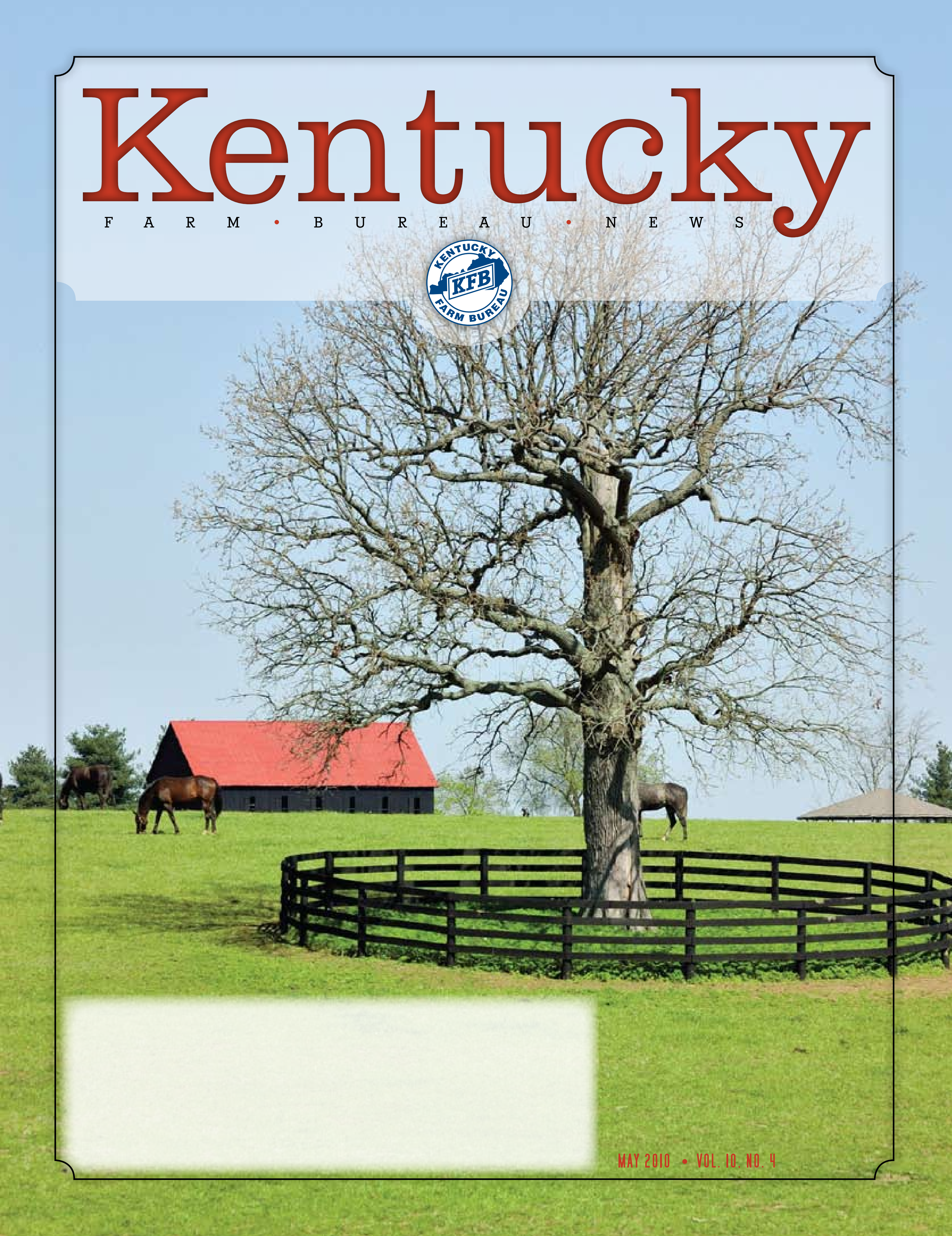
Kentucky

FARM • BUREAU • NEWS



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COVER PHOTO:

A scene from a Central Kentucky horse farm
Photo by Jim Lane
www.thephotolane.com

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Kentucky FARM • BUREAU • NEWS

Another state legislative session has come and gone. Farm families can breathe a sigh of relief because our lawmakers showed no interest in burdening them with higher taxes.

We are fortunate that Kentucky's legislators understand how taxes can impact a family farm. In some states, tax laws force farmers to consider the consequences of each input purchase and worry about the possibility of steep property tax hikes. In Kentucky, our lawmakers support farm production by exempting most inputs from sales taxes. And they have maintained support for House Bill 44, a landmark measure enacted in 1979 to hold property tax hikes to reasonable levels. That law remains one of Kentucky Farm Bureau's most significant accomplishments in state policy. And it's been relatively easy to defend because public opinion polls consistently show property taxes to be the least popular form of state and local revenue-producing vehicles.

Although the state property tax rate (per $100 of assessed value) has fallen as a result of House Bill 44, the state continues to collect more revenue each year from property taxes because property rises in value.

Farm families also can be thankful that Kentucky eliminated its estate tax several years ago. But on the federal level, the "death tax" is set to return next year following a one-year repeal. The return of what many feel is the most ridiculous tax will hinder farm and ranch operations attempting to transition from one generation to the next.

The death tax is unnecessary for all, but particularly unfair to agriculture because it is a land-based, capital-intensive industry with few options to pay for paying the tax when it is due. Our current economy makes the situation even more difficult for family farms.

American Farm Bureau has been fighting the death tax battle for years. This time it has joined in a coalition with 27 other agricultural groups to call for permanent and meaningful relief. This coalition is built around trade groups for 16 farm commodities but also includes American Farmland Trust (the nation's most effective farmland preservation organization) and the Farm Credit Council.

If Congress does not act this year, the death tax returns in 2011 with a top rate of 55 percent.

Improving farm income is at the core of Farm Bureau's mission. Working for a fair system of taxation has been and always will be a priority of our policy agenda.

MARK HANEY
PRESIDENT
KENTUCKY FARM BUREAU

LIVESTOCK CARE BILL IS APPROVED

KFB's top priority for the 2010 legislative session was achieved with passage of a law creating a system for establishing livestock care standards. The measure started out as a Senate bill (SB 105) but was eventually merged into House Bill 398, a similar proposal for the equine industry.

The General Assembly adjourned without passing a budget for the next biennium but KFB Public Affairs Director Jeff Harper says there is no indication that agriculture will be negatively impacted in the process.

"In the last budget document legislators were discussing, the ag development fund remained intact, there were no attempts to amend our taxation policy issues and the 22.2 percent allocation for rural roads was continued," said Harper. "Nothing hurts us there."

Since no budget was passed, KFB continues to lobby for funding construction of a new animal disease diagnostic lab for Murray State University, he added.

House Bill 398 creates a 16-member Kentucky Livestock Care Standards Commission which includes a KFB representative. The new law gives the committee authority to recommend to the State Board of Agriculture standards for proper livestock and poultry care plus prohibits local governments from enacting ordinances more stringent than the adopted state standards.

The proposal is in response to the continual attacks on animal agriculture from radical "animal rights" groups. Ohio established a commission via a referendum that was mandated by legislation enacted last year. Farm groups in Ohio pursued a commission to preempt the radical groups from influencing the public policy process.

Indiana enacted similar legislation during its 2010 session.

The Kentucky legislation was recommended by a KFB task force chaired by KFB Director Danny Wilkinson of Adair County. Senate Agriculture Committee Chairman David Givens of Greensburg was the primary sponsor of the initial bill (SB 105), which passed the Senate 37-0 before being merged with HB 398. It had strong bi-partisan support.

The Agriculture Commissioner will chair the commission; the state veterinarian and the co-chairs of the legislature's Interim Joint Committee on Agriculture will serve in non-voting capacities. The rest of the panel includes the dean of the UK College of Agriculture (or a designee), the chairman of the Animal Control Advisory Board (or a designee), the director of the livestock disease labs at either UK or Murray State University (they will rotate on an annual basis), representatives of KFB, the County Judge Executive Association and the Kentucky Veterinary Medical Association, a citizen with an interest in food safety, five active farmers plus active producers recommended by the cattle, pork, poultry, equine and sheep and goat commodity organizations.

The various groups now must submit their nominations to the Commissioner's office in Frankfort. The bill states that the governor must make the initial appointments by August 1. This would allow the commission to convene its first meeting around the time of the Kentucky State Fair, said Harper.

While it was a fairly uneventful session, little news probably is good news for Kentucky agriculture.

"Overall, nothing passed that hurts us and we got our major bill passed," Harper reflected. "That's encouraging considering it was a highly contentious session because of the budget."

comment
COLUMN

Unless something is done to stop the Environmental Protection Agency from regulating greenhouse gases, agriculture could face some pretty dire consequences.

Last year, EPA set out to regulate emissions from both mobile sources, such as cars and trucks, and stationary sources, such as buildings and factories. According to the timeline announced by EPA, regulations could go into effect as early as next year, and these requirements could have unfortunate consequences for farmers and ranchers.

While EPA says it does not intend to regulate small emissions sources right away, farmers and ranchers run the risk of being caught by what an individual state has set as an amount of emissions per source (Montana's is 15 tons). And even though EPA's proposed rule contends it will begin regulating sources that emit more than 25,000 tons of greenhouse gases, the plain language in the Clean Air Act states that sources of 100 tons to 250 tons are subject to regulation.

These new EPA greenhouse gas requirements could lead to widespread costs for the economy and will put a strain on federal and state budgets that are not equipped to handle issuing the number of permits that will be required.

For farmers and ranchers thinking of expanding or renovating their operations, they will have to think twice. By regulating carbon dioxide and other greenhouse gases under the Clean Air Act, livestock and other agricultural producers will be spending their days trying to obtain costly and time-consuming permits as conditions to continue farming. For those sources now subject to the law, construction permits can run into tens of thousands of dollars.

Farm Bureau strongly backs a Senate resolution by Sen. Lisa Murkowski (R-Alaska) and Senate Agriculture Committee Chairman Blanche Lincoln (D-Ark.), to disapprove of EPA's greenhouse gas regulations. There are also two companion measures in the House: one by Agriculture Committee Chairman Collin Peterson (D-Minn.) and Rep. Ike Skelton (D-Mo.), and one by Rep. Joe Barton (R-Texas).

If Congress does not approve these resolutions, EPA will forge ahead and farmers will be forced to grapple with a scope of regulation we have never before faced in our history, all while trying to cope with requirements that are economically burdensome and environmentally questionable.

BOB STALLMAN

PRESIDENT AFBF

Kentucky Farm Bureau is a voluntary organization of farm families and their allies dedicated to serving as the voice of agriculture by identifying problems, developing solutions and taking actions which will improve net farm income, achieve better economic opportunities and enhance the quality of life for all.

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A "growing" list of achievements

Marking a 10-year history, GOAP's Roger Thomas reflects on the agricultural development initiative

April 26 was "Kentucky Agricultural Development Fund Day," marking the 10-year anniversary of the landmark legislation that launched Kentucky's historic agricultural diversification effort. Governor Steve Beshear issued a proclamation to that effect.

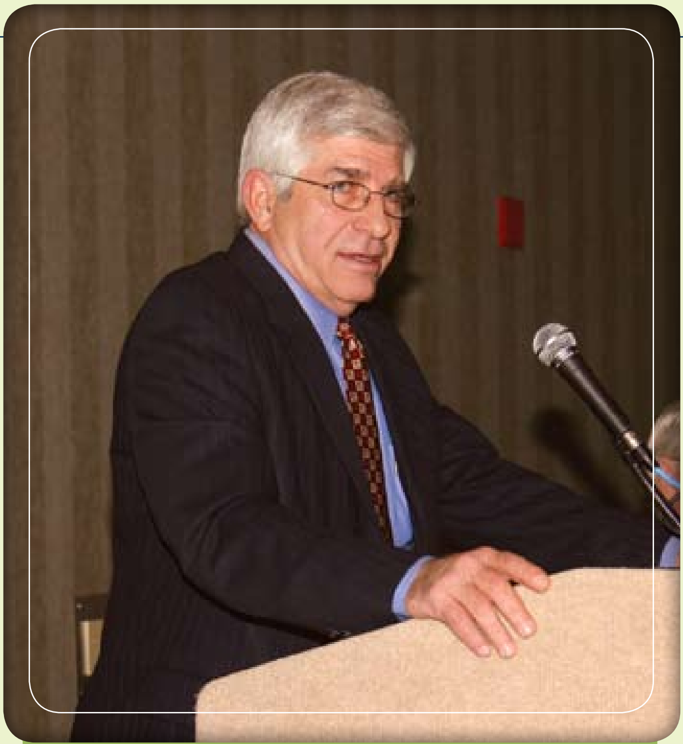
In 2000, Kentucky lawmakers invested in the future of Kentucky's agriculture and rural communities by committing 50 percent of the dollars received from the tobacco Master Settlement Agreement to the Kentucky Agricultural Development Fund (KADF). To date, Kentucky has invested more than $296 million in more than 3,500 county, regional and state projects designed to increase net farm income and create sustainable new farm-based business enterprises, since the inception of the program. These investments have touched almost all 120 counties.

KADF has fostered a renewed entrepreneurial spirit and empowered a new generation of agricultural leaders. The fund has helped expand existing enterprises, such as cattle, forages and vegetables; and nurtured growth in new enterprises, such as goats, vineyards and agritourism. Kentucky's premiere branding program, Kentucky Proud, is also supported by the fund. Additionally, KADF has provided farm families and agribusinesses access to capital through the Kentucky Agricultural Finance Corporation.

KADF's programs and initiatives continue to evolve as the needs and issues facing Kentucky agriculture change, such as programs supporting the increased emphasis on agriculture as a source for renewable energy.

The primary sponsor of the enabling legislation (House Bill 611) in 2000 was Roger Thomas, a Warren County dairy farmer and KFB leader who was chairman of the House Agriculture Committee. Today, he serves as Executive Director of the Governor's Office for Agricultural Policy.

KFB News interviewed Thomas at his Frankfort office to get his insights on the past, present and future of this historic initiative for Kentucky agriculture.



GOAP Executive Director Roger Thomas wants to stay the course with the ag development fund, but be in a position to react more quickly to the changing needs of Kentucky agriculture.

QUESTION: *Looking back, what was the greatest challenge in getting House Bill 611 through the legislature?*

ANSWER: I suppose it was getting a final agreement between the legislators who were working on it. The ag community had come together and was doing a remarkable job of speaking with one voice. But when it got into the legislative process there were legislators with different ideas on how to accomplish this. There was a train of thought that this best could be administered by a state agency working with the locals. There was a train of thought that we should turn it over to the locals, with county fiscal courts managing the funds and programs. But at the end of the day we ended up with a hybrid that was better than each of the two proposals. That's the way the legislative process is supposed to work.

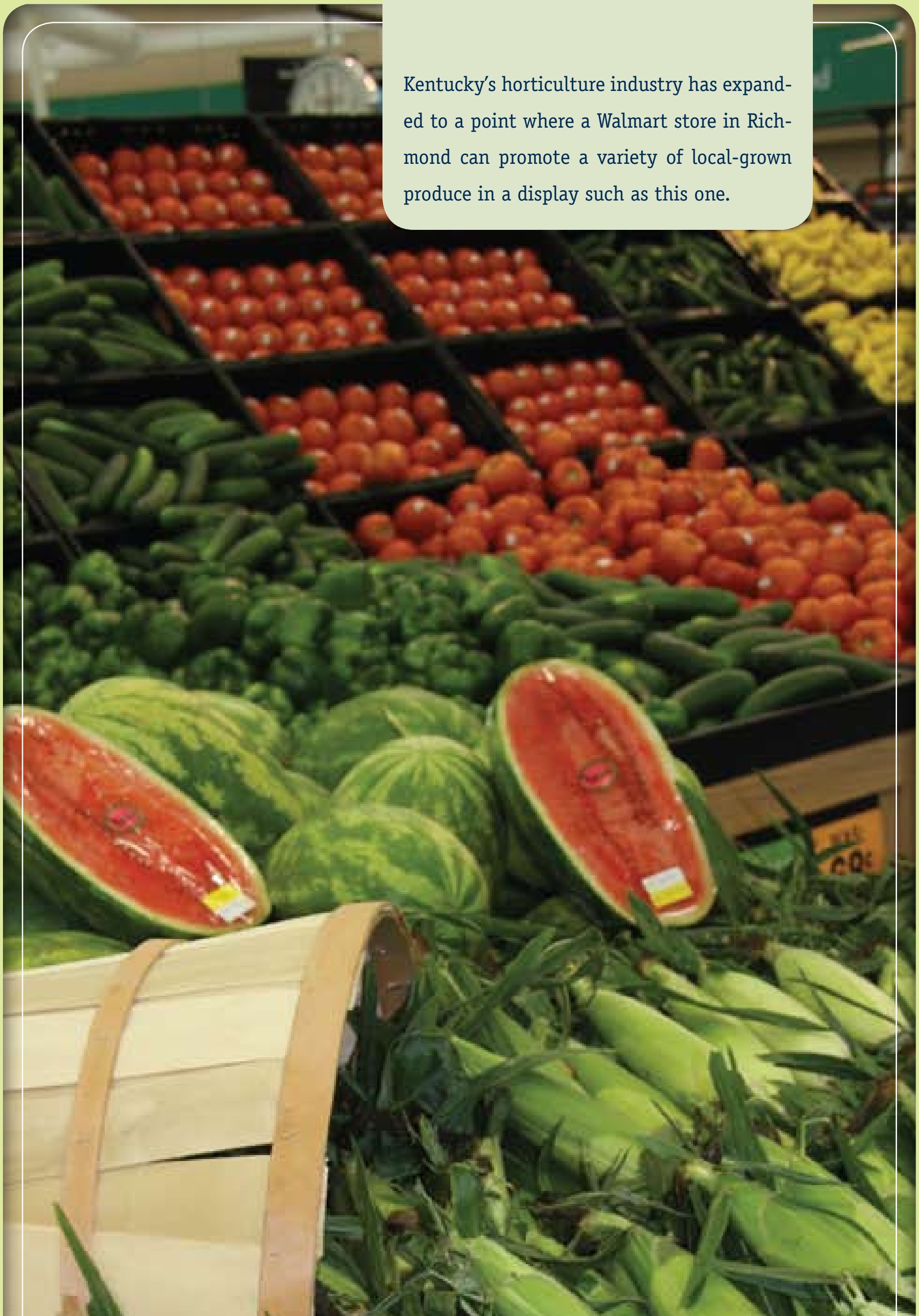
Q: *What concerned you the most when this initiative began?*

A: Probably that there was no template to go by; that it was all totally new with nothing like it to learn from. And I know that many of the original (State Ag Development) board members felt the same way. A lot of credit goes to Governor Patton, John Mark Hack (the original GOAP Executive Director) and the original board for doing a remarkable job of getting this going on track.

Q: *Is there any one project that you would point to as a signature of this?*

A: I'm very hesitant to point to one single thing but I would be remiss if I failed to mention the Kentucky Beef Network and all that's been done to strengthen our cattle industry. It's really been a success story. And it's very fitting because I remember when we started out we all asked ourselves 'if we lose tobacco what's the next important thing?' And everyone agreed it was beef cattle. I think it was appropriate that at the beginning the focus was on beef cattle. What we've done with the model programs and the network and other programs has greatly enhanced the industry.

Q: *Is beef cattle the industry that has benefited most?*



Kentucky's horticulture industry has expanded to a point where a Walmart store in Richmond can promote a variety of local-grown produce in a display such as this one.

The beef cattle industry has been the leading benefactor in the initiative to offset tobacco's decline.

A: Probably so but we cannot overlook the growth in our horticulture industry and what this has meant for small farmers and produce growers. We've invested heavily in farmers' markets. The Kentucky Proud Program has certainly enhanced the produce industry and played a key role in establishing the mindset that local food is better. We have put more than $7 million into that program through the Kentucky Department of Agriculture and Commissioner Farmer has done a great job in moving that program further along. It's been a great partnership between KDA and the Ag Development Fund. It's gratifying to see the positive results in the marketplace.

Q: *What's the most difficult aspect of this process from the standpoint of GOAP?*

A: What I've found to be difficult is attempting to stay abreast with the needs of Kentucky agriculture. It's important that we are able to respond to changes in a timely manner. I've said many times in my two-plus years here that it wouldn't be a bad thing if we reviewed our programs more frequently than on an annual basis. I wouldn't mind looking at things on a monthly basis if possible. That would be difficult but I just feel it's critical that we are in a position to address needs when they emerge.

Q: *Is there any particular aspect of Kentucky agriculture that you might feel has been underserved by this process?*

A: Well, I think in the beginning it was the dairy industry because it wasn't as organized as the beef industry. Dairy was a little late in coming to the table and offering ideas as to how the fund could benefit them. But I think the establishment of the Kentucky Dairy Development Council helped and some progress has been made – particularly with the young dairymen program. There are two areas that perhaps have been underserved, if you will. The first area would be the equine industry. There's probably more we could do to help the smaller operations. The other area would be farmland preservation, which is something that has been a little bit controversial from the start. I think most farmers and agriculturalists would tell you that land, other than people, is their most valuable

Roadside farm markets have sprouted up with the assistance of the ag development fund. This market is in the Powell County community of Clay City.

The Commonwealth Agri-Energy Plant in Christian County is one of the leading success stories of the ag development initiative.

resource. Once we lose land to development it probably never will return to agriculture. So any time we can utilize resources to ensure that land is being protected for future farmers, we need to do that. Outside of the original legislation which provided some funding for the PACE program, there's been very little Ag Development Funds for preservation activities.

Q: *Any other things that perhaps should be addressed?*

A: I think if you look back across Kentucky agriculture, maybe we haven't done as good as job as possible to explain to the grassroots the benefit we have as a result of the Ag Development Fund. There have been many instances in which farmers – particularly with the county model programs – didn't really realize that this money comes from the Master Settlement Agreement. They thought it came from local sources or even from a farm organization or a federal agency. I think it's critical for the long-term survival that everyone understands where these funds come from. It's not about the Governor's Office, county government or KDA . . whatever. It's all about the Ag Development Fund and the MSA. I think we've fallen short a bit in getting that understanding.

Q: *When does this initiative end?*

A: The MSA was referred to as a 25-year agreement but in reality it goes on in perpetuity as long as the participating manufacturers remain domicile in the U.S. and are financially viable. So this could go on a really long time. And let me add this – we in agriculture tend to focus on what this fund has done for us but another good thing is that the other 50 percent has greatly benefited the state, as well. There's been early childhood development initiatives, cancer research at UK and U of L and the high-risk insurance pool – all partly funded through MSA funds. So there's more to this story than agriculture and rural Kentucky.

Q: *What is the fund's current financial situation?*

A: We have continued to see the MSA funds that come to Kentucky diminish as a result of reduced smoking in the U.S. The dollars are based on domestic sales. The county accounts have pretty much remained the same but we've seen a decline in the state program portion. I believe that by shifting some funds and using some unused debt service we will have sufficient funds available to continue to make good investments. Hopefully we'll have some money available for new projects should they emerge.

Q: *What are your goals with the fund?*

A: My goal would be consistent with that of GOAP from the outset and of my very capable predecessors in this position, John Mark Hack and Keith Rogers – and that would be to do the best I can to use our limited resources to make good investments and affect as many people as possible. I suppose a selfish goal I would have is that sometime soon, when the economy improves, we can move some of the debt service obligations that the state fund has back to the General Fund. That would free up some much-needed funds for some state projects. The county programs are certainly significant and they provide the political support for the entire program because legislators and governors can see those funds going directly to the farmers, improving farms and benefiting individual farmers. The state funds, however, are the long-term investments to diversify Kentucky agriculture and make us less dependent on tobacco. It's a critical part of the process.

Q: *Have any other states implemented an initiative like this to reshape their agriculture industry in light of tobacco's decline?*

A: In short, no. And it's not even close. A couple of states like North Carolina and Virginia have used some of their MSA funds for agriculture, but nothing to the extent of what we've done here in Kentucky. That's something that all of us in Kentucky agriculture can be proud of. We don't lead the nation in many things but I think we've led the nation in diversifying agriculture and improving agriculture.

BEEF TOUR PACKS 'EM IN

The group posed for a photo at Four Sixes Ranch near Panhandle, Texas.

The Carson County Feedyard in Panhandle, Texas.

The John C. Hendricks Beef Tour sent 90 participants to the southwest to visit industry-related facilities in New Mexico, Texas and Oklahoma. The four-day tour featured stops at a 180,000-acre family ranch, a research center, a feedlot and packing plant. The group also visited the nation's second-largest seedstock producer and another ranch famous for quarter horses.

The event was named this year in honor of John C. Hendricks, KFB's First Vice President who passed away in March. Hendricks was instrumental in establishing the beef tour as a fixture on KFB's annual agenda. He formerly served as chairman of the Beef Cattle Advisory Committee.

KFB President Mark Haney, Second Vice President Eddie Melton, former president Sam Moore and State Directors Fritz Giesecke and Joe Paul Mattingly were part of the group. Giesecke, who is chairman of KFB's Beef Cattle Advisory Committee, said the diverse agenda brought a valuable experience to the Kentucky producers.

"The feedyards probably were the most beneficial for the group to see but I think the Cargill (packing) plant was the most impressive thing we saw," said Giesecke. "Everyone was amazed at both the mechanization and the amount of hand labor involved, plus the number of food safety steps they used. They had a state-of-the-art steaming system that removed all bacteria. And then there was an x-ray system where as little as a hair could be detected. It was very assuring."

Express Ranches in Yukon, Oklahoma was another eye-opening operation, he added.

"It was a huge cow-calf operation with two veterinarians on staff and state-of-the-art facilities. The place was immaculate. Our group was really impressed with the professionalism."

Similar to a previous tour to Texas, the group saw hundreds of giant wind turbines on the plains.

"Wind energy obviously is a money-maker out there," Giesecke remarked.

Another stop was at a Texas A&M University agricultural research center, where presentations were given on a variety of topics related to feed, nutrition and health.

Cargill Animal Nutrition and Farm Credit Services of Mid-America sponsored the event along with KFB. Staff from the New Mexico, Texas and Oklahoma Farm Bureaus joined the group along the way.

Dairy dilemma

AWARD-WINNING KUEGELS AMONG THOSE MILKING COWS AT A LOSS

Article and Photos By Walt Reichert

John Kuegel, Jr. says he has been robbing Peter to pay Paul.

Kuegel, a third-generation dairy farmer and the current Daviess County FB President, milks about 150 cows on Old Lyddane Farm, 200 acres adjacent to subdivisions on the west side of Owensboro. But with low milk prices, Kuegel is supporting his dairy operation with profits from the grain and hay he raises on about 800 leased acres.

"We're taking from the grain side of it when we should be putting the profits back into {grain} equipment," Kuegel said. "But right now, the grain's carrying the dairy end of it."

And at least for the short term, dairy prices are likely to stay in the tank. In April, dairy farmers lost about $1.50 per hundredweight. Milk prices in the state are running from $15 to $17 per hundred, said Maury Cox, executive director of the Kentucky Dairy Development Council. While those prices are above the $11 to $12 per hundred farmers were earning at the end of 2009, they're not enough to cover the cost of production. Cox estimates farmers need at least $17 per hundred to break even, given the increased costs of inputs -- everything from fertilizer to fuel to purchased grain.

Kuegel said even when milk prices got near $20 per hundred last year, dairies still struggled because of the high cost of inputs.

"We're working on margins that don't add up," he said.

And, Kuegel said, the ups-and-downs of the prices dairy producers get for milk hurts farmers as well as consumers.

"It used to be dairy farming was hard work but the dairy was a stable thing," Kuegel said. "But what is spooky is the stability has gone out of the market. That's bad for consumers too, because one day milk in the store is $5 per gallon and then it's $3 per gallon. Consumers need stability in their food prices, too."

Kuegel said the problem is that dairy farmers are still producing too much milk and companies are manipulating prices. Dairy producers need to band together to control production, Kuegel said, but he acknowledged that it's hard to get farmers to agree on any plan.

Cox agreed that one problem for dairy farmers is companies manipulating the market.

"We know for a fact that it can be manipulated," Cox said.

Cox said domestic dairies also face competition from powdered milk being imported from Australia and New Zealand.

Cox said another problem is the structure of the dairy markets. The price of milk is currently pegged to the price of cheddar cheese, which is only one facet of the industry's use for milk.

"They need to look at other products," Cox said. "Yogurt, for example, and mozzarella cheese is huge yet the market does not take those into consideration.

He said the KDDC is working to make markets more transparent and more current and is pushing for electronic marketing of dairy products.

"Market transparency is written in the Farm Bill, but the problem is Congress didn't fund it," Cox said. "We're working to get the funding in there. They certainly have money for everything else in Washington."

Kuegel works land his grandfather, Martin Kuegel, bought in 1937. Kuegel's dad, John Kuegel, Sr., is retired but still stays involved in the farm.

"I call on him if I need him, but otherwise I leave him alone," Kuegel, Jr. said.

Kuegel and his wife, Leigh Ann, are past winners of KFB's Outstanding Young Farm Family award and were finalists at the national level. They have two children, Johnna Leigh and Joshua. John also is a former Chairman of KFB's Young Farmer's Advisory Committee. The couple have been active with Farm Bureau for years and are well known and admired throughout the state.

Kuegel earned a degree in Animal Sciences from the University of Kentucky in 1988 and came back to help with the dairy. He said he and his six employees work hard to maintain herd health and quality animals, out of necessity – the nearest food animal veterinarian lives in Breckinridge County – and out of pride in a quality product .

"If you're going to milk cows, you better milk good ones," he said. "The cows are the key to the whole thing. If you take care of them, they'll take care of you."

Nevertheless, low milk prices have Kuegel stymied on getting repairs made to the farm following the wind damage from nearly two years ago.

"If milk prices go up, I figure it will take another three to four years to get the farm back to where it was before the storm," Kuegel said. "If they go down further, like some say they might, it will take longer."

Kuegel said a couple of years ago he would not have foreseen that his farm may go out of the dairy business, but he said he can foresee a time in the not-too-distant future when Old Lyddane Farm joins the hundreds of other dairy farm across the state and stops milking cows. Kentucky, once one of the leading milk producing states in the nation, is down to 939 permitted dairies as of April 1, with a total dairy herd of approximately 84,000 cows.

To stay in the dairy business, Kuegel said he, like a lot of other dairy farmers, are looking at producing value-added dairy products. He said he is also looking at the possibility of agri-tourism on the farm. The farm's proximity to Owensboro would make that a natural. Already, Old Lyddane Farm is host to dozens of school children every year who come out to the farm to see that milk is not produced in a grocery store.

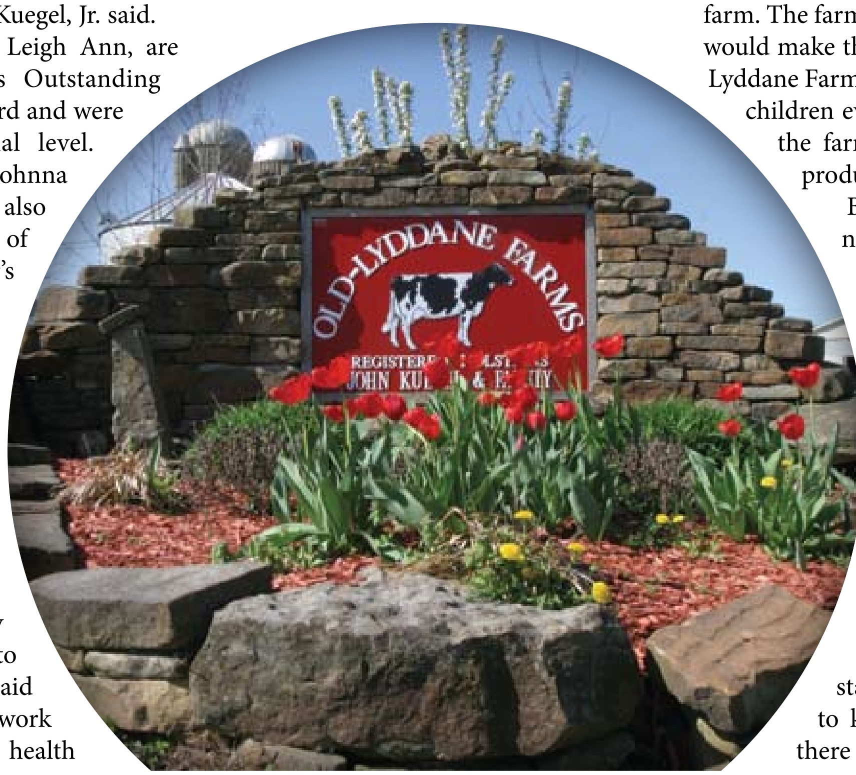
But adding new buildings needed to host the public will have to wait for higher milk prices, he said.

"If I pay all of my bills and put a new roof on the house this year, I'll be happy," Kuegel said.

Whatever happens, Kuegel said he doesn't want to see his farm turned into another subdivision as have several farms nearby.

"One generation got it started," Kuegel said. "I want to keep it growing to have it there for the next generation."

ABOVE: John Kuegel Jr., right, talks with his herdsman, C. B. Sowder, about the day's work ahead.



BELOW: The Kuegel's Old Lyddane Farm is marked with a sign made by a local stonemason.

Saving "green"

Fayette's farmland preservation program becomes a model

By Walt Reichert

Colonel Horace Davis is the owner of a third-generation equine operation on Old Frankfort Pike in Lexington. Two Kentucky Derby winners have been born on the farm and seven on an adjacent farm.

Davis recently took steps to ensure the picturesque land remains agricultural and never grows houses or shopping malls. Last year, he sold development rights to the farm under Lexington's Purchase of Development Rights (PDR) program. The move means that Davis still owns the land, can keep farming the land, even sell it if he chooses, but it must always remain open and agricultural.

"Most farmers feel we are stewards of the land and that we are here to look after it and preserve it for the next generation," Davis said.

The Davis farm is one of 206 farms encompassing 23,500 acres that have been protected in perpetuity from development under Fayette County's PDR program that has become a model for farmland preservation in other Kentucky counties and across the nation. The program has been recognized nationally by Planning, the publication of The American Planning Association, which compared favorably Lexington's farmland preservation program to programs in Baltimore County, Maryland, Sonoma County, California and Lancaster, Pennsylvania.

The ultimate goal of the PDR program is to protect a total of 50,000 acres of farmland, 27 percent of Fayette County's land mass. That protection would mean preservation of the county's – and the state's – signature thoroughbred industry. That industry is worth more than $1 billion to the state, is the reason Fayette County has a $600 million tourism industry, and was the driving force in drawing the 2010 Equestrian games away from Europe and to the Bluegrass.

"Horses are our signature industry and the only thing Fayette County is known for," said Billy Van Pelt, the director of Fayette's PDR program. "The reason the World Equestrian Games are being held outside of Europe for the first time ever is because our global brand identity has allowed us to be recognized internationally."

'Gross misuse of land'

Fayette County leaders took steps to preserve farmland more than 50 years ago by creating an urban service area, which was a zone beyond which city services such as sewers would not go. But during the 90s, the county lost thousands of acres of farmland to 10-acre tract development.

"Between 1990 and 1997, the county lost 4,700 acres of farmland to 10-acre lots that accounted for 429 houses," Van Pelt said. "It was a gross misuse of the land." The loss of farmland in Fayette and throughout the Bluegrass region led the World Monument Fund to deem the Bluegrass region "one of the most threatened sites in the world."

As farmland disappeared in the high-growth counties of the Bluegrass, county leaders found that burgeoning residential development came at a cost, not only to the vistas but to county coffers. Studies conducted by the American Farmland Trust, a national farmland preservation organization, have shown that for every dollar of revenue generation by residential development, counties fork out $1.15 to $1.60 in services. Farmland, on the other hand, uses only about 80 cents in services for every $1 in revenue generated. The short way of putting that equation is that "cows don't go to school."

In the late 1990s, the state started its own farmland preservation program, funded in part by Tobacco Settlement dollars, called Purchase of Agriculture Conservation Easements (PACE). Many Fayette farms were preserved under the PACE program, but dozens of farms in other counties, notably Mercer and Shelby, were also set aside as farmland in perpetuity. While the state's PACE program still exists, it currently has no funding.

(KFB has policy supporting the state's PACE program, calling for increased state funding so the program would receive a greater amount of federal matching funds.)

Fayette's model

In 2000, Fayette's Urban County Government decided farmland preservation was important enough to enact an ordinance funding farmland preservation and seeded the fund with tax dollars. Van Pelt estimates the county's PDR program costs $4.10 per citizen per year in tax dollar, and, to date, the county has invested $27 million in the program. Those dollars have been leveraged to attract a total of $31.5 million in state and federal monies to fund farmland preservation in Fayette County.

Fayette's PDR program also accepts donated easements, which offer federal tax advantages to farmers. Donated easements have saved taxpayers more than $4 million since the program began, Van Pelt said.

Fayette's PDR program is voluntary and open to any farmer who has at least 20 acres. The program uses a ranking system based on soil quality, acreage, road frontage, agricultural improvements and proximity to other protected farmland. The land is appraised based on its agricultural value and its value as developed land. If approved, the farmer gets a check for the difference.

Davis said he used the funds from his sale of development rights to make repairs to barns and equipment and pay for seeding.

"So the money ends up staying in the community," Davis said.

The 206 farms protected in Fayette's PDR program ironically form a horseshoe shape surrounding the county's urban service area. The PDR program has protected 109 equine operations, 84 general agriculture farms and 13 "other" operations, which include historical or heavily wooded lands. The program is set to hit 25,000 acres in 2010, which would put it halfway to its goal of 50,000 acres in 2020.

Spreading the green

While Fayette's PDR program is a success story, preservation programs still meet with resistance. Some farmers fear the program will become mandatory or that signing up under a PDR means restrictions put on the operation. While Fayette's program does limit to agricultural the types of buildings that can go on a farm and does rule out large-scale feeding operations, the farmer is free to conduct business as usual, Van Pelt said.

"We don't tell people how to farm," he said.

Farmers also fear that signing up for a farmland preservation program will devalue the land. But Hoppy Henton, who donated 30 acres of his own land on U. S. 60 in Woodford County for preservation through the Bluegrass Conservancy, said such fears are unfounded.

"That's poppycock. That's not what happens," Henton said. "People are always afraid the value would go down but it doesn't. It could go up too."

Despite reservations from some farmers and lack of funds because of tight budgets, at least two counties in the Bluegrass – Woodford and Scott – have adopted farmland preservation ordinances, and other counties are looking to do the same.

Woodford County adopted a preservation ordinance modeled after Fayette County's, in late summer of 2009 and set up a Rural Land Management Board; Henton is the board's interim chair.

Scott County's fiscal court adopted an ordinance similar to Fayette County's in April, 2008 and seeded the effort with $1 million in county funds. Surveys of farmers in the county showed keen interest in farmland preservation among both farmers and the general population, said Carolyn Oldfield, with the Natural Resource Conservation Service, which provided technical support for the two counties in setting up their programs.

"They didn't want to lose their agricultural heritage," Oldfield said. "And if we lose the ability to feed ourselves that's a very big deal. Those may be horse farms today, but if preserved they can be plowed another day to grow food."

Shelby, Franklin, and Madison counties are also looking at ways to preserve farmland either through county government or private foundation efforts. Even if no local tax dollars are available, private donations and grants can be leveraged with federal dollars to support farmland preservation efforts. In 2008, Congress approved $733 million for farmland preservation programs over the next five years, and Kentucky's share of preservation funds for 2010 will be $2.5 million.

Preserving beauty

Former Kentucky poet laureate Jane Gentry Vance recently enrolled the family's farm in southeastern Fayette into the county's PDR program. Vance's father bought the farm in 1945, but her relatives have lived in the region since the days of Daniel Boone. She said the land is some of the most beautiful in Fayette County.

"The landscape in this part of the county is one of its treasures," Vance said. "It's the most like it was 200 years ago. The irony of modern life is that people are attracted to beautiful areas and what they are drawn to is what is destroyed by a growing population and burgeoning development. It is important that this program preserves the beauty and fertility of the land."

POWERING UP

CREATION OF REA 75 YEARS AGO SET THE STAGE FOR RURAL ELECTRIFICATION

By Anne Mayberry
USDA Rural Development

May 11 is the 75th anniversary of the Rural Electrification Administration (REA), the predecessor agency to the Rural Utilities Service of USDA Rural Development. When President Franklin Roosevelt signed the executive order creating the REA in 1935, unemployment was 20 percent. Average annual wages were $1,600. You would expect to pay 10 cents for a gallon of gas. If you lived on a farm, you — along with 5.5 million other farm families nationwide -- probably would not have had electricity

Without electricity, residents in rural areas were not able to enjoy the same economic advantages as their urban counterparts. Water for livestock, cooking and cleaning had to be hauled from a well. There was no refrigeration. During warm weather, dairy farmers risked milk spoilage, which meant that all their milk had to be thrown out. Work was finished in darkness, or by lantern light.

For years, electric utilities insisted that it was not profitable to sell electricity to farmers. But rural electrification was viewed as a desirable step toward improving the lives of rural residents. Signing the executive order was the first step toward creation of the agency.

Yet, while the executive order established the importance of rural electrification, it did not spell out details of how the program was to be designed or implemented. For example, the agency was originally intended to be part of the U.S. Department of the Interior. While there was general agreement that low-cost financing was key to bringing electric power to rural areas, many expected the electric industry to participate in the program.

Established as a temporary agency, one of REA's first decisions was to determine how to best fund construction of electric systems in rural areas. Again, the utility industry, which had the expertise and capability of acting on short notice, seemed to be the preferred course of action. The plan they set forth was to connect 351,000 rural residents and businesses.

There was no agreement on the definition of profitable service or the extent of the work to be done. Divergent views, along with utility industry concerns about the rural electrification program, resulted in a shift that eventually led to the creation and funding of rural electric cooperatives.

Farmers had a history of working with agricultural marketing cooperatives. It was this experience that led to an agreement under which REA would furnish the engineering and legal expertise, in addition to loans, for newly formed rural electric cooperatives. One year to the date of the executive order, Congress approved legislation creating the REA.

The 1937 Report of REA noted that the most spectacular increase of rural electrification in the history of the United States had been achieved. More than 1.2 million farms had electric service, and the gap between urban and rural standards of living was closing. For the first time in history, thousands of rural communities had hope of securing electricity.

During the 1940s, REA funded cooperatives, which built rural electric systems with tremendous speed. In 1944, still over one-half of the nation's farms did not have electric service. Yet by 1953, over 2.5 million farms had electricity and REA had loaned nearly $2.8 billion to 983 rural electric cooperatives, 44 public power districts and 25 electric companies.

Seventy-five years later, there can be no doubt that REA has had a tremendous impact on rural America. It is credited with transforming a life of darkness and drudgery into one of productivity and prosperity.

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Bluegrass & Backroads

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WBKI-TV - Broadcast Channel 34 *Louisville, Lexington, Central and Southern Kentucky*	**Sunday,** 10:00 a.m. ET
WBKO-FOX - Broadcast Channel 13-2 *Bowling Green*	**Saturday,** 12:30 p.m. ET
Fleming Co. Cable - Channel 6 *Fleming County*	**Every Other Tuesday,** 6:00 p.m. ET & 7:00 p.m. ET
RFD-TV - DirecTV Channel 345 Dish Network Channel 231 *National Coverage*	**Wednesday,** 2:00 p.m. & 12:00 a.m. ET
Insight Cable - Cable Channel 2 *Louisville and Oldham County*	**Wednesday,** 9:30 p.m. ET
WPSD-TV - Broadcast Channel 6 *Paducah*	**Saturday,** 5:00 a.m. CT **Tuesday,** 3:30 a.m. CT
Insight Cable - Cable Channel 6 *Northern Kentucky (Boone, Kenton, Campbell, Gallatin, Grant, Pendleton)*	**Dates & Times Vary** Check your local listing
WYMT-TV - Broadcast Channel 57 *Hazard*	**Saturday,** 6:30 a.m. ET
CW - Cable Channels 9 and 6 *Paducah*	**Saturday,** 2:00 p.m. CT
WEHT-TV - Broadcast Channel 25 *Evansville/Henderson*	**Saturday,** 5:00 p.m. CT
WTVQ-TV - Broadcast Channel 32-2 *Lexington*	**Saturday,** 5:30 p.m. ET **Sunday,** 12:30 p.m. ET

Farm Chemical program provides more for less

Dwight Greenwell (right) checks shipping records with Nelson County FB Vice President Steve Franklin.

The numbers for KFB's popular farm chemical program reflect the much-needed decline in cost that is benefiting agriculture this year. This spring, 218 farmers in 56 counties purchased a volume of about 14,000 pounds above 2009, but for a total cost that's $93,000 lower.

"That shows you how much prices have dropped over the past year," program director Dwight Greenwell remarked as he scanned the invoices.

Greenwell, KFB's Member Services Director, coordinates the shipments of popular farm chemicals to farmers at designated sites around the state. The product is delivered via a semi-truck from the distributor in Greensburg, Indiana.

Total sales were $317,900 on about 127,000 pounds of product. More than 100 products were available. Among the popular items were Atrazine herbicide, Ridomil fungicide, ammonium sulfate fertilizer, Acephate 97 insecticide and Weedar 64, Brawl II and Buccaneer Plus herbicides.

The first delivery day was a long one for Greenwell and the truck driver, with stops in Shelby, Nelson, LaRue, Green and Monroe counties. Area Program Directors and county leaders assist with the unloading, distribution and record-keeping.

Nelson County FB Vice-President Steve Franklin handled the distribution from the farm of fellow director Kent Bischoff, who after helping with the unloading had to seed pasture and store some silage.

"This is a good service; it saves us money," Franklin said, explaining his willingness to participate.

On many occasions local distributors have lowered prices in order to compete with the Farm Bureau prices, Greenwell noted.

"It's not always the case, but sometimes our program has a significant effect on the market," he said. "That makes the service even more valuable."

Pallet loads of farm chemicals are delivered at Kent Bischoff's farm, which served as the distribution site in Nelson County.

DISTRICT POLICY MEETINGS SET

July marks the beginning of the annual district policy development meetings. All members are urged to attend one of these meetings to review policy positions and proposals for consideration at this year's annual meeting.

District 1	July 19	7:00 p.m.	Sedalia Restaurant
District 2	July 6	6:30 p.m.	Ballard Center, Madisonville
District 3	July 13	6:30 p.m.	Rough River State Park
District 4	July 26	6:30 p.m.	Barren River State Park
District 5	July 15	7:00 p.m.	Woodford Co. Ag Resource Bldg.
District 6	July 8	7:00 p.m.	Boone County Extension Office
District 7	July 8	6:00 p.m.	Russell County High School
District 8	July 12	7:00 p.m.	Madison County Fairgrounds
District 9	July 6	6:30 p.m.	Blue Licks State Park
District 10	July 12	6:30 p.m.	Grayson Conference Center
District 11	July 13	6:30 p.m.	Red Fox (Four Star Catering)

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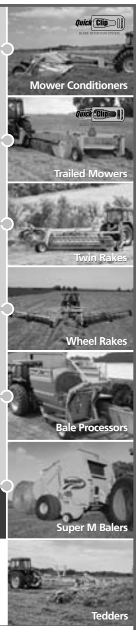

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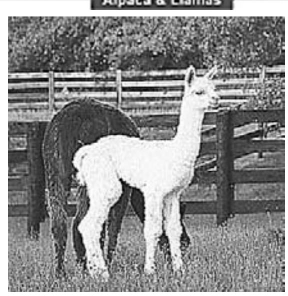

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markets

by ED MCQUEEN

Crop loan rates are adjusted

USDA announced the 2010 county loan rates for wheat, feed grains and oilseeds. While U.S. loan rates for 2010 corn and soybean crops are unchanged from 2009, all Kentucky counties have had one or more loan rates adjusted. Fortunately, crop prices remain well above the loan rates.

For 2010, Kentucky corn loan rates are down one cent in the eastern half of the state, but unchanged in the western half. Loan rates range from $1.99 in Hart County to $2.12 in Calloway County. Compared to 2009, this year's county soybean loan rates are unchanged in the eastern part to one cent higher in the western areas. Loan rates range from $5.14 to $5.24 per bushel.

The U.S. wheat loan rate for the 2010 crop increased 19 cents to $2.94/bushel. USDA lowered Kentucky's wheat loan rates by 12 cents in every county. This follows a 39-cent drop in 2009. This year's rates are 82 cents lower than the 2006 rates.

Per-capita vegetable use down

On a per person basis, net domestic use of fresh-market vegetables (excluding melons, potatoes, pulses, and mushrooms) fell two percent in 2009 to about 141 pounds, according to USDA-ERS. While fresh use rose for such crops as lettuce, tomatoes, cucumbers, spinach, squash, and asparagus, use declined for pumpkins, garlic, snap (green) beans, onions, carrots, and cabbage. In 2010, per capita fresh vegetable use is expected to increase slightly as higher use of pumpkins, snap beans, carrots, and spinach is outweighed by potential reductions for tomatoes, cabbage, bell peppers, and broccoli.

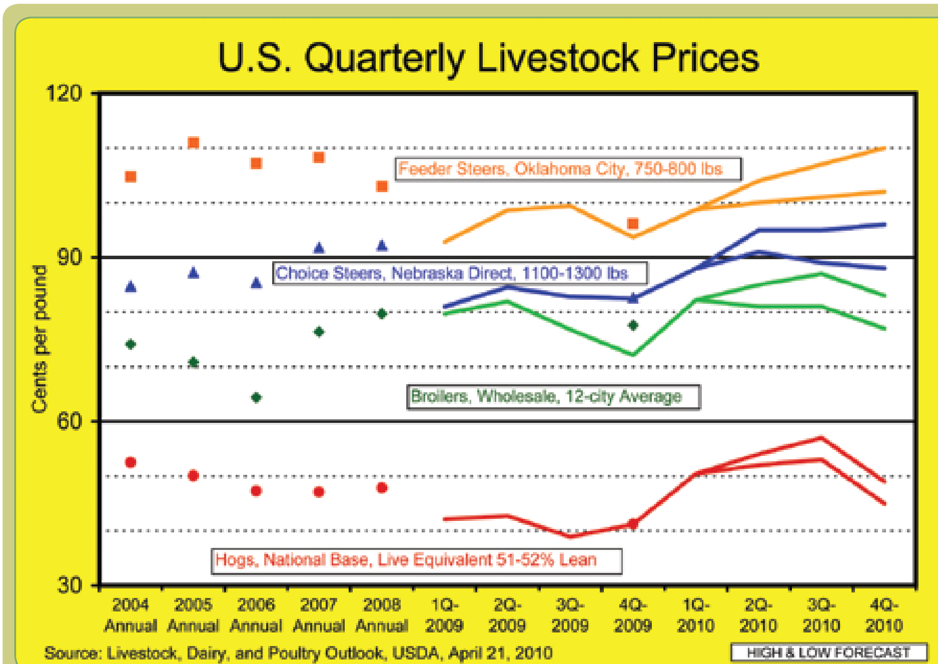
Including estimates for fresh potatoes and fresh mushrooms, per capita use of all fresh vegetables totaled about 180 pounds in 2009, down two percent from a year earlier.

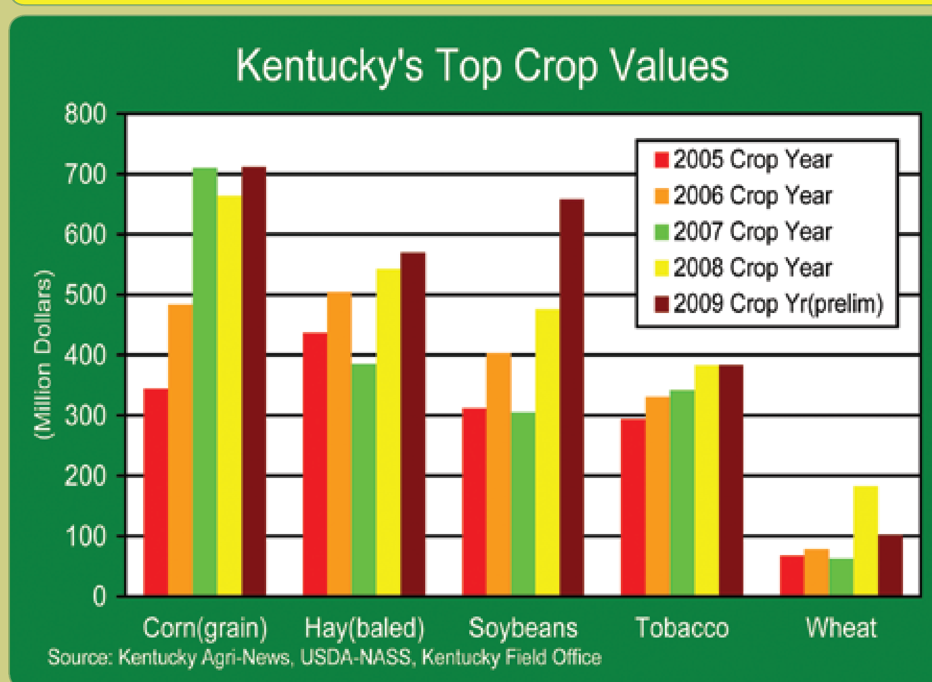
Beef exports are increasing

USDA forecasts 2010 U.S. beef exports of 2.05 billion pounds, up nearly ten percent from 2009. This growth stems from global economic recovery and better demand in most of our export partner countries. Total first-quarter exports of U.S. beef are forecast at 470 million pounds, a 22-percent increase from first-quarter 2009. Tightened supplies in competing exporters like Australia and New Zealand have encouraged U.S. beef exports.

Imports of beef to the U.S. are forecast at 2.66 billion pounds for 2010, a one-percent increase from 2009. First-quarter imports are forecast more than ten percent lower than a year earlier. Imports are expected to pick up in the last half of 2010.

charts





Alltech Symposium to be held May 16-19

In 2009 feed and food producers faced similar challenges to other industries including consolidation and an increased focus on the bottom line of profits. In bouncing back from the global recession, agribusinesses face additional concerns with regards to the quality of life and availability of food for the people on our planet. This is what the World Health Organization has called the 'Triple Bottom Line':

• **PEOPLE –** Why do 1 billion of the 6.5 billion go to bed hungry and how will we feed a population projected to grow by 50%?

• **PROFITS –** How can agribusiness maintain profitability in the face of legislation?

• **PLANET –** How do we answer criticisms of current farming practices by showing how agriculture efficiencies continue to improve?

During Alltech's 26th International Animal Health and Nutrition Symposium taking place at the Lexington Convention Center from May 16-19. Professor Patrick Wall, former chairman of the management board of the European Food & Safety Association (EFSA), Ireland, Trent Loos, radio, print and agribusiness commentator, USA, Osler Desouzart, Consultant, Brazil and Gordon Butland, Director, G&S Agri Consultants, Thailand will each take the stage to discuss their ideas in front of over 1,500 delegates representing top global agribusinesses. The debate will be chaired by Alltech's Vice President, Aidan Connolly.

"With the turbulence caused by the current economic storm, it is easy to lose sight of the importance and achievability of People, Profits and Planet - the Triple Bottom Line. It is an honor for us to host these respected figures at our 26th Symposium," said Dr. Pearse Lyons, president and founder of Alltech.

"The Triple Bottom Line is vital for sustaining success in agribusiness in the 21st Century. That means recruiting and retaining the best people, finding ways to produce in a way that is not only economically viable, but also recognizes the importance of sustaining our planet. Within this context, Alltech's 'Great Debate' takes on a great importance," Dr. Lyons continued. "It is clear that 'the Triple Bottom Line' must be viewed through the prism of the bounce back from the current economic crisis. Our industry has no other choice."

This is Alltech's 3rd annual industry 'Great Debate', and it forms part of the company's 26th International Animal Health and Nutrition Industry Symposium, to be held in Lexington May 16-19.

Visit www.alltech.com/symposium or e-mail symposium@alltech.com for further information or register for Alltech's 26th International Animal Health and Nutrition Industry Symposium.

"BEEF MONTH" EVENTS ON TAP

The Kentucky Beef Council has teamed with the Holland Grill Company to kick off Beef Month and summer grilling season with the annual "Power of Protein Get Grillin' Media Tour." KBC will be traveling state-wide from Monday, May 10 to Friday May 21, featuring two lean beef recipes, grilling tips, grilling prize pack and a chance to win an Epic Holland Grill.

Educational events will be May 13 at the UK Master Cattleman program, May 14 at the Muhlenberg County Ag Day and May 21 at an American Heart Association function in Louisville. The media schedule includes Frankfort (WFKY at 8:40 a.m. on May 10) Lebanon (WLSK at 8:15 a.m. on May 11,), Louisville (WDRB-TV at 7:45, 8:15 and 8:45 a.m. on May 17), South Central Kentucky (The Beaver at 8 a.m. on May 18), Paducah (WPSD-TV morning show on May 20) and Hopkinsville (WKDZ at 10 a.m. on May 20).

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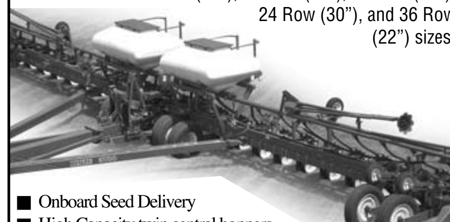

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Five named to FSA committee

The Obama administration announced five appointments to the Kentucky Farm Service Agency State Committee. David Duncan Jr. of Paint Lick was named chairperson. Other appointees were James L. Kay of Versailles, Mary Berry-Smith of New Castle, Joe Spalding of Lebanon and Alison Wiediger of Smith's Grove.

The committee members work with the agency's State Executive Director in managing the activities of FSA programs. They serve as valuable links to the farm community.

Specialty crop grants available

The Kentucky Department of Agriculture is accepting applications for up to $75,000 for specialty crop projects. Grants will be awarded through a competitive process.

Specialty crops are defined as fruits, vegetables, tree nuts, dried fruit, horticulture and nursery crops, including floriculture.

Applications for grant funds should show how the project potentially impacts and produces measurable outcomes for the specialty crop industry and/or the public rather than a single organization, institution, or individual. Projects may last up to three years, but the timeline must be justified in the proposal and projects of up to two years are preferred. Matching funds are highly encouraged but not required.

Entities eligible for the specialty crop grants include eligible commodity groups, agricultural organizations, colleges and universities, producers, municipalities, state agencies and agriculture-related nonprofit organizations.

Applications must be submitted to the KDA's Office of Agricultural Marketing and Product Promotion by June 8.

For more information contact Kristen Branscum, director of the Division of Value-Added Plant Production, at (502) 564-4983 or kristen.branscum@ky.gov.

Funding available for energy projects

The Kentucky Agricultural Development Board announced the availability of state Agricultural Development Funds and American Recovery & Reinvestment Act funds to assist with the development of eligible energy related projects.

The program encourages regional collaboration by providing a 1:1 match with ARRA funds and state Agricultural Development Funds for agriculturally-related renewable energy projects. It is the result of the partnership between the Governor's Office of Agricultural Policy and Kentucky's Department for Energy Development & Independence.

The program makes available up to $100,000 in ARRA funds not to exceed 25 percent of the total project budget. Applicants will also be eligible for up to $100,000 in state Agricultural Development Funds. Applicants are encouraged to seek funding and priority commitments from County Agricultural Development Councils within the counties that will directly benefit from the proposal. The applicants are also expected to have substantial non-governmental funding committed to the project.

Application and guidelines are attached and are also available on-line at agpolicy.ky.gov.

Purdue wants more vet students

Purdue University plans to increase the number of students it will accept into its School of Veterinary Medicine by 20 percent over the next two years in a bid to meet the growing demand for veterinarians across the country. There are only 28 veterinary schools in the United States and the need for vets is growing.

Willie Reed, dean of Purdue's veterinary medicine school, said some predictions indicate the demand for veterinary services will increase about 35 percent by 2016.

"There's a critical need of veterinarians practicing large animal medicine, specifically food animal medicine. This really is becoming a national security issue. Our food veterinarians are on the front lines and they will be the ones to detect foreign animal diseases that could really threaten our livestock and poultry populations," said Reed.

Whayne Supply honors the best

Peterson Farms in Marion County and Marcus Huffman of Logan County have won Whayne Supply Company's "Best of the Best" Award in Kentucky Extension Yield Contests for corn, soybeans and wheat. This friendly competition identifies maximum yields, and represent the production potential when crop management and growing conditions are optimal for yield.

Peterson Farms took top yield honors in both wheat and soybeans. Peterson Farms includes Bernard, Bill, Albert and David Peterson. Huffman won the award for corn with an impressive yield of 295.56 bushels using no-till. This also earned Huffman a third place in a national contest for no-till.

KENTUCKY FARM BUREAU CERTIFIED ROADSIDE FARM MARKETS

~ Markets open in May ~

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Brumfield Farm Market
Madisonville · (270) 821-2721

D & M Produce
Ledbetter · (270) 898-6312

Dogwood Valley Trading Post
Clay · (270) 664-9892

Healing Harvests
Paducah · (270) 534-4977

J Potts Nursery & Greenhouse
Kirksey · (270) 489-2756

Metcalfe Landscaping
Madisonville · (270) 821-0350

Poore's Nursery & Farm
Russellville· (270) 542-4828

Scott Hams
Greenville · (800) 318-1353

Stone Hill Honey Country Store
Spottsville · (270) 826-2767

The Country Barn
Elkton · (270) 885-4843

Trunnell's Farm Market
Utica · (270) 733-2222

South Central

1851 Historic Maple Hill Manor & Fiber Farm
Springfield · (859) 336-3075

Acres of Land Winery
Richmond · (859) 328-3000

Back Home Farm
Greensburg · (270) 932-7156

Bishop Jersey Farm Market
Greensburg · (270) 932-4908

Burton's Nursery & Garden Center
Campbellsville · (270) 789-1239

Chaney's Dairy Barn
Bowling Green · (270) 843-5567

Chateau de Vieux Corbeau Winery
Danville · (859) 236-1775

Country Corner Greenhouse
Shepherdsville · (502) 955-8635

Cravens Greenhouse
Albany · (606) 387-8583

Dennison's Roadside Market
Horse Cave · (270) 786-1663

Devine's Farm & Corn Maze
Harrodsburg · (859) 613-3489

Double Hart Farm
Corbin · (606) 523-0465

Flaggy Meadow Fiber Works & Sunshine Alpacas of Kentucky
Springfield · (859) 336-7272

Habegger's Amish Market
Scottsville · (270) 618-5676

Haney's Appledale Farm
Nancy · (606) 636-6148

Hettmansperger's Greenhouse
Science Hill · (606) 423-4668

Hidden Meadows Ranch
Liberty · (606) 787-4235

Hinton's Orchard & Farm Market
Hodgenville · (270) 325-3854

Horseshoe Bend Vineyards
Willisburg · (859) 375-0296

Jackson's Orchard & Nursery
Bowling Green · (270) 781-5303

Kenny's Farmhouse Cheese
Austin · (270) 434-4124

Lee's Garden Center
Hodgenville · (270) 358-9897

Loid Farms
Bowling Green · (270) 202-3996

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Leitchfield · (270) 360-0644

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Bramble Ridge Orchard
Mt. Sterling· (859) 498-9123

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