

# A Pathway for Kentucky's Agriculture and its Rural Communities: 2007 to 2012 Strategic Plan

- ✦ **Agricultural Production  
and Consumer Marketing**
- ✦ **Agri-Energy Development**
- ✦ **Education**
- ✦ **Public Awareness and Advocacy**
- ✦ **Rural Communities:  
Quality of Life, Conservation and  
Community Leadership Development**
- ✦ **Agricultural Development Fund and  
Supporting State Government Actions**

December 2007



**Kentucky Agricultural Council  
Task Force on the Future of Agriculture**

**For more information visit: [www.kyagcouncil.org](http://www.kyagcouncil.org)**



*I believe  
in the Future  
of Agriculture  
with a faith  
born not of  
words but  
of deeds....*

*from the FFA Creed*

# Letter from the Chairman

*I believe in the Future of Agriculture with a faith born not of words but of deeds...*

As a ninth grader, I learned to recite these well known words of the FFA Creed. As a high school agriculture teacher, I taught them to countless students. As a university professor, I even learned to say the Creed backward to motivate my students to learn it. Through the years, I have always maintained my belief in the future of agriculture with a “faith born of words”. However, while serving as Chair of the *Task Force on the Future of Agriculture*, I have come to fully understand this belief. During the past year, I witnessed a core group of agricultural leaders who — through their “deeds” and based on their knowledge, passion, service, commitment and leadership — have provided a unified strategic plan and roadmap to guide Kentucky’s farm families to a brighter and more profitable tomorrow.

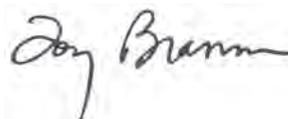
Although this document contains many specific goals and action plans, two basic and overarching themes must be understood:

First, and foremost, Kentucky must continue its financial investment in agriculture through the Agricultural Development Fund, created through House Bill 611. This program, which was voted as one of the top 50 “Innovations in American Government Award” winners, provides for strategic investments in new and expanding agricultural initiatives and diversification. However, reliance on this fund as the sole path for funding basic agriculture and rural development needs is indeed a dangerous path. As described in the following pages, we must continue to invest General Fund dollars in basic agricultural and rural projects to ensure that our state remains competitive in the ever changing and dynamic local, state, national and global agricultural economies.

Second, we must not forget that Education — both of our children and of our public — is basic and most important to our future Agricultural Development.

Borrowing a quote from my friend and colleague Dr. Will Snell, “*this plan is really about increasing the net farm income and improving the quality of life in rural Kentucky*”. To reach these goals, we built the plan on the ground — with a strong foundation laid by generations of past and present agriculturalists. We now have begun the process of standing it up to serve as a monument to the future leaders in agriculture who will follow in our footsteps.

Lyndon B. Johnson once said, “Yesterday is not ours to recover, but tomorrow is ours to win or to lose.” Such is the case with Kentucky Agriculture... we have a glorious past to behold but an even brighter future to mold. As we move forward, I would like to thank every member of the Task Force for their diligent work and great contributions. Together, we have “planned our work” ... now together we must “work our plan”.



Tony Brannon  
Chair  
Task Force on the Future of Agriculture

# Priority Policy & Legislative Actions to Advance Kentucky Agriculture

- **Sustain and enhance the investment in Kentucky agriculture through the Agricultural Development Fund.**
- Obtain **funding to upgrade and maintain the diagnostic facilities** at University of Kentucky and the Murray State University Breathitt Laboratory. Funding must also be obtained to continue support of disease control programs and emergency response plans.
- **Address the critical shortage of large animal veterinarians** in Kentucky by providing General Fund resources through the Council on Postsecondary Education (CPE) to underwrite additional slots for Kentucky students attending any schools for veterinary medicine. Update the Kentucky Veterinary Act to increase access to large animal veterinary care by creating more flexibility within the veterinary technician (Vet-Tech) program; provide additional funding to expand and enhance educational programs that produce qualified veterinary technicians. Establish a program of forgivable loans that encourage graduating veterinarians to locate large animal practices in underserved rural areas.
- Continue to **provide strong funding support for the Department of Agriculture's Kentucky Proud program**; also increase state funding through KDA for agriculture-focused marketing efforts in conjunction with regional, national and international events held in Kentucky. (Examples: World Equestrian Games, Glasgow Highland Games, National Farm Machinery Show, North American International Livestock Exposition.)
- Encourage the **Economic Development Cabinet to consider revenue creation as a criterion for providing financial incentives** to producers and processors of agricultural products.
- Improve the competitiveness of Kentucky agriculture with other states and help to increase net farm income through **innovative legislation and tax law modifications**. (Examples: remove sales tax on animal health pharmaceuticals; copy Missouri's feeder calf tax credit program or Virginia's dairy price stabilization policy.) Develop tax incentives for small business and agribusinesses to provide health insurance to employees.
- Provide a **dedicated funding for the Purchase of Agricultural Conservation Easements (PACE) Program**. Use tax credits as a means of promoting farmland preservation.
- **Adequately fund the State's Agriculture Experiment Stations and University Farms** to cover the costs of deferred maintenance on facilities and provide adequate funds for new programs in crop diversity and biofuel development.
- Establish **funding and policies that promote an adequate infrastructure for delivery of biofuels** within the Commonwealth. Establish a renewable fuel standard (RFS) using ethanol and biodiesel for vehicle fleets operated by state agencies and public universities. Implement tax credits to encourage ethanol and biodiesel production, and study how tax incentives can promote increased use of biomass as a fuel source. Provide funding for education, applied research and development, and implementation of more efficient by-product utilization.
- Streamline the **environmental permitting process** for production agriculture expansion projects and new facilities. Allow the Kentucky Agriculture Water Quality Authority (AWQA) to develop permitting guidelines as well as to determine a reasonable length of time for the issuance of permits (3-6 months).
- Provide **funding for the Kentucky Agricultural Heritage Center**. The Center's 300,000-square-foot sustainable building will showcase Kentucky agriculture's past and present, with a focus on its strong future. The Center will include interactive exhibits, a learning center, research facilities and an auditorium for lectures and presentations. It will help make Kentucky a national leader in alternative energy creation and agricultural energy preservation.

# Inspirations and Aspirations

## **FUTURE FOR YOUNG PEOPLE IN AGRICULTURE**

*“I hope it just gets the word out that there is a young man in this community that wants to farm and is willing to do the work. I’m hoping that some of the older people that are going to retire from farming in five or six years ... will offer to rent me pieces of ground.”*

— Nick Hardesty, 2007 FFA American Star Farmer  
quoted in the *Louisville Courier-Journal*, October 2007

## **CONTINUED INVESTMENT IN AGRICULTURAL AND RURAL DEVELOPMENT**

*“The Task Force on the Future of Agriculture believes that the responsibility of State government should be to assume its historic obligation to use General Fund dollars to support basic agriculture and rural development programs, recognizing that Agricultural Development Fund (ADF) dollars were intended for strategic investments in new and expanding agriculture initiatives.”*

— Top Ranked Goal identified through Task Force balloting

*“Much like our investment in medical research, agricultural and rural development investments made today add to the body of knowledge we need to increase the success of farm and ranch families and rural communities today and long into the future.”*

— Kim Leval

## **IMPORTANCE OF EDