be approved for \$10,000 in Taylor County funds**; Dennis Griffin seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0250, Hopkins County Conservation District**. The application received a high priority from Hopkins County. The Hopkins County Conservation District requested \$13,434 in county funds to continue an agricultural and environmental education program to provide students in Hopkins County with lessons concerning agriculture, conservation and environmental concerns. This program will provide diverse agricultural and environmental education topics that regular school curriculum in Hopkins County does not address. Some of the lesson titles to be taught include: "Where is Agriculture?", "Our Precious Soil", "Careers in Agriculture", "Till or No Till", "Controlling Pests and Disease", and "Lots More from Agriculture". There are 75 lessons available to be taught in grades K-8. Mr. Barlow reviewed the proposed terms and conditions for the project.

Mr. Griffin asked if the lessons from this program could be provided to "Ag. in the Classroom" for their use, as well, to provide benefit to other counties. It was recommended that we advise them to communicate with the Department of Agriculture.

Commissioner Farmer added that the Department is looking to expand the *Ag. in the Classroom* program with *Ag. Adventures* in cooperation with the Cattlemen's Association. Commissioner Farmer explained how the new program would work, as a day long program. Ms. Brown asked if it would be appropriate for KET to film the program that Commissioner Farmer mentioned to add to their classroom curriculum aired across the Commonwealth.

Mr. Lawson asked what the funds were to be used for if not to develop the curriculum. Maggie May, project analyst, noted that funds are for the costs to teach the program in the county, including salary, which is matched by the Conservation District in the County.

Mr. Dick asked if there was a need to set aside funds for education and develop criteria. Mr. Rogers indicated that projects such as this are for county funds, and only projects with statewide impact would be considered for state funds, so a set aside would not be necessary.

Mr. Barlow moved that **A2004-0250 be approved for \$13,434 in Hopkins County funds**; Mr. Dick seconded the motion. The motion passed without dissent.

Ms. Barlow presented **A2004-0275, Buffalo Trace Area Development District, Inc.** The application received a high priority from Robertson County. The applicant requested \$75,000 to implement a Hay Handling project in Robertson County, as an extension of the Lewis County pilot project. The applicant states that the adoption of a Hay Handling Equipment program will allow producers to improve the capacity of hay and straw producers to manage the handling of their product, and allow hay and straw producers to increase profits through more efficient handling equipment. Robertson County is one of the five Buffalo Trace Counties participating in the Buffalo Trace Hay Auctions, a marketing tool for farmers to diversify and improve farm income. The applicant indicates that there is a need for improved handling equipment for labor efficiency, and to improve safety as hay is moved to market. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0275 be approved for \$75,000 in Robertson County funds**; Ms. Amburgey seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0283, Jackson Purchase RC&D Foundation.** The application received a high priority from Graves County. Jackson Purchase RC&D requested \$17,260.00 in county funds to provide a cost share program in Graves County that will assist dark tobacco producers and horticultural enterprises in the purchase of shade cloth. The use of shade cloth will prevent sunburn and significantly improve the leaf quality of dark tobacco, vegetables, flowers and nursery stock, allowing producers to earn a greater return on these products. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0283 be approved for \$17,260 in Graves County funds**; Mr. Hunt seconded the motion. The motion passed with dissent [2 nays – Ms. Brown and Mr. Lawson].

Mr. Barlow presented **A2004-0284, Jackson Purchase RC&D Foundation.** The application received a high priority from Graves County. Jackson Purchase RC&D

Foundation, Inc. requested \$42,000 in Graves County funds to be used to provide a cost-share program to assist producers in purchasing light bars, monitors, sensors and other equipment to implement the precision agriculture program into their operations. These funds will be used to purchase equipment, hardware, software and installation only. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0284 be approved for \$42,000 in Graves County funds**; Mr. Hunt seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0305, Anderson County Farm Bureau Federation**. The application received a high priority from Anderson County. The Anderson County Farm Bureau federation, Inc. requested \$11,585 of Anderson County funds to purchase a Lime Spreader for shared use for producers in Anderson County. This piece of equipment shall allow farmers in Anderson County to lime their steeper hillsides, giving them greater forage production and utilization. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0305 be approved for \$11,585 in Anderson County funds**; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0308, Boyd County Conservation District**. The application received a high priority from Boyd County. The applicant requested \$5,000 in Boyd County funds to implement a lime cost-share program to improve the soil quality of the land in Boyd County. This program will require a soil test to show need for the lime, and that application of the lime follows the recommendation. Producers will be able to receive up to \$250 of cost-share, which will benefit up to 20 producers. Mr. Barlow reviewed the proposed terms and conditions for the project. Mr. Barlow moved that **A2004-0308 be approved for \$5,000 in Boyd County funds**; Mr. Dick seconded the motion. The motion passed without dissent.

