



Report for the  
**Tobacco Settlement Agreement Fund  
Oversight Committee**

**November 16, 2018**

Meeting of the  
Kentucky Agricultural Development Board



Commonwealth of Kentucky  
Governor's Office of Agricultural Policy

For Immediate Release

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**Statewide Horticulture Marketing, Research & Education  
Among Seventeen Agricultural Investments Approved**  
*More than \$2.1 million invested in Kentucky Agricultural Development Funds*

**FRANKFORT, Ky. (Nov. 16, 2018)** –The Kentucky Agricultural Development Board approved \$2,158,833 in 17 agricultural diversification and rural development projects across the Commonwealth at its monthly board meeting.

**State Investments:**

**Statewide Horticulture Marketing, Research & Education**

The Kentucky Horticulture Council, Inc. was approved for up to \$1,086,723 in state funds over a two-year period to continue technical assistance, education, research and marketing analysis plus market access for Kentucky's growing horticulture industry. For more information on this project, contact Dr. Cindy Finneseth at (859) 494-6516 or [cindy@kyhortcouncil.org](mailto:cindy@kyhortcouncil.org).

**County Investments:**

**Kentucky Mesonet Upgrades**

Western Kentucky University was approved for up to \$63,753 in county funds to complete an instrumentation upgrade for several sites of the Kentucky Mesonet. For more information on this project, contact Cheryl Davis at (270) 745-4652 or [sponsored.programs@wku.edu](mailto:sponsored.programs@wku.edu).

**New Creamery Facility**

The Milkhouse Creamery, LLC was approved for up to \$50,000 in county funds to construct a creamery and purchase equipment to establish a commercial kitchen. For more information about this project, contact Sharon Rowlett at (502) 532-7533 or [bull12349@aol.com](mailto:bull12349@aol.com).

**Agricultural Building Improvements**

Breckinridge County Fair Inc. was approved for up to \$14,525 in Breckinridge County funds for new LED lighting in two buildings and a new ceiling in one of the buildings. For more

information on this project, contact Jaclyn Walden at (270) 547-1449 or [breckcofair@yahoo.com](mailto:breckcofair@yahoo.com).

### **Energy Efficiency Incentives**

The On-Farm Energy Efficiency Incentives Program provides incentives for Kentucky farm families to increase energy efficiency of existing equipment or facilities. Three On-Farm Energy Efficiency Programs were approved totaling \$26,195 for recipients in Adair (\$8,700), Edmonson (\$9,001) and Hickman (\$8,494) counties.

### **On-Farm Investments**

The County Agricultural Investment Program (CAIP) offers 11 investment areas that give Kentucky agricultural producers the ability to increase net farm income, add value to their products and diversify their operation. CAIP benefits and enhances agriculture across the state by stimulating markets for Kentucky agricultural products. Five CAIPs were approved by the board totaling \$785,585 for Boone (\$89,758), Carter (\$106,093), Fleming (\$189,296), Pendleton (\$170,438) and Todd (\$230,000) counties.

In addition to these new approvals, an additional \$21,052 was approved to enhance an existing CAIP in Mason County.

### **Next Generation Farmers**

The Next Generation Beginning Farmer Program (NextGen) was developed to facilitate the growing need for a specialized program that would benefit producers engaged in an agricultural operation from three to seven years. One NextGen Program was approved for Fleming County totaling \$40,000.

### **Youth Agricultural Incentives Program**

The Youth Agricultural Incentives Program (Youth) serves as a measure to facilitate the growing need for a specialized program that benefits youth actively engaged in agriculture. Three Youth Programs were approved by the board totaling \$71,000 for Clark (\$25,000), Fleming (\$25,000) and Mason (\$21,000) counties.

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*Great strides continue being made toward lessening Kentucky's dependence on tobacco production while revitalizing the farm economy by investing a portion of Kentucky's Master Settlement Agreement Funds into the Kentucky Agricultural Development Fund.*

*To date, Kentucky has invested more than \$580 million in an array of county, regional and state projects designed to increase net farm income and create sustainable new farm-based business enterprises. These funding approvals, made possible by the Kentucky Agricultural Development Fund, represent just a few of the more than 5,900 projects approved, since the inception of the program in January 2001.*

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## KADF Programs

***Approved at the November 2018 KADB Meetings***

CAIP			
<u>County</u>	<u>Program Administrator</u>	<u>Date Submitted</u>	<u>Funds Approved</u>
Boone	Northern Kentucky Cattle Association, Inc.	10/15/2018	\$89,758
Carter	Carter County Agriculture Advancement Council	10/26/2018	\$106,093
Fleming	Fleming County Conservation District	10/3/2018	\$189,296
Pendleton	Pendleton County Agricultural Diversification Association, Inc.	10/23/2018	\$170,438
Todd	Todd County Conservation District	10/22/2018	\$230,000
<b>5</b>			<b>\$ 785,585</b>

Next Generation Beginning Farmer			
<u>County</u>	<u>Program Administrator</u>	<u>Date Submitted</u>	<u>Funds Approved</u>
Fleming	Fleming County Conservation District	10/3/2018	\$40,000
<b>1</b>			<b>\$ 40,000</b>

On-Farm Energy Program			
<u>County</u>	<u>Program Administrator</u>	<u>Date Submitted</u>	<u>Funds Approved</u>
Adair	Darrell Loy Dairy	9/14/2018	\$8,700
Edmonson	J & D Breeder Farm	9/5/2018	\$9,001
Hickman	Keith D. Howell	9/27/2018	\$8,494
<b>3</b>			<b>\$ 26,195</b>

Youth Ag Incentives Program			
<u>County</u>	<u>Program Administrator</u>	<u>Date Submitted</u>	<u>Funds Approved</u>
Clark	Clark County Conservation District	10/22/2018	\$25,000
Fleming	Fleming County Conservation District	10/3/2018	\$25,000
Mason	Buffalo Trace Area Development District, Inc.	10/22/2018	\$21,000
<b>3</b>			<b>\$ 71,000</b>

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## ***Requested Program Amendments***

<b>App #</b>	<b>A2018-0224</b>
<b>Applicant Name</b>	<b>Buffalo Trace Area Development District, Inc.</b>
Original Amount Approved	\$200,000
Execution Date	08/31/2018
Requested Change	<p>The applicant requests an <u>additional</u> \$21,052 in Mason County funds for the <i>CAIP Program</i>. The request received a <u>high</u> priority from the County Council.</p> <p>This is the first request for an amendment to this application number. The term of the program shall remain 12-months from the execution date of the original agreement.</p> <p>Approval of this request would bring the program total to \$221,052.</p> <p><b>Recommend Approval</b></p>

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## Approved Project

**Kentucky Horticulture Council****A2018-0189****Application County:** ALL**County Priority:** *Not Applicable***Date Application Submitted:** 8/30/2018**FUNDING REQUEST**

Kentucky Horticulture Council Inc. (KHC) is requesting \$1,173,250 in State funds across two years to continue technical assistance, education, research, and market analysis plus market access for Kentucky's growing horticulture industry. This support is provided in cooperation with strategic partners and allied organizations.

**APPLICATION SUMMARY**

Kentucky's horticulture industry spans both edible food crops and ornamental crops. The full value chain spans all activities required to bring a horticulture product or service through all phases from initial producer to final consumer. This project titled Strengthening Horticulture Value Chains in Kentucky seeks to focus research needs with streamlined delivery of information, while providing technical assistance and marketing. Additionally, information gained from the activities of this project will be shared across various means, including print/digital publications and presentations at commodity conferences.

Funds will be used in five budget categories:

1. Technical Assistance and Educational Resource Development (\$572,000) - Three Extension Associates use a statewide approach to work directly with farmers who participate in these programs and one Extension Associate compiling production and marketing information. Equipment and supplies to execute activities and support producers.
2. Development and Evaluation of Production and Distribution Systems (\$271,250) – This targeted budget category is leveraged with university and competitive grant funds for shared financial support of replicated research trails. Includes seasonal worker labor salaries on research farms. Also, development of research reports, training programs and project activity expenses.
3. Market Research and Analysis, and Marketing Education (\$90,000) - These funds are used to match other state and federal grants, and are used for a statewide approach of data collection, market trend analysis, and information distribution.
4. Market Access and Sustained Demand for Horticultural Products (\$75,000) - This category combined with UK Food Connection and competitive grants funds for shared financial support for one Cultivate Kentucky Extension Associate. Works with one-on-one grower system development, provides training, and one-on-one business development.
5. KHC Administration (\$165,000) - These funds will be used for statewide member organization support, value chain development plus programmatic and fiscal management.

The total cost of the project is estimated at \$1,173,250.

**PROJECTED PRODUCER IMPACT**

Estimated direct contacts of 3,750 and indirect contacts of 80,000. Twenty-five research trials to be conducted with an estimated five associated programs/publications. Estimated sixty presentations/demonstration projects with estimated 1000 attendees.

## Approved Project

**Kentucky Horticulture Council****A2018-0189****Application County:** ALL**County Priority:** *Not Applicable***Date Application Submitted:** 8/30/2018**Committee Recommendation:**

The Recipient Review Committee recommends funding the request in the reduced amount of \$557,294 in State funds for calendar year 2019 and \$529,429 in State funds for calendar year 2020 for a total allocation of \$1,086,723 in State funds over a two year period, subject to the terms and conditions below:

**TERMS & CONDITIONS**

1. Funds for 2019 shall be available upon the execution of the Legal Agreement in the form of a grant.
2. Funds shall expire two years from the execution of the Legal Agreement. Unencumbered funds, as of Dec. 31, 2020, shall be returned no later than February 28, 2021. Encumbered funds must be expended by June 30, 2021 or immediately returned.
3. The Recipient shall submit expected benchmarks and measurable outcomes for 2019 and 2020 which shall be attached as an exhibit to the Legal Agreement.
4. 2020 funds shall be contingent upon the Recipient making a presentation to the Board before the anniversary date of the legal agreement and upon the Recipient meeting reporting requirements and achieving 2019 expected benchmarks and measurable outcomes.
5. The Recipient shall meet with the Recipient Review Committee on a tertiary schedule, or as requested, to report on the progress of the project.
6. Periodic reporting on the activities and progress towards benchmarks shall be on a tertiary schedule. Reports are due on the following dates:
  - May 31, 2019 (covering Jan. – April)
  - Sept. 27, 2019 (covering May – Aug.)
  - January 31, 2020 (covering Sept. – Dec.)
  - May 29, 2020 (covering Jan. – April)
  - Sept. 25, 2020 (covering May – Aug.)
  - January 29, 2021 (covering Sept. – Dec.)
7. The Recipient shall comply with the Acknowledgement of Funding Source requirements contained in the Legal Agreement.
8. The Recipient shall notify GOAP staff of all KHC Board and/or planning meetings at least five (5) business days in advance of the meeting.
9. The Recipient shall submit a list of approved sub-grantees prior to grant disbursement. Compliance staff will review the list to ensure the sub-grantees are compliant with any existing KADB agreements and have not been blocked from receiving KADF for non-compliance with prior agreements. Compliance staff will notify the Recipient within three business days if there are any issues or if all sub-grantees are eligible

**Board Decision:**

The Kentucky Horticulture Council was approved for \$1,086,723 ub state funds to continue technical assistance, education, research and market analysis plus market access for Kentucky's horticulture industry. Funds will be allocated \$557,294 for 2019 and \$529,429 for 2020.

## Approved Project

**Breckinridge County Fair Inc.****A2018-0204****Application County: Breckinridge****County Priority: High****Date Application Submitted: 9/19/2018****FUNDING REQUEST**

Breckinridge County Fair, Inc. is requesting \$14,525 in Breckinridge County funds for new LED lighting in two buildings and a new ceiling in one of those buildings.

**PROJECT SUMMARY**

The applicant indicates that they are updating the livestock show barn with new LED lights and the merchants building with LED lights plus a new ceiling at the fairgrounds. The primary benefits sought are reduced energy costs and lower internal temperature of the buildings.

