

# The Governor's Commission on Family Farms

First Annual Report  
September 21, 1999

## INTRODUCTION

In the Spring of 1998, Governor Paul E. Patton became the nation's first Governor to respond to recommendations made by the National Commission on Small Farms by establishing an advisory body charged with studying the issues and concerns unique to farm families. Governor Patton's Executive Order 98-482, dated April 24, 1998, provided the framework for a fresh look at Kentucky's farm families in the midst of historic changes in the nation's agricultural economy in general and the tobacco economy in particular. Recognizing the tremendous economic and cultural contributions made by the Commonwealth's farm families, Governor Patton sought to create a group comprised primarily of farm producers to advise him, the Commissioner of Agriculture, the Kentucky General Assembly, and the state's congressional delegation on policies and programs that will facilitate the sustainable growth and development of Kentucky's farm economy and rural communities.

***The intangible social and cultural contributions of our farm families are just as important as their economic contributions. The work ethic, the dedication to moral value, the ability to make decisions, and the meaning of independence are all very important traits which exhibit themselves and develop themselves better in the agriculture experience than any other venue.***

***During the recent long period of debate on the future of tobacco in our country, which produced untold levels of anxiety among our hard-working farm families and their communities, many in our state realized more than ever before that change in agriculture is inevitable. We can channel that change in more productive ways that produce less turbulence. Let us not resist change. Instead let us try to influence change, and that means leadership.***  
***(Governor Paul Patton, July 23, 1998)***

Governor Patton became the first Kentucky chief executive to assemble an agricultural advisory group dominated by family farmers. On July 23, 1998, after a three-month search for members of this historic Commission, Governor Patton appointed the most inclusive group of agricultural advisors ever assembled in the Commonwealth. On the Gallrein Farm in Shelby County, the Governor announced the Commission's membership and charged them to look for ways that Kentucky's farm families could gain a bigger share of the profits from the food and fiber production industries. Governor Patton told the Commission that the importance of their work goes far beyond the economic implications.

## MEMBERSHIP

The members of this commission are providing the type of leadership referenced by Governor Patton as they seek to develop a comprehensive plan to strengthen our family farms. The Commission is comprised of 21 farm producers from all sectors of Kentucky's farm economy and all parts of the state. Four agriculture support organization representatives and three ex-officio members join these producers, and this group has spent the past year examining the issues confronting Kentucky's family farms and the opportunities for growth and development in agriculture.

In addition to the ex officio members who include Department of Agriculture Commissioner Billy Ray Smith, Secretary of the Workforce Development Cabinet Allen Rose, and the Governor's Designee John-Mark Hack, Governor Patton appointed James J. Naive of Spencer County as the Commission's first chair. Mr. Naive is a cattle farmer, former President of the Kentucky Cattlemen's Association, a member of the Louisville Agriculture Club and the Kentucky Farm Bureau. Naive brings a strong administrative background and a genuine concern for the well being of Kentucky's farm families to his role as Chair.

Joining Mr. Naive on the Commission were:

**Bill Atkins**, *Clark County*, a vegetable farmer and President of Melita Farms, a wholesale vegetable marketing business that distributes Kentucky grown produce to major super market chains.

**Karen Armstrong-Cummings**, *Franklin County*, who serves as Director of the Commodity Growers' Cooperative, a subsidiary of the Burley Growers Cooperative. Karen also serves as a member of the National Small Farms Commission.

**Alice Baesler**, *Fayette County*, runs the Baesler family farm in Athens and works for the Kentucky Department of Agriculture.

**John Berry, Jr.**, *Henry County*, is an attorney and farmer, as well as former President of Burley Tobacco Grower Cooperative and the Commodity Growers Cooperative.

**Ron Catchen**, *Montgomery County*, is a County Extension Agent for the UK College of Agriculture, who has been involved in promoting agriculture in the community development plans of Montgomery County.

**Sharon Furches**, *Calloway County*, runs a large farm operation with her husband near Murray and serves on the Kentucky Agriculture Resource Development Authority.

**Don Halcomb**, *Simpson County*, is a farmer, Chair of the Wheat Promotion Council, a member of the Kentucky Small Grains Promotion Council, and the Kentucky Corn Growers Association.

**Mark Haney**, *Pulaski County*, is a fruit and vegetable producer, Second Vice-President of the Kentucky Farm Bureau state Board of Directors and a member of the Kentucky Horticulture Council.

