

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

April 21, 2023

Meeting of the Kentucky Agricultural Finance Corporation Board

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Meeting of the Kentucky Agricultural Development Board



April Approved Loans

Lender River Vally Ag Credit Central KY Ag Credit GWADD Monticello Bank Farm Credit Mid-America Field & Main Bank Central KY Ag Credit Farm Credit Mid-America Central KY Ag Credit Magnolia Bank Central KY Ag Credit	
Total Project Cost \$4,250,000.00 \$65,000.00 \$874,000.00 \$140,000.00 \$688,000.00 \$1,780,000.00 \$350,000.00 \$350,000.00 \$3575,000.00 \$60,000.00	
Amount Approved \$250,000.00 \$32,500.00 \$437,000.00 \$40,000.00 \$172,000.00 \$250,000.00 \$250,000.00 \$250,000.00 \$3550,000.00	
Enterprise Poultry Grain Micro Processor Horticulture Grain Poultry Horticulture Poultry Beef Beef Other	
County Calloway Scott Montgomery Wayne LaRue Webster Franklin Wayne Garrad Breckinridge	
Ag Infrastructure Ag Infrastructure Ag Processing Beginning Farmer	

**DEAL- Diversification through Entrepreneurship in Agbusiness

Total

\$10,791,500.00

\$1,895,000.00

**GWADD- Gateway Area Development District

Programs Recommended for Approval

CAIP			
<u>Application</u>	Program Administrator	County	Funds Requested
A2023-0054	Letcher County Conservation District	Letcher*	\$40,313.00
A2023-0056	Logan County Cattlemens Association Incorporated	Logan	\$88,614.00
A2023-0061	Grayson County Cattlemens Association Inc.	Grayson	\$150,000.00
A2023-0068	Gallatin County Farm Bureau of Gallatin County, Kentucky	Gallatin	\$150,000.00
A2023-0079	Jefferson County Soil & Water Conservation District	Jefferson	\$20,000.00
A2023-0082	Kentucky Ketch, Inc	Clay	\$270,000.00
			\$718,927.00

Deceased Farm Animal Removal (DAR)			
<u>Application</u>	Program Administrator	County	Funds Requested
A2023-0069	Bracken County Soil Conservation District	Bracken	\$4,000.00
A2023-0074	Clark County Conservation District	Clark	\$15,000.00
			\$19.000.00

Shared-Use Equipment Program			
<u>Application</u>	Program Administrator	<u>County</u>	Funds Requested
A2023-0052	Henry County Conservation District	Henry	\$16,250.00
A2023-0053	Henry County Conservation District	Henry	\$9,750.00
A2023-0059	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Madison	\$20,249.00
A2023-0060	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Madison	\$26,888.00
	<i>3</i> ,		\$73,137.00

Youth Ag Incentives Program (Youth)			
<u>Application</u>	Program Administrator	County	Funds Requested
A2023-0057	Logan County Cattlemens Association Incorporated	Logan	\$80,000.00
A2023-0078	Owen County 4-H Club Council, Incorporated	Owen	\$15,000.00
			\$95,000.00

Total County Funds Recommended for Approval in Programs: \$906,064.00

^{*}Indicates a portion of the project is funded from the "State Funds To Support to Counties with Limited Allocation initiative."

App # A2022-0128

Applicant Name Barren County Conservation District

Original Amount Approved \$350,000 Execution Date 09/27/2022

Requested Change The applicant requests an <u>additional</u> \$93,000 in Barren County funds

for the CAIP Program. The request received a high priority from the

County Council.

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.

Approval of this request would bring the program total to \$443,000.

Recommend Approval

App # A2022-0223

Applicant Name Caldwell/Lyon Cattlemen's Association, Inc. (Caldwell County)

Original Amount Approved \$97,918 Execution Date 12/05/2022

Requested Change The applicant requests an <u>additional</u> \$1,390 in Caldwell County funds

for the CAIP Program. The request received a high priority from the

County Council.

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.

Approval of this request would bring the program total to \$99,308.