Ms. Amburgey asked where the money for lease of equipment goes and do they report to anyone. Mr. Rogers noted that shared-use lease fees are used for maintenance, repairs, and replacement, as well as in some cases to be accumulated to act as matching funds for the equipment.

Recommendations for No Funding

Mr. Barlow presented **A2004-0242, Taylor County Cattlemen's Association**. The applicant requested \$50,500 in Taylor County funds to administer the On-farm Water Enhancement Program. Mr. Barlow moved that no funds be awarded A2004-0242 based on the Low County Priority given by Taylor County; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0269, Casey County Cattlemen's Association**. The applicant requested \$300,000 in state funds to complete the waiting list for the Casey County Cattle Handling Facilities program. Mr. Barlow moved that no funds be awarded to A2004-0269 on the basis that to date no county model program has received state funds; Mr. Dick seconded the motion. The motion passed without dissent.

Red Project Review Committee***Recommendations for Funding***

Sam Lawson reported for the Blue Project Review Committee (PRC). Mr. Lawson noted that the Red PRC is presenting three projects for funding consideration.

Mr. Lawson presented **A2004-0235, Owsley County Conservation District**. The application received a high priority from Owsley County. The Owsley County Conservation District requested \$8,142.00 in Owsley County funds to purchase a manure spreader and two post hole diggers to enhance their existing equipment lease program. Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that **A2004-0235 be approved for \$8,142 in Owsley County funds**; Mr. Case seconded the motion. The motion passed with dissent. [1 nay – Ms. Brown]

Mr. Lawson presented **A2004-0252, Economic Development Authority, Inc.** The application received a high priority from Spencer County. The Economic Development Authority requested \$2,000.00 to match funds from the Kentucky Department of Agriculture's farmer's markets advertising cost share program. Funds will be used for advertising the Taylorsville Main Street Farmers Market. Advertising will consist of brochures distributed throughout the community, print advertising in the newspaper, signs to display at the farmers market and around the county and promotional insert flyers in the local newspaper. Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that **A2004-0252 be approved for \$2,000 in Spencer County funds**; Mr. Moore seconded the motion. The motion passed without dissent. [Ms. Brown recused herself from the vote.]

Mr. Lawson presented **A2004-0311, Little Kentucky Smokehouse, LLC**. Little Kentucky Smokehouse, LLC (LKS), located in Union County, requested \$1.2 million or half of a \$2.4 million project to build a meat processing plant with emphasis on pork products that will have a annual capacity of 14 million pounds which will double current production volumes to 28 million pounds. The expansion would allow LKS to process 1,500,000 hams annually or 94% of the hams grown in Kentucky. Funds would be used to build a 20,000 square foot building and to purchase equipment that includes a smokehouse, steam house, injectors, tumbler, mixer, vacuum packers, chiller, pasteurizer and warehousing racks. Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that **A2004-0311 be approved for \$1,000,000 as a forgivable loan**; Mr. Moore seconded the motion.

Commissioner Farmer noted that Jimmy and Linda Baird, Little Kentucky Smokehouse, were present, as well as representatives of the Pork Producers Association, if the Board has any questions for them.

Mr. Baird added that he currently has 22 Kentucky farmers that currently produce 340,000 hogs, which would give him 680,000 hams (\$136,000 per year of forgiveness). Mr. Baird noted that they are working with farmers who raise from 100 to 3,000 head of hogs. Mr. Baird commented that Union County used to be the largest hog producing county in the state; currently there are less than 300 sows in

the county. To date, no local hogs have been purchased; the hogs mainly come from Central Kentucky.

Mr. Lawson asked in how many of the Wal-Mart superstores is their product. Mr. Baird stated that they are in 4,800 superstores. 15,000 hams per week are shipped to Wal-Mart and 15,000 hams per week are shipped to Kroger. Mr. Baird added that the Kentucky Natural Product, hormone-free and drug-free, will be shipped to California and New York because those markets are more willing to pay more for the natural product.

Mr. Lawson commented that the Red Committee had discussed the importance of tracking food origins and how this project is doing this.

Mr. Barlow asked if the hormone-free and drug-free requirements knocked out a lot of producers. Mr. Baird indicated that it did, and that is why there is a \$.05 per pound premium paid to those who can produce the hormone-free/drug-free hogs for the Kentucky Natural product and a \$.02 pound premium paid to everyone else for the Kentucky Fresh product. Mr. Baird explained how hormone-free/drug-free products are regulated, processed, and marketed.

Mr. Lawson noted that early on in the long-term planning process the number one priority of the focus group meetings was established as marketing and market development. Mr. Lawson stated that this is such a project that develops a market. Mr. Lawson commented on the green map of the state presented earlier to illustrate the location county for state level projects, and how that though this project is in Union County, it will impact other counties across the state.

Mr. Barlow asked if it is tougher for a larger producer to produce the drug-free hogs. Mr. Baird indicated that larger producers cannot do this. Mr. Barlow noted that this project could impact more of the smaller producers.

Commissioner Farmer called the question. The motion passed without dissent.

After a question from Ms. Brown, Mr. Rogers noted that the Ethics Commission has sent a letter asking the Board to adopt a Code of Ethics, which will be presented to the Board in the next month or two. Ms. Brown commented on the reasons that this is important, especially regarding conflicts of interest.

Recommendations for No Funding

Mr. Lawson presented **A2004-0270, Barren River Area Development District, Inc.** The applicant is requesting \$20,000.00 in Allen County funds to administer a Goat Diversification Program in Allen County. Mr. Lawson moved that no funding be awarded A2004-0270 based on the low county priority ; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0276, Owen County Farm Bureau.** The applicant requested an amended version of the Genetics program to allow them to provide cost-share on a tiered basis, depending on the level of EPDS chosen by the producer: higher EPDs would receive more cost-share. Mr. Lawson moved that no funding be awarded A2004-0276 on the basis that the current Genetics guidelines

specify that the EPDs are standards, noting that the issue will be reviewed in October during the annual review of model programs; Mr. Moore seconded the motion. The motion passed without dissent.

Old Business

Commissioner Farmer noted that there was no old business to cover.

New Business

Mr. Barlow asked for a five minute break. The Board recessed for five minutes.

Mr. Rogers referred the Board to a memo from Project Analyst Maggie May, regarding Kentucky West Nursery Cooperative. KY West has made several requests to their agreement with the Agricultural Development Board. Mr. Rogers reviewed the requests: 1) extend the term for draw down from January 2005 to January 2007, and release \$1million of their approved funding to amend their project total to \$3,788,966; 2) permission to take out a second mortgage on the assets of the cooperative to meet future operating expenses; 3) permission to access the 10% surcharge on producers billed to the Cooperative growers to provide KWNC with approximately \$62,954.64 in operating funds; and 4) grant the growers of the Cooperative the right of first refusal in the event that KWNC is dissolved and KADB liquidates the assets. [*Memo and attachments on-file with the Board Secretary*] Profit and Loss statements, as well as Projected Cash Flow, for the Cooperative were provided to the Board. Mr. Rogers pointed out that they are just at the point to be able to sell trees.

Mr. Griffin asked if assets referred to in the first paragraph include trees out on the farm. Larry Snell, KCCD, indicated that they did. Mr. Griffin asked about the increased values of trees versus the debt due to the cooperative in the event of dissolution. Ms. Brown and staff legal counsel are reviewing the agreements concerning this issue. Mr. Griffin's concern was that he didn't want the Board to give the Cooperative a reason to disband.

Mr. Snell indicated that the trees are actually owned by the cooperative, not the farmer. Mr. Snell also noted that there is a three-year wait between inputs and having a tree the appropriate size to sell. Mr. Snell noted that the producers are really concerned about being undercut if the Board liquidated – this has kept many farmers from joining.

Mr. Lawson asked what brought this issue up. Mr. Snell noted that the lease agreement for this project is complicated, and farmers are concerned about property being taken if something happened to the cooperative.

Brian Furnish compared this project to Perdue, as far as the company owning the product and the farmer being paid to raise the product (lease the land).

Ms. Brown indicated that the first three points of the memo looked to be in line with the agreements, if the Board so chooses. Mr. Rogers asked if they are recommending item #4 be addressed at the later date. Ms. Brown confirmed this.

Mr. Moore asked Mr. Snell if this cooperative is working according to plan. Mr. Snell indicated that the number of trees planted has not met projections, which is correlated with this issue of first refusal. Mr. Snell indicated that the truth will be told when the trees are sold. Mr. Snell also indicated that the other pieces of this request will help them get the marketing portion going, so that they can get those trees sold.

Mr. Furnish indicated that KWNC will be doing well if they get a strong marketer.

Cooperative Statistics: 75,000 trees and 15,000 shrubs; 23 members; 20,000 trees ready to sell this fall

Mr. Moore asked if this is mismanagement issue. Mr. Snell said no that this is a very conservative group with very well kept records. Mr. Snell noted that there may have been times when a little more money could have been spent.

Mr. Lawson moved that the proposed restructuring plan be approved and any existing legal reasons that could conflict with this plan be addressed accordingly; Mr. Moore seconded the motion.

Mitchell Paschall, KY West Nursery, addressed how money is distributed when a tree is sold: 15% to coop; 50% to debt; 35% in producer's pocket. Mr. Paschall read the producer agreement to the Board, which in the event of dissolution the member has full responsibility of the loan. Therefore, the members want the opportunity to go to the Board to payoff their debt by purchasing the trees back.

Mr. Lawson accepted the following as a friendly amendment: " with regards to item #4 the amount paid for first right of refusal be no less than the producer's debt to the cooperative. "

The full motion reads as: "the proposed restructuring plan be approved and any existing legal reasons that could conflict with this plan be addressed accordingly, and with regards to item #4 the amount paid for first right of refusal be no less than the producer's debt to the cooperative."

Mr. Moore called the question. The motion passed without dissent.

Mr. Rogers yielded the floor to Mr. Moore for an update on the buyout. Mr. Moore reviewed what has happened so far with the buyout: House passed a proposed \$9.6 billion buyout over five years with no FDA provisions and the money coming out of the general fund. Mr. Moore reported that yesterday the Senate passed a proposed buyout (78 to 15) with a little over \$12 billion with FDA provisions and paid for by an assessment on the companies. Mr. Moore noted that with the House plan Phase II remains intact, and with the Senate plan Phase II is eliminated. The House plan would have a few more dollars going to farmers because the Phase II payments are kept. Mr. Moore noted that the conference committee members have been selected. Though there is a long way to come to agreement, Mr. Moore noted that we are closer to having a buyout than ever before. Mr. Moore is confident that there will be a buyout by the end of the year.

Ms. Amburgey if a buyout would affect this Board. Mr. Rogers stated that there would be no impact, except that Phase II funds which are administered by GOAP could be affected, but this Board will not be affected.

Mr. Moore noted that \$160 million over the last three years has been disbursed by this Board, and with either plan \$500 million would be disbursed per year to KY producers.

Mr. Rogers noted that question becomes what will the legislature do with these funds, since farmers are receiving lots of money. Mr. Lawson noted that our argument is that it is even more critical, since it's only for 5 years.

Mr. Moore commented on reverse annuity and the option to get all of the money at one time if a little less money is taken by the producer.

It was noted that the quota portion will be treated as capital gains and grower portion as regular income.

Mr. Moore noted that David Sparrow made a good point that there will be not state tax on buyout proceeds.

Mr. Hunt moved that the Board adjourn into closed session pursuant to KRS 61.810(c) to discuss "proposed litigation." Mr. Case seconded the motion. The motion passed without dissent.

[Closed Session]

The meeting reconvened.

Closing Remarks

The next meeting of the Kentucky Agricultural Development Board will convene at 1:00 PM EDT on Friday, August 20, 2004 in Louisville. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 4:25 p.m.