**Susan Harkins**, *Bourbon County*, is an organic farmer, producer of freshwater shrimp and fish, a founder of Partners for Family Farms and Friends of the Lexington Farmers Market, Treasurer of the Kentucky Aquaculture Association, and a member of Bluegrass Tomorrow Executive Board.

**Hampton “Hoppy” Henton**, *Woodford County*, State Executive Director of USDA Farm Service Agency, raises tobacco, soybeans, wheat, hay and cattle on his farm.

**Denise Hoffman**, *Owsley County* raises tobacco, goats and other products and is an active leader in her community.

**Paul Hornback**, *Shelby County*, raises tobacco corns, soybeans and beef cattle and serves as a member of the Kentucky Farm Bureau state Board of Directors and President of the Council for Burley Tobacco.

**Janet Johnson**, *Allen County*, an Allen County Extension Agent, represents the UK College of Agriculture and provides a crucial link to many farm families through the Cooperative Extension Service.

**David Kash**, *Wolfe County*, is the Lee-Owsley County USDA Farm Service Agency Director, and a tobacco and cattle farmer.

**Chris Kummer**, *Simpson County*, is a farmer, a member of Kentucky Soybean Association State Board, the Kentucky Corn Growers, and the Kentucky Small Grain Growers.

**Hannah Lovell**, *Muhlenberg County*, represents the voice of future farmers as President of the Kentucky Future Farmers of America Association. Hannah studies agriculture at Murray State University.

**Sylvia Lovely**, *Fayette County*, is Executive Director/CEO for the Kentucky League of Cities and a founding member of Partners for Family Farms. Sylvia represents the crucial link to urban consumers and the general business community.

**Mattie Mack**, *Meade County*, is a tobacco farmer, and a leader of the Black Farmers Association.

**Luther Mason**, *Scott County*, farms and serves as President of the Scott County Farmers Market.

**Ken Mattingly, Jr.**, *Barren County*, is a dairy farmer, cheese maker and a member of the Community Farm Alliance.

**John Medley**, *Washington County*, is a hog farmer, serves as President of Central Kentucky Hog Marketing Cooperative and Vice President of the Washington County Farm Bureau.

**Al Pedigo**, *Allen County*, is a farmer, serves on the Farm Bureau state Board of Directors, the Kentucky Cattlemen’s Association Board, and Chairs the Kentucky Beef Council.

**Steve Price**, *Kenton County*, serves as President of Kentucky Aquaculture Association.

**Bob Sparks**, *Nicholas County*, is a Dentist representing the health community, and is also a tobacco and cattle farmer.

The membership includes more women and greater minority representation than any other farm advisory body in Kentucky's history. The group also includes representatives from virtually every sector of Kentucky's farm economy.

This diverse membership has devoted the past year to developing a recommendation which they believe offers opportunity for Kentucky's farm families. This report provides a summary of their work and its results: a recommendation to stimulate the development of Agricultural Entrepreneurship in Kentucky.

## **PROCESS AND PRIORITIES**

### **I.**

The Commission met six times over the past 12 months, beginning in September 1998 at the Hardin County Extension Office in Elizabethtown. Commission members also received extensive correspondence related to their work, and several committee meetings were held during the year between full commission meetings.

During the first meeting, the Commission heard from a panel of distinguished agricultural leaders on their visions for the future of Kentucky agriculture. Commissioner Billy Ray Smith from the Kentucky Department of Agriculture, Dr. Nolan Williams of Kentucky State University, Mr. Bruce Harper of the Kentucky Agriculture Resource Development Authority, Dr. C. Oran Little, Dean of the University of Kentucky College of Agriculture, and Mr. William R. Sprague, President of the Kentucky Farm Bureau, gave the Commission their perspective on Kentucky's farm families and offered their direction for the future.

Following these presentations, Commission members devoted a significant portion of their first agenda to determining those areas on which members wished to focus their time and energy. Utilizing the Nominal Group Technique of discussion management, members listed several areas of interest in response to the following question: What is the single most pressing issue to which the Governor's Commission on Family Farms should devote its time and resources?

The responses were categorized into like groups. These groups were assigned a numeric priority value by both the individual members and collectively. The numeric values are summarized below, after which the top six priority areas are listed with their various component parts.