Recommend Approval

Bluegrass Land Conservancy, Inc

A2023-0021

Application County: Fayette Date Submitted: 01/23/2023

Total Funds Awarded: \$409,950

FUNDING REQUEST

The Bluegrass Land Conservancy, Inc. (BLC) is requesting \$400,950 in state funds to support the non-profit land trust to help Kentucky farmers secure federal funding from NRCS to purchase permanent conservation easements on their farms.

APPLICATION SUMMARY

The applicant indicates that use of Kentucky Agricultural Development Funds would be used to help cover the external costs of closing the conservation easements, namely title and appraisal expenses. BLC currently has a 26-county service area, making this project one with a regional impact. Through this program, farms are eligible to be paid 50% of the value of the conservation easement placed on the property and are entitled to a tax deduction for the remaining value. BLC will assume the perpetual obligation of monitoring and enforcing these deed restrictions.

The total cost of the project is estimated at \$28,046,978 with funding from the following sources:

\$400,950 KADF state funds (unsecure)

\$3,350,900 NRCS- 7 parcels (secured)

\$10,472,114 NRCS- 20 parcels (pending)

PROJECTED PRODUCER IMPACT

The applicant estimates that 163 farm families will receive support across the project areas.

Board Decision:

4.21.2023 • Bluegrass Land Conservancy, Inc. was approved \$400,950 in state funds to support the external costs of closing conservation easements on Kentucky farms.

Drone-Agri of Kentucky, LLC

A2023-0030

Application County: Woodford Date Submitted: 01/30/2023

Total Funds Awarded: \$5,000

FUNDING REQUEST

Drone-Agri of Kentucky, LLC is requesting \$16,147 in Woodford County funds to purchase a drone, accessories, and the license required in the first year of business.

APPLICATION SUMMARY

The Woodford County Agricultural Development Council committed \$5,000 to this project instead of the original requested amount of \$16,147. The applicant indicates that the funds will be used to aid in the startup of a family business, where a drone will be used in aerial application of pesticides. This drone will provide another opportunity to treat the fields when ground conditions are too wet.

The total cost of the project is estimated at \$32,294 with funding from the following sources: \$5,000 KADF Woodford County funds (secured) \$27,294 Personal Savings (secured)

PROJECTED PRODUCER IMPACT

The applicant indicates that 14 farm families will be initially impacted within Bath, Montgomery, Marion, Nelson, and Woodford Counties. The applicant plans on increasing the producer impact as they reach more clientele.

Board Decision:

4/21/2023 • Drone-Agri of Kentucky, LLC was approved \$5,000 in Woodford County funds to purchase necessary items for their startup drone services.

Madison County Farm Bureau, Inc. of Madison County, Kentucky

A2023-0037

Application County: Madison Date Submitted: 02/14/2023

Total Funds Awarded: \$3,897

FUNDING REQUEST

The Madison County Farm Bureau Federation is requesting \$3,896.62 in Madison County funds to purchase grain bin rescue equipment.

APPLICATION SUMMARY

The applicant indicates that the funds will be used to purchase 7 plastic "Turtle Tubes" and 1 "Great Wall of Rescue" to be housed in a central location at the Madison County Emergency Operations Center. First Responders will receive training from Dale Dobson, representing Kentucky Department of Agriculture. As the number of grain bins have increased in Madison County, the need for an extraction kit has become necessary in the event of entrapment.

The total cost of the project is estimated at \$7,793.24 with funding from the following sources: \$3,896.62 KADF Madison County funds (secured) \$3,896.62 Madison County Farm Bureau (secured)

PROJECTED PRODUCER IMPACT

The applicant indicates that the grain bin rescue equipment will be available to every farmer in Madison County.

Board Decision:

4/21/2023 • Madison County Farm Bureau Federation was approved \$3,897 in Madison County funds to aid in the purchase of grain bin rescue equipment.

Bourbon County Fair & Horse Show

A2023-0047

Application County: Bourbon Date Submitted: 02/22/2023

Total Funds Awarded: \$25,000

FUNDING REQUEST

Bourbon County Fair & Horse Show is requesting \$25,000 in Bourbon County funds to install electricity, panels, a concrete wash rack, and other details for a new livestock barn.

APPLICATION SUMMARY

The barn facilities used to host livestock shows at the Bourbon County Fairgrounds have become less functional than desired because of issues like drainage. Bourbon County Fair & Horse Show is currently in the process of getting bids and making final decisions to build a new barn.