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____

APPENDIX A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0312	Hart County Goat Producers Association, Inc.	Fencing Improvement
A2004-0313	Hart County Cattlemen's Association, Inc.	Genetics Improvement
A2004-0314	Hart County Cattlemen's Association, Inc.	Handling Facilities
A2004-0315	Gallatin County Farm Bureau	Project
A2004-0316	Lyon County Conservation District	Hay, Straw and Commodity Storage
A2004-0317	Western Kentucky Goat Association, Inc.	Goat Diversification
A2004-0318	Castle Hill Farm, Inc.	Project
A2004-0319	Fleming County Farmer's Market	Project
A2004-0320	Buffalo Trace Area Development District, Inc.	Agricultural Diversification
A2004-0321	Buffalo Trace Area Development District, Inc.	Hay, Straw and Commodity Storage
A2004-0322	Buffalo Trace Area Development District, Inc.	Fencing Improvement
A2004-0323	Buffalo Trace Area Development District, Inc.	Forage Improvement
A2004-0324	Buffalo Trace Area Development District, Inc.	Handling Facilities
A2004-0325	Elliott County Fiscal Court	Hay, Straw and Commodity Storage
A2004-0326	Elliott County Fiscal Court	Forage Improvement
A2004-0327	Elliott County Fiscal Court	Agricultural Diversification
A2004-0328	Elliott County Fiscal Court	Fencing Improvement
A2004-0329	Elliott County Fiscal Court	Handling Facilities
A2004-0330	Christian County Conservation District	Hay, Straw and Commodity Storage
A2004-0331	Christian County Conservation District	On-farm Water Enhancement
A2004-0332	Cumberland Meat Products	Project
A2004-0333	Dairy Herd Improvement Incorporated	Genetics Improvement
A2004-0334	Logan County Conservation Districts	Hay, Straw and Commodity Storage
A2004-0335	Logan County Cattlemens Association Incorporated	Genetics Improvement

APPENDIX A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0336	Logan Cattlemens Association Incorporated	Handling Facilities
A2004-0337	Dairy Herd Improvement Incorporated	Agricultural Diversification
A2004-0338	Logan County Farm Bureau of Logan County, Kentucky	Agricultural Diversification
A2004-0339	Northern Kentucky Cattle Association	Fencing Improvement
A2004-0340	Barren River Development District, Inc.	Goat Diversification
A2004-0341	Edmonson Co Cattleman Association Inc.	Hay, Straw and Commodity Storage
A2004-0342	Edmonson County Chamber of Commerce, Inc.	Agricultural Diversification
A2004-0343	Campbell County Cattle Association	Handling Facilities
A2004-0344	Campbell County Conservation District	Forage Improvement
A2004-0345	Campbell County Farm Bureau Board of Directors	Hay, Straw and Commodity Storage
A2004-0346	Campbell County Cattle Association	Genetics Improvement
A2004-0347	Campbell County Farm Bureau Board Directors	Agricultural Diversification
A2004-0348	Jackson County Cattlemen's Association	Genetics Improvement
A2004-0349	Bardstown-Nelson County Chamber of Commerce	Agricultural Diversification
A2004-0350	South Eastern Kentucky Agricultural Development Association, Inc.	Forage Improvement
A2004-0351	Green River Area Development District	Agricultural Diversification
A2004-0352	Springfield-Washington County Chamber of Commerce, Inc.	Agricultural Diversification
A2004-0353	Shelby County Cattlemen, Inc.	Handling Facilities
A2004-0354	Shelby County Cattlemen, Inc.	Forage Improvement
A2004-0355	Shelby County Farm Bureau	Fencing Improvement
A2004-0356	Shelby County Farm Bureau, Inc.	Hay, Straw and Commodity Storage
A2004-0357	Owen County 4H Council	Project
A2004-0358	Washington County Conservation District	Forage Improvement
A2004-0359	Wayne County Cattlemen's Association	Genetics Improvement
A2004-0360	Wayne County Pork Producers Association, Inc.	Agricultural Diversification

APPENDIX A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0361	Wayne County Agriculture Development Council	Hay, Straw and Commodity Storage

APPENDIX B: County Model Programs List***Agricultural Diversification***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0347	Campbell County Farm Bureau Board Directors	Campbell	\$3,472.00
A2004-0351	Green River Area Development District	Daviess	\$20,000.00
A2004-0342	Edmonson County Chamber of Commerce, Inc.	Edmonson	\$26,250.00
A2004-0327	Elliott County Fiscal Court	Elliott	\$25,000.00
A2004-0320	Buffalo Trace Area Development District, Inc.	Fleming	\$28,310.00
A2004-0337	Dairy Herd Improvement Incorporated	Logan	\$16,000.00
A2004-0338	Logan County Farm Bureau of Logan County, Kentucky	Logan	\$30,000.00
A2004-0349	Bardstown-Nelson County Chamber of Commerce	Nelson	\$10,000.00
A2004-0274	Buffalo Trace Area Development District, Inc.	Robertson	\$40,000.00
A2004-0352	Springfield-Washington County Chamber of Commerce, Inc.	Washington	\$31,500.00
		Sub Total	\$230,532.00

APPENDIX B: County Model Programs List***Fencing Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0339	Northern Kentucky Cattle Association	Boone	\$60,000.00
A2004-0328	Elliott County Fiscal Court	Elliott	\$32,630.38
A2004-0322	Buffalo Trace Area Development District, Inc.	Fleming	\$60,000.00
A2004-0312	Hart County Goat Producers Association, Inc.	Hart	\$100,000.00
A2004-0303	Jackson County Cattlemen's Association	Jackson	\$45,000.00
		Sub Total	\$297,630.38

APPENDIX B: County Model Programs List***Forage Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0344	Campbell County Conservation District	Campbell	\$16,136.55
A2004-0326	Elliott County Fiscal Court	Elliott	\$10,000.00
A2004-0323	Buffalo Trace Area Development District, Inc.	Fleming	\$26,027.00
A2004-0350	South Eastern Kentucky Agricultural Development Association, Inc.	Rockcastle	\$30,000.00
		Sub Total	\$82,163.55

APPENDIX B: County Model Programs List

Forage Improvement - Shared Use

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0309	Laurel County Cattlemen's Association	Laurel	\$13,100.00
		Sub Total	\$13,100.00

APPENDIX B: County Model Programs List***Genetics Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0271	Allen County Cattlemen's Association	Allen	\$52,500.00
A2004-0346	Campbell County Cattle Association	Campbell	\$4,650.00
A2004-0313	Hart County Cattlemen's Association, Inc.	Hart	\$105,000.00
A2004-0348	Jackson County Cattlemen's Association	Jackson	\$15,000.00
A2004-0333	Dairy Herd Improvement Incorporated	Logan	\$13,394.00
A2004-0335	Logan County Cattlemens Association Incorporated	Logan	\$25,544.00
		Sub Total	\$216,088.00

APPENDIX B: County Model Programs List***Goat Diversification***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0317	Western Kentucky Goat Association, Inc.	Christian	\$20,000.00
A2004-0340	Barren River Development District, Inc.	Edmonson	\$10,500.00
A2004-0257	Central Kentucky Meat Goat Producers Association, Inc.	Marion	\$35,000.00
		Sub Total	\$65,500.00

APPENDIX B: County Model Programs List***Handling Facilities***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0343	Campbell County Cattle Association	Campbell	\$10,065.00
A2004-0329	Elliott County Fiscal Court	Elliott	\$25,000.00
A2004-0324	Buffalo Trace Area Development District, Inc.	Fleming	\$109,534.00
A2004-0314	Hart County Cattlemen's Association, Inc.	Hart	\$52,500.00
A2004-0336	Logan Cattlemens Association Incorporated	Logan	\$30,000.00
A2004-0231	Pulaski County Cattlemen's Association, Inc.	Pulaski	\$11,997.84
		Sub Total	\$239,096.84

APPENDIX B: County Model Programs List

Handling Facilities - Shared Use

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0273	Menifee County Beef Producers	Menifee	\$9,866.00
		Sub Total	\$9,866.00

APPENDIX B: County Model Programs List***Hay, Straw and Commodity Storage***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0345	Campbell County Farm Bureau Board of Directors	Campbell	\$15,300.00
A2004-0330	Christian County Conservation District	Christian	\$75,000.00
A2004-0341	Edmonson Co Cattleman Association Inc.	Edmonson	\$53,500.00
A2004-0321	Buffalo Trace Area Development District, Inc.	Fleming	\$126,064.00
A2004-0334	Logan County Conservation Districts	Logan	\$50,000.00
A2004-0316	Lyon County Conservation District	Lyon	\$16,500.00
		Sub Total	\$336,364.00

APPENDIX B: County Model Programs List

On-farm Water Enhancement

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0331	Christian County Conservation District	Christian	\$75,000.00
A2004-0304	Jackson County Cattlemen's Association	Jackson	\$50,000.00
		Sub Total	\$125,000.00