<u>Priority Areas</u>	<u>Priority Value</u>
<b>Marketing</b>	<b>96</b>
<b>Education</b>	<b>50</b>
<b>Rural/Urban partnerships</b>	<b>30</b>
<b>Financial Planning Education</b>	<b>22</b>
<b>Labor</b>	<b>19</b>
<b>Public/Private single commodity support system</b>	<b>19</b>

Others listed (with values in parentheses) included: Incentives for production/purchasing (17); Promoting/preserving rural values via land preservation/planning/zoning efforts (15); farmer and laborer health insurance (15); farm friendly regulations (15); tobacco (13); profitability (11); access to capital (9); Consumer Education (4); Defining family farm (4)

### **Category breakdown**

#### **MARKETING**

##### *Infrastructure*

- Processing infrastructure development
- assessing availability/accessibility of current markets

##### *Development and Product Promotion*

- encourage state purchase of Kentucky food products in parks, prisons, universities and other state-operated facilities
- investigate incentives for purchasing Kentucky farm products
- develop product certification/labeling programs for all commodities
- develop niche product index to assess market opportunities
- develop alliances with consumer groups for information sharing on product preferences

#### **EDUCATION**

##### *Producer Education*

- extend continuing education opportunities for producers of all types

- expand availability of on-site supervision for farmers
- improve abilities to assess farmer needs and interests
- determine proper role of state government, land grant universities and regional universities in meeting educational needs
- determine specific research needs, how to address them
- develop post-harvest quality education programs for all product

*School to Farm (Workforce Development, Youth Education)*

- develop workforce training partnerships/consortia for all agriculture-related fields
- promote agriculture studies in middle and high schools, crop programs and demonstration projects

**RURAL-URBAN PARTNERSHIPS**

- identify agriculture-related economic development opportunities which complement farming and enhance communities
- develop innovative and formalized urban-rural partnerships

**FARM FAMILY FINANCIAL PLANNING EDUCATION**

- develop asset diversification education program for farmers
- develop estate planning education, especially as it relates to land transfer

**LABOR**

- improve access to farm labor
- lobby to revise the federal H2A migrant labor program

**SINGLE COMMODITY PUBLIC-PRIVATE SUPPORT SYSTEM**

- investigate the development of a public/private support system for a single commodity through supply management and income support

Following this exercise, the Commission members discussed how to address these priority areas. The decided to focus their energy on each priority area in order of importance as completely as possible, and fully develop practical recommendations for each area, rather than rush to judgment and provide a numerous list of recommended solutions. Because the marketing of Kentucky farm products was the Commission's top priority, subsequent meetings were spent gathering information on this broad, complex topic.

**II.**

In its second meeting on November 19, 1998 at Kentucky Farm Bureau headquarters in Louisville, the Commission initiated its focus on marketing Kentucky agriculture. Members heard from a panel of commodity organization representatives who were asked to provide their recommendations for improving Kentucky agriculture. The American Dairy Association of Kentucky, Kentucky Cattlemen's Association, Kentucky Pork Producers Association, Kentucky Poultry Federation, Kentucky Forage and Grassland's Council, Kentucky Horticulture Council, the Burley Tobacco Growers Cooperative Association, Kentucky Corn Growers Association, Kentucky Small Grain Growers Association, Kentucky Soybean Promotion Board, and the Kentucky Woodland Owners Association. Following the presentations, the Commission was divided into two committees to focus on two aspects of marketing: marketing infrastructure development and market promotion and development.

### **III.**

The Commission's third meeting, held on December 16, 1998 in the Warren County Extension Service office in Bowling Green, was primarily a working session designed to further develop marketing issues and recommendations. Reports from the two marketing sub-committees were compiled, and the Commission agreed to investigate other states' efforts to develop agricultural and farm-based entrepreneurship. They decided to extend an invitation to the North Dakota Agricultural Products Utilization Commission for them to make a presentation on their organization at the next meeting.

### **IV.**

Meeting four was held on January 27, 1999 at Kentucky State University in Frankfort. Russ Hanson, Executive Director of the North Dakota Agricultural Products Utilization Commission, described what is widely recognized as one of the most successful agriculturally based value-added programs in the country. The ensuing discussion sharpened the Commission's focus on agricultural entrepreneurship. The Commission decided that an entrepreneurship initiative would constitute their recommendation related to marketing.

### **V.**

On March 10, 1999, the Commission reconvened in Elizabethtown to review a draft of a proposal for a Kentucky Center for Agricultural Entrepreneurship. Following extensive deliberation that resulted in substantive changes to the proposal, the Commission voted to adopt the proposal as their recommendation for addressing marketing issues of Kentucky agriculture. After the adoption of the recommendation, the Commission moved to its next priority area - - Education.

### **VI.**

The sixth and final meeting of the Commission's first year was held on April 12, 1999 at the Kentucky State University Research Farm. During this session, the Commission began to address the area of producer education, with

discussion focusing on the sources of information, current educational programs, specific subject areas, new delivery systems, components of new programs, and funding. Since the last meeting, two interim Education committee meetings have occurred and results are expected at the Commission's next meeting in September 1999.

# THE KENTUCKY CENTER FOR AGRICULTURAL ENTREPRENEURSHIP

## Preface

The following proposal is respectfully submitted with unanimous support by the Governor's Commission on Family Farms. The Commission hopes that the public discussion stimulated by this proposal will result in substantive policy changes in Kentucky state government that provide an environment of opportunity for sustainable economic growth for agricultural entrepreneurs and their communities.

## Executive Summary

The Kentucky Center for Agricultural Entrepreneurship would be a non-profit corporation created by the state of Kentucky to strengthen its rural economy. It is designed to benefit all Kentuckians, but especially Kentucky's farmers, by assisting entrepreneurs interested in agriculturally based business enterprises. The opportunity to improve the income of farm families not only exists in production agriculture, but through adding value to what they already produce.

*The public sector works to support and facilitate the development of entrepreneurship in countless but often poorly coordinated and marketed ways.*

*We also asked small business owners in Kentucky what state government could do to help entrepreneurs get started here. The largest percentage of responses referred to the need to address information gaps by developing an information clearing house.*

Michael T. Childress and Michal Smith-Mello  
Entrepreneurs and Small Business-Kentucky's Neglected Natural Resource  
(Frankfort: Kentucky Long-Term Policy Research Center, 1998)

The primary objective of the Kentucky Center for Agricultural Entrepreneurship is to provide assistance to individuals and groups who want to start or expand locally-owned, value-added agricultural ventures. Bringing new people and innovative ideas together to achieve greater success will allow our family farms to grow in areas where they might not venture on their own.

The Center will offer an integrated approach where public agencies and private organizations can combine their resources into a single point of contact for any individual or group seeking support for business ideas based on Kentucky agriculture. The Center can offer assistance in economic analyses, feasibility studies, identifying market potential, new product development, and navigating the web of regulatory requirements.

The Kentucky Center for Agricultural Entrepreneurship would not duplicate any existing programs, but would simply complement our current resources through collaboration and cooperation. The Center would also draw from non-agricultural resources that can play a role in making value-added agricultural ventures more successful, such as the Small Business Development Centers and Community Colleges.

The Center would be unique by offering business and financial assistance to farmers, groups of farmers, farm organizations, and others interested in rural prosperity through the expansion of adding value to Kentucky's agricultural production.

The Center would be the one door through which agricultural entrepreneurs can walk and gain access to the business knowledge and experience that is often difficult to locate.

## The Center's Mission

The Center's mission would be to increase the profitability of family farms and create new sources of income by adding value to Kentucky agricultural commodities. The Center would be business oriented, utilizing to the greatest extent possible, existing resources from federal, state, and local governments, public and private institutions, and the business community.

*Successful state value-added/diversification programs have three characteristics:*

- 1. An independent commission funding feasibility analysis, product research and organizational development;*
- 2. A minimum of \$1 million per year to support research and development of value-added agricultural products, markets, and businesses;*
- 3. A responsive financing source (such as targeted bonding authority).*

Kentucky farms and markets: emerging policy opportunities  
Frankfort: Kentucky Department of Agriculture, 1996

**Individuals and groups who**

***uld be eligible to receive the following program support:***

### **I. Technical Assistance**

The Center would offer access to the technical skills necessary for the conversion of ideas into products. Business planning, when done properly, can serve as a "reality check" for an individual's goals and help anticipate and correct problems well before they become serious. Technical assistance can also help entrepreneurs accelerate the pace of business by helping individuals make more informed decisions.