KADF funds will be used to install electricity, corral panels, and a concrete wash rack. They will also be used to purchase livestock scales, flooring and pen materials, fans, metal sheeting, and gutters.

The total cost of the project is estimated at \$50,000 with the following funding sources:

\$25,000 Bourbon County Funds (Secured)

\$100,000 KDA Fair Improvement Grant (Secured)

PROJECTED PRODUCER IMPACT

The applicant states that approximately 200 Youth and their families will benefit from this livestock barn in the first year.

Board Decision:

4/21/2023 • Bourbon County Fair & Horse Show was approved \$25,000 in Bourbon County funds to support the installation of materials for a new livestock barn.

Murray State University Center for Agricultural Hemp

A2023-0049

Application County: Calloway Date Submitted: 02/24/2023

Total Funds Awarded: \$247,500

FUNDING REQUEST

Murray State University Center for Agricultural Hemp is requesting \$247,500 in state funds over a two-year period to establish the Kentucky Fiber Hemp Farming Network and assist Fibonacci/Hempwood to obtain a consistent supply.

APPLICATION SUMMARY

The applicant indicates that there are two key goals within this project that will impact hemp in Kentucky. The first goal is to establish and assist a premiere Kentucky Fiber Hemp Farming Network to continue research and education to help build and strengthen Kentucky fiber hemp supply and provide economic opportunities for farmers. Secondly, the project aims to assist the only fiber processor in Kentucky in obtaining a consistent supply of fiber hemp needed to support and grow operations.

The total cost of the project is estimated at \$495,000 with funding from the following sources:

\$247,500 KADF state funds (unsecure)

\$70,000 Hempwood Seed (pending)

\$25,000 MSU CFAH (secured)

\$20,000 Hempwood Storage Building (pending)

\$20,000 Hempwood Truck/Trl (pending)

\$12,500 Farmer Network (pending)

\$80,000 Hempwood Fiber (pending)

\$20,000 Hempwood Proj Supt (pending)

PROJECTED PRODUCER IMPACT

The applicant estimates that 20 farm families will be enlisted in year one, and a total of 45 by year two of the project.

Board Decision:

4/21/2023 • Murray State University Center for Agricultural Hemp was approved \$247,500 in state funds over a two-year period to help establish the Kentucky Fiber Hemp Farming Network and assist in establishing a consistent supply with Fibonacci/Hempwood.

New interest in fiber hemp

Manufacturers want to use fiber hemp in textiles and other products.



Manufacturing demand for fiber hemp is seen as strong DAVID SUCHOFF



John Hart

At a Glance

• There aren't enough farmers producing hemp to satisfy market demand.

Floral hemp for the most part has lost its luster in North Carolina due to weaker demand for CBD, but that doesn't mean hemp is forgotten in the Tar Heel State. There is a renewed interest in fiber hemp thanks to strong manufacturing demand.

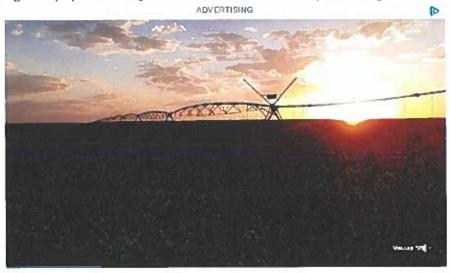
"I think fiber hemp has a really special place in North Carolina. That's not to say floral hemp or CBD doesn't fit. It fits very well. The market just wasn't there. We're seeing tremendous growth in fiber hemp," says David Suchoff, North Carolina State University alternative crops Extension specialist.

Suchoff and other speakers highlighted the market potential for fiber hemp at an April 13 seminar on new and emerging crops sponsored by the North Carolina Department of Agriculture and Consumer Services at the newly completed Steve Troxler Agricultural Sciences Center in Raleigh.

Suchoff noted that manufacturers want to use fiber hemp in textiles and other products, but there aren't enough farmers producing hemp to satisfy market demand. Manufacturers don't have enough biomass available to make products and they don't want to invest in the manufacturing process if they don't have the hemp to process.