The total cost of the project is estimated at \$29,051 with the following funding sources:

- \$ 14,525 KADF Breckinridge County funds (high priority)
- \$ 7,000 Meade Co. RECC Energy Credit (pending)
- \$ 3,763 Breckinridge County Farm Bureau Board (pending)
- \$ 3,763 Breckinridge County Fair Board (secure)

**PROJECTED PRODUCER IMPACT**

The applicant indicates that there will be 500 youth showing animals, doing 4-H exhibits and other projects at the fairgrounds annually.

**Committee Recommendation:**

The Blue Application Review Committee recommends funding up to \$14,525 in Breckinridge County funds subject to the terms and conditions below:

1. Funds shall be available upon the execution of the Legal Agreement in the form of a cost-reimbursement grant.
2. The Recipient may request reimbursement for expenses incurred in completing the project for up to 12 months. The Board shall reimburse the Recipient \$0.50 per \$1.00 of approved documented payments, in accordance with the budget, which shall be attached as an exhibit to the Legal Agreement. The Recipient shall submit itemized receipts/invoices and either a cancelled check or copy of the relevant credit card statement as documentation of payment. The Board shall not reimburse the Recipient for purchases made with cash.
3. The Recipient shall submit annual reports for 2 years detailing the number of events using the improved agricultural buildings and estimated people benefiting from use of the facilities located at the Breckinridge County Fairgrounds.

**Board Decision:**

Agricultural Building Improvements: Breckinridge County Fair Inc. was approved for \$14,525 in Breckinridge County funds for facility updates to reduce energy costs.



Approved Project

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**Western Kentucky University****A2018-0208****Application County: Warren****County Priority: Not Applicable****Date Application Submitted: 9/27/2018****FUNDING REQUEST**

Western Kentucky University is requesting \$63,753 in State funds to complete an instrumentation upgrade of the Kentucky Mesonet.

**APPLICATION SUMMARY**

Funds will be used to upgrade precipitation gauges at 17 sites and install field observation cameras at 12 sites. Another 7 sites will upgrade precipitation gauges using other funding sources.

These upgrades will support a key strategic initiative: development of the Kentucky Drought Early Warning System (DEWS). The DEWS system will combine the technologies of precipitation gauges, field cameras, soil moisture devices, estimated potential evapotranspiration, and other data to develop a comprehensive drought monitoring program. In addition, these devices provide weather data to the public and support warning forecasts by the National Weather Service.

All costs associated with the installation and maintenance of the instruments will be provided by the Kentucky Mesonet. The Kentucky General Assembly appropriated \$750,000 in each fiscal year (2018-19 and 2019-20) to the Kentucky Mesonet with the passage of 2018 HB 200.

The total cost of the project is estimated at \$127,506 with funding from the following sources:

\$63,753 National Mesonet Program

\$63,753 KADF State funds

**PROJECTED PRODUCER IMPACT**

Agricultural producers from all counties can access the weather information which may assist in their farm activity planning. The entire public, including the media, also has access to this weather and climate information.

## Approved Project

**Western Kentucky University****A2018-0208****Application County:** Warren**County Priority:** Not Applicable**Date Application Submitted:** 9/27/2018**Committee Recommendation:**

The Blue Application Review Committee recommends not funding the request for State funds but funding up to \$63,753 in County funds, subject to the terms and conditions below:

**TERMS & CONDITIONS**

1. Funds shall be available upon the execution of the Legal Agreement and awarded in the form of a cost-reimbursement grant.
2. The Recipient shall have six months from the execution of the Legal Agreement to secure County fund commitments.
3. Funds shall be disbursed upon the Recipient submitting receipts/invoices and either a cancelled check or a copy of the relevant credit card statement as proof of payment. Cash purchases shall not be eligible for cost reimbursement. Funds may be drawn for up to 12 months from the execution of the Legal Agreement. Remaining funds shall expire 12 months from the date of the executed Legal Agreement and shall be returned to the Kentucky Agricultural Development Fund. The reimbursement rate shall be \$.50 per dollar of approved documented expenses.
4. The Recipient shall own and maintain the equipment for at least five years from the date of the Legal Agreement. If the Recipient sells the equipment prior to this five-year moratorium, the Recipient shall refund the grant amount to the Kentucky Agricultural Development Fund on a pro-rated basis. If the Recipient fails to return the pro-rated grant amount, the Recipient shall not be eligible to receive additional funds from the Kentucky Agricultural Development Fund.
5. The Recipient shall provide GOAP with semi-annual expenditure reports every six months after the effective date of the legal Agreement until all funds are expended or expire.
6. The Recipient shall provide GOAP reports on the anniversary of the date of the execution of the Legal Agreement providing the Board with sufficient information, data, and statistics to evaluate the benefits of this investment. The number of annual reports shall coincide with the length of the moratorium on the sale of the equipment.