The Center could offer solutions to problems that often face traditional family farmers who want to move into value-added ventures by:

- providing feasibility studies for new or expanding businesses
- offering business planning and financial management
- providing information about local, state, and federal regulations
- supplying economic analyses of production processes
- offering business mentoring / consultation
- providing marketing and distribution strategies
- assisting in product development

### **II. Market Promotion & Development**

The promotion of individual and collective marketing efforts will increase the chances for success. The Center would assist in identifying, promoting and developing innovative strategies for marketing Kentucky agricultural products. This could allow Kentucky farm families to capture a larger share of consumer spending by including the consumer more in the process.

To encourage diversification into non-traditional farm enterprises which have income potential, assistance would include:

- ❑ development of rural community processing and marketing centers
- ❑ promotion of Kentucky products for in-state institutional purchasing
- ❑ marketing on the internet
- ❑ consumer education programs
- ❑ product promotion
- ❑ formulation of marketing plans

### **III. Research & Analysis**

In order to provide a sound base for value-added farm product ventures, it would be necessary compile and disseminate research on the supply, demand, and utilization of Kentucky farm commodities. Information gained from these activities would better equip entrepreneurs in a very competitive marketplace. The results of this research would be beneficial to all of Kentucky agriculture.

In order to provide Kentucky agricultural entrepreneurs more tools and increase the opportunities, projects would include:

- ❑ Identification of new agricultural products and market areas
- ❑ Measurement of consumer tastes and preferences
- ❑ Improvement of technical information transfer
- ❑ Consumer surveys and demographic studies
- ❑ Creating more sustainable marketing systems
- ❑ Measuring the cost and returns of processing & marketing farm products.

### **IV. Financial Assistance**

The Center would identify and work with all existing sources of capital available for new ventures. Since new ventures are risky by nature the Center would work with entrepreneurs to analyze the best options for securing the capital necessary and keeping the cost of that capital from becoming a burden.

New and existing farm business ventures may need financial assistance such as:

- ❑ utilizing existing government financial assistance programs

- ❑ providing reduced interest rates by establishing equity positions
- ❑ establishing a revolving loan program

## **V. Oversight board**

An oversight board would be appointed and granted authority to oversee the Center and its programs. A majority of the nine members should be individuals actively engaged in farming.

Among its responsibilities the Board would:

- ❑ develop policies, programs, and procedures
- ❑ staff the center
- ❑ monitor financial conditions and operation of the Center
- ❑ approve projects submitted to the Center for funding

The Board would report biennially to the Governor and the Kentucky General Assembly on the Center's activities, programs, and financial conditions.

## **Summary**

The Kentucky Center for Agricultural Entrepreneurship would partner with the Kentucky Small Business Development Center, land grant and regional universities, community colleges, farm organizations, agricultural commodity organizations, the Kentucky Department of Agriculture, the Kentucky Cabinet for Economic Development, the United States Department of Agriculture, the United States Department of Commerce, international agricultural entities, and Kentucky's business community. The Center would be unique by offering business and financial assistance to farmers, groups of farmers, farm organizations, agricultural entrepreneurs from throughout the world, and others interested in rural prosperity through the expansion of adding value to Kentucky's agricultural production. It could also work to attract entrepreneurs and utilize resources from throughout the world to tap the potential for prosperity found in Kentucky's farm families and rural communities.

The future of Kentucky's family farms and rural communities will be dependent on how farm production is successfully utilized and marketed. The Kentucky Center for Agricultural Entrepreneurship would be in a unique position through its Program to strengthen the prosperity of the commonwealth's family farms and rural communities.

## **Report Conclusion**

As the Governor's Commission on Family Farms begins its second year of work, this report and recommendation to stimulate agricultural entrepreneurship is submitted to Governor Paul Patton and the Commonwealth. The Commission hopes that state policy makers will recognize that a firm, tangible commitment to the future of Kentucky's farm families is imperative for the preservation and sustainable development of the rural character and culture that make Kentucky unique.

The right first step in making this commitment is to adopt a strategy during the 2000 General Assembly session to stimulate the growth and development of Agricultural Entrepreneurs. While the Commission shifts its attention to the education needs of farm families and its other priority areas, we hope that Governor Patton and the members of the General Assembly recognize the marketing needs among Kentucky's farm families and supports this recommendation for a Kentucky Center for Agricultural Entrepreneurship.

Family farms will be best preserved by increasing profitability. In future reports, the Commission plans to address the issues of education, marketing infrastructure, rural-urban partnerships, farm financial planning education, farm labor, and public-private support systems for Kentucky farm products. We will continue to assess our priorities and we appreciate the opportunity to share this and future recommendations with Governor Patton.