"We have farmers saying, 'I'd love to grow it, but I have nowhere to sell it.' It's a classic chicken and egg story," Suchoff said.

Still, Suchoff is bullish on the future of fiber hemp in North Carolina because more hemp processors are coming into the state and the state's textile industry is well suited to process hemp. Plus, Suchoff says North Carolina is well suited for producing hemp, particularly in the historical tobacco-producing counties.



Two components

Suchoff explains that fiber hemp is grown for the stems, much like linen, which also comes from stems and the fiber within the stems. He notes that in the stem of the hemp plant there are two components. There is the bast, which is the bark of the hemp plant where the very long and strong fibers are located. Then there is the hurd, which is the woody inner core of the hemp plant.

The bast is used for apparel, textiles, nonwovens, and other products. Suchoff points out that from a textile standpoint, the hurd is considered a waste product, but there is strong interest in using the hurd for generating hydrogen or biofuels. It can also be used in animal bedding and for construction materials.

"There are a number of applications for it. Our program focuses more on bast production because that's where the market is and where farmers can generate the most income." Suchoff said.

Suchoff believes the hemp industry is poised for growth in North Carolina due to more processing infrastructure and the historic textile industry that wants to use hemp. He says there is a great deal of excitement for the potential of growing, processing, and creating fiber hemp products all within the same state.

At the seminar, Patrick Brown, a fourth-generation farmer who farms near Henderson in Warren County, highlighted his experience in growing hemp. He planted roughly 130 acres of industrial hemp last year. Brown Family Farms traditionally grew tobacco, but Brown notes they got out of tobacco in 2017, after growing the crop for 60 years. They were looking for an alternative crop to produce along with corn, wheat, and soybeans.

"I was looking for a crop that would benefit the land. We researched industrial hemp, and we started out in the floral business in 2015. We had a market for it. We created our own vertical integration brand. We're continuing to grow for CBD, but we've been scaling back because the most interest to me was the fiber and hurd industry," Brown said.

Back in 2015, Brown notes there wasn't a market for fiber hemp, so they focused their efforts on floral hemp in 2016 and 2017. Soon, markets were identified for fiber hemp and the family moved into that market. The Browns worked with two companies, BioPhil Natural Fibers and Best Fibre Tech beginning in 2020 and began growing small sections of hemp for hurd for textiles for BioPhil Natural Fibers, which is based in Lumberton, N.C. Brown says he is pleased with the results.

Less nitrogen

"What we noticed in trial and error was the way that we planted it and drilled it into the soil, we noticed that each and every year we were putting less inputs into the crop which was beneficial to us as farmers," Brown explains. "We went from putting as much as 120 to 140 pounds of nitrogen every year from cutting back to 60 or 70 pounds of nitrogen to the acre. When we incorporated cover crops into that program it was less than that."

Brown says he plans to keep producing fiber hemp because he has a good market through BioPhil Natural Fibers. He believes demand will continue to grow for fiber hemp.

"It's good for us as North Carolina farmers to be able to supply a product in the state that can be processed here and also give us an opportunity to plant other crops as well. We've been growing fiber hemp for three years, and this year will be the first year that we're double cropping non-GMO soybeans after our harvest." Brown said.

Meanwhile, Graham Page, director, advanced manufacturing at VF Corporation, believes fiber hemp and North Carolina are a perfect match. VF Corporation, a large apparel, footwear and accessories company, is looking to use hemp in more of its product lines. Page stresses that he does not see hemp replacing cotton, the traditional and historic fiber produced in North Carolina. He says hemp is a good crop for the state.

"We see reduced land use and more fiber produced per acre than other natural cellulosics. And I'm not calling out a particular natural cellulosic. But I would say for hemp it's our belief that hemp and cotton are best friends forever. We're blending hemp with cotton. That would be the key product moving forward," Page said.

Page said reduced pesticides, herbicides, fertilizers and water are needed to produce hemp. He also said hemp offers soil restoration benefits.

"We really see an opportunity for soil restoration because the hemp plant has a very large and deep root system. You're putting those roots into the ground and you're capturing more organic material in the ground. We really see hemp as a big potential sustainability play. In the United States this is a nascent industry. It's very small. We have lots of demand, we don't have supply. That's where we're focusing our effort. We are looking forward. We certainly see hemp as a great tool for our toolbox. We see hemp as a carbon sequestering sequestration story as well," Page said.

"In North Carolina we have agriculture, we have plenty of rural farmland, particularly in tier one counties where hemp can be grown. We have hemp processing, so we have the post processing in pilot capacities in North Carolina from the field to the factory. There is a lot of that infrastructure in North Carolina. There is the rest of the textile manufacturing after spinning. We have knitting. We have weaving. We have dyeing and finishing, etc. We have all of that within one state."



About the Author(s)



John Hart

Associate Editor, Southeast Farm Press

John Hart is associate editor of Southeast Farm Press, responsible for coverage in the Carolinas and Virginia. He is based in Raleigh, N.C....

Sunflower Fuels, LLC A2023-0051

Application County: Fayette Date Submitted: 02/24/2023

Total Funds Awarded: \$300,000

FUNDING REQUEST

Sunflower Fuels, LLC is requesting \$150,000 in state funds to evaluate the feasibility of growing energy crops on reclaimed mine land to produce high-quality/quantity feedstock for the biofuels industry.

APPLICATION SUMMARY

Sunflower Fuels is focused on leveraging Kentucky's underutilized natural resources and human capital to create opportunities for Kentucky farmers.

This project will evaluate and quantify the suitability of reclaimed coal mine soils to grow energy crops like switch grass and miscanthus.

KADF Funds will be used for:

Soil testing and analysis

Equipment rental for test plot preparation

Planting expenses and weed control

Soil supplementation, including seeding and additional weed control, as necessary

Consultant costs

Project oversight

Other expenses such as travel, business plan development, a compilation of site evaluation matrix, etc.

The total cost of the project is estimated at \$440,000 with the following funding sources:

\$150,000 KADB State Funds

\$10,000 Kentucky River Properties Property Lease Value (Secured)

\$105,000 Sunflower Fuels, LLC (Secured)

\$175,000 Sunflower Fuels, LLC Planting Contributions (Pending)

PROJECTED PRODUCER IMPACT

The applicant states that during the first year, the impact will be limited to the contractors working directly on the project. 6 of the contractors own farms and 4 of those 6 farms are in Kentucky.

Board Decision:

4/21/2023 • Sunflower Fuels, LLC was approved \$150,000 in state funds to evaluate the feasibility of producing energy crops on reclaimed mine land for the biofuels industry.

Purchase Coop, LLC A2023-0090

Application County: Graves Date Submitted: 02/23/2023

Total Funds Awarded: \$15,500

FUNDING REQUEST

A potential farmer-owned cooperative is requesting \$16,056 in state funds to support the cost of a feasibility study conducted by Kentucky Center for Agriculture and Rural Development (KCARD) to explore the possibility of replacing Mayfield Grain.

APPLICATION SUMMARY

The applicants state that Mayfield Grain, a granary destroyed by one of the 2021 tornadoes, has announced their permanent closure, and therefore left a need in the area. Local farmers in the Purchase Region of Kentucky met earlier this year to discuss forming a farmer-owned cooperative. The applicants plan to work with KCARD to conduct a feasibility study to provide financial projections and quantify local needs.

The total cost of the project is estimated at \$31,056 with funding from the following sources:

\$15,500 KADF state funds (unsecured)

\$15,500 Kentucky Corn Growers (secured)

\$56 Purchase Coop, LLC (secured)

PRODUCER IMPACT

The applicant indicates that approximately 300-350 farm families will be directly impacted throughout Graves, Calloway, McCracken, Marshall, Fulton, Hickman, Carlisle, and Ballard counties.

Board Decision:

4/21/2023 • Purchase Coop, LLC was approved \$15,500 in state funds to support the cost of a feasibility study to explore the possibility of replacing the granary destroyed by the 2021 tornado,





Kentucky Agricultural Development Board approves more than \$1.8 million for projects across the commonwealth

Funded projects focus on agricultural diversification, rural development

FRANKFORT (April 21, 2023) – The Kentucky Agricultural Development Board approved \$1,848,301 for agricultural diversification and rural development projects across the commonwealth at its monthly board meeting.