**Board Decision:**

Kentucky Mesonet Upgrades: Western Kentucky University was approved for up to \$63,753 in multiple county funds to complete instrumentation upgrades at 36 sites. County commitments are pending local prioritization.

## Approved Project

**The Milkhouse Creamery, LLC****A2018-0210****Application County: Henry****County Priority: Not Received  
w/app****Date Application Submitted: 9/27/2018****FUNDING REQUEST**

The Milkhouse Creamery, LLC is requesting \$162,500 in State funds and \$50,000 in multiple County funds to construct the creamery and purchase equipment to establish a commercial kitchen in Campbellsburg.

**APPLICATION SUMMARY**

The Milkhouse Creamery, LLC is a family partnership owned by Terry Allen Rowlett and Sharon Kay Rowlett with plans to serve Kentucky produced and marketed cheese, ice cream and butter at a new creamery with a retail store on site. Commercial kitchen equipment will be purchased to allow for rental income from any local farmers making value added products on-site. The creamery will source milk from Howard A. Rowlett Dairy farm located a mile away. In addition, any farmer interested in making cheese can rent the creamery.

The Milkhouse Creamery will be located on two tracts of land in the Henry County Commerce Park, in Campbellsburg, KY. The 2,100 square foot facility will consist of a milking receiving area, production, packaging and cooling areas, commercial kitchen and retail area.

The cost for the total project is estimated at \$490,000 with funding from the following sources:

\$162,500 KADF State funds  
 \$ 25,000 Henry County funds (unsecure)  
 \$ 5,000 Carroll County funds (unsecure)  
 \$ 5,000 Gallatin County funds (unsecure)  
 \$ 5,000 Owen County funds (unsecure)  
 \$ 5,000 Shelby County funds (unsecure)  
 \$ 5,000 Trimble County funds (unsecure)  
 \$247,500 Citizens Bank loan (pending)  
 \$ 30,000 Owner investment (secured)

**PRODUCER IMPACT**

The applicant projects sales and rental fees to total \$156,151 in the first year of operation.

**Committee Recommendation:**

The Blue Application Review Committee recommends funding up to \$50,000 of the total budget in county funds only, no state funds recommended, for a new creamery facility, subject to the following terms and conditions:

1. Funds shall be available upon the execution of the Legal Agreement in the form of a cost-reimbursement grant.
2. The Recipient shall have until May 31, 2019 to secure county funds. Henry, Carroll, Gallatin, Owen, Shelby and Trimble County funds committed shall be included as a grant.
3. The Recipient may request reimbursement for expenses incurred in completing the project for up to 12 months. The Board shall reimburse the Recipient \$0.50 per \$1.00 of approved documented payments, in accordance with the budget, which shall be attached as an exhibit to the Legal Agreement. The Recipient shall submit itemized receipts/invoices and either a cancelled check or copy of the relevant credit card statement as documentation of payment. The Board shall not reimburse the Recipient for purchases made with cash.
4. If Recipient sells its business or equipment within 10 years of the execution of the Legal Agreement, the grant shall be refunded on a prorated basis.
5. The Recipient shall submit annual reports detailing the number of farmers providing milk, number renting the facility and quantities of cheese, butter and ice cream processed as well as sales in the retail operation.

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Approved Project

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**The Milkhouse Creamery, LLC**

**A2018-0210**

*Application County: Henry*

*County Priority: Not Received  
w/app*

*Date Application Submitted: 9/27/2018*

**Board Decision:**

Creamery Facility: The Milkhouse Creamery, LLC was approved for up to \$50,000 in multiple county funds to construct the creamery and purchase equipment to establish a commercial kitchen in Campbellsburg. Current county commitments include Henry (\$10,000) and Trimble (\$5,000).

## Denied Project

**JSW Farm Chop Shop, Inc.****A2018-0140****Application County: Wolfe****County Priority: Not Applicable****Date Application Submitted: 5/25/2018****FUNDING REQUEST**

JSW Farm Chop Shop, Inc. is requesting \$502,000 in State funds to undergo equipment upgrades in its processing facility to improve safety, cleanliness, and processing efficiencies.

**APPLICATION SUMMARY**

The applicant estimates that with the upgrades it will be able to process over 50,000 animals per year. It has recently become Global Food Safety Initiative certified, allowing it to process cattle for Beef Solutions to sell hamburger through area Kroger stores. The applicant also supplies product to Champion Pet Foods in Auburn, KY.

The funds will be used to install an efficient waste-water treatment and disposal system, purchase equipment to more effectively kill and process animals, and install a collection system to capture and sell blood. It is projected that the upgrades will allow the hiring of an additional 8-10 employees to the first shift and the creation of a second shift with 30 full-time employees.

The total cost of the project is estimated at \$502,000 with the following funding sources:

\$502,000 KADF State funds

\$ 0 Match

**PROJECTED PRODUCER IMPACT**

The applicant states that it will process over 50,000 animals per year, with most of them being raised by Kentucky farmers.

**Committee Recommendation:**

The White Application Review Committee recommends no funding the project because of the failure of the applicant to provide a source of funding for operating capital to keep the business solvent.

**Board Decision:**

The board denied the request, based on the Committee's recommendation. However, the Board voted to pursue a third-party audit with the Committee taking the lead in working with the applicant.

## Denied Project

**Kentucky FFA Foundation, Inc.****A2018-0198****Application County: Fleming****County Priority: Not Applicable****Date Application Submitted: 9/6/2018****FUNDING REQUEST**

The Kentucky FFA Foundation, Inc. is requesting \$165,000 in State funds to hire two Agricultural Education Area Program Specialists for a period of three years.

**APPLICATION SUMMARY**

The applicant requests funding to hire two Agricultural Education Area Program Specialists for a period of three years. One specialist would be stationed in eastern Kentucky and the other would be stationed in western Kentucky. The Kentucky FFA Foundation would hire the specialists and their work would be coordinated by the State staff in Agricultural Education and the FFA Foundation.

The specialists would visit all new agriculture teachers in the state once per year, all second-year teachers twice a year, and all third-year teachers once a year. The specialists would also assist agriculture teachers with classroom and laboratory instruction, leadership development through FFA, and experiential or work-based learning through Supervised Agricultural Experience programs.

Other duties of the specialists would include direct support for other agriculture teachers as requested, coordination of teacher recruitment and retention efforts, and coordination of professional development opportunities for teachers of agriculture.

**PROJECTED PRODUCER IMPACT**

The applicant states that approximately 6,000 farm families will benefit directly from this project.

The total cost of the project over three years is estimated at \$165,000 with the following sources:  
\$165,000 KADF State funds

**Committee Recommendation:**

The Blue Application Review Committee recommends not funding the request for \$165,000 in State funds because of limited producer impact and because the applicant has the financial ability to fund the project itself.

**Board Decision:**

The board denied the request, based on the Committee's recommendation.

**Warren Beeler**    12/11/2018 - 12/21/2018

12/11/2018 Oversight	10:00 AM
KCARD Grant Workshop	4:30 PM
12/12/2018 KCARD Grant Workshop	4:30 PM
12/14/2018 KAFC	
12/17/2018 Industrial Hemp Advisory Board Meeting	1:00 PM
Speak: KALP Alumni Dinner	7:00 PM
12/18/2018 KCARD Grant Workshop	4:30 PM
12/20/2018 Grayson Co. Foundation	5:00 PM
12/21/2018 KADB	