"Supporting the diversity of Kentucky agriculture supports the future of Kentucky's agriculture," said Commissioner of Agriculture and board chair Dr. Ryan Quarles. "The projects awarded grants today by the Kentucky Agricultural Development Board is an excellent reminder that helping agriculture progress, helps every resident in our state."

County and State Funded Projects

- Bluegrass Land Conservancy, Inc. was approved \$400,950 in state funds to support the external costs of closing conservation easements on Kentucky farms. For more information, contact Jessie Hancock at jhancock@bluegrassconservancy.org.
- Bourbon County Fair & Horse Show was approved \$25,000 in Bourbon County funds to support the installation of materials for a new livestock barn. For more information, contact Beth Graves at bourboncountyfair@gmail.com.
- Drone-Agri of Kentucky, LLC was approved \$5,000 in Woodford County funds to purchase necessary items for their startup drone services. For more information, contact Jim Thompson at items.org/jtms.org
- Madison County Farm Bureau Federation was approved \$3,897 in Madison County funds to aid in the purchase of grain bin rescue equipment. For more information, contact Todd Maupin at tcmaupin@gmail.com.
- Murray State University Center for Agricultural Hemp was approved \$247,500 in state funds over a two-year period to help establish the Kentucky Fiber Hemp Farming Network and assist in establishing a consistent supply with Fibonacci/Hempwood. For more information, contact Dr. Brian Parr at bparr@murraystate.edu.
- Purchase Coop, LLC was approved \$15,500 in state funds to support the cost of a feasibility study to explore the possibility of replacing the granary destroyed by the 2021 tornado, Mayfield Grain. For more information, contact Jed Clark at farmclark@yahoo.com.
- Sunflower Fuels, LLC was approved \$150,000 in state funds to evaluate the feasibility
 of producing energy crops on reclaimed mine land for the biofuels industry. For more
 information, contact bclay@sunflowerfuels.com.

CAIP provides Kentucky agricultural producers with cost-share assistance on practices to allow them to improve and diversify their current farm operations. CAIP covers a wide variety of agricultural enterprises in its 11 investment areas, including, but not limited to, bees and honey; equine; forage; beef and dairy cattle; goats and sheep; horticulture; poultry; swine; timber and technology, as well as energy efficiency and production; farm infrastructure and water enhancement; marketing; and value-added production.

Eight CAIPs were approved by the board totaling \$813,317:

- Barren (\$93,000)*
- Caldwell (\$1,390)*
- Clay (\$270,000)
- Gallatin (\$150,000)
- Grayson (\$150,000)
- Jefferson (\$20,000)
- Letcher (\$40,313)
- Logan (\$88,614)

Deceased Farm Animal Removal (DAR)

The Deceased Farm Animal Removal Program serves as a measure to facilitate the coordination of environmentally-sound and cost-effective disposal of deceased livestock for Kentucky producers.

Two DAR programs were approved by the board totaling \$19,000:

- Bracken (\$4,000)
- Clark (\$15,000)

Shared-Use Equipment Program

The Shared-Use Equipment Program assists broad-based community organizations with the purchase of farm equipment. The equipment purchased is made available for producer use in a specific county on a leased basis.

Four Shared-Use Equipment programs were approved by the board totaling \$73,137:

- Henry (\$16,250)
- Henry (\$9,750)
- Madison (\$20,249)
- Madison (\$26,888)

Youth Agricultural Incentives Program (YAIP)

YAIP encourages youth to engage in and explore agricultural opportunities.

Two YAIPs were approved by the board totaling \$95,000:

- Logan (\$80,000)
- Owen (\$15,000)

All application periods and deadlines for CAIP and YAIP will be advertised locally.

*Existing programs receiving additional funding.

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The Kentucky Office of Agricultural Policy (KOAP), a division within the Kentucky Department of Agriculture, provides staff support to the Kentucky Agricultural Finance Corporation (KAFC) and the Kentucky Agricultural Development Fund (KADF). The KADF is administered by the Kentucky Agricultural Development Board. KOAP ensures Kentucky is being good stewards of dollars from the 1998 Tobacco Settlement Agreement by overseeing the boards' investments into diversifying and supporting Kentucky agriculture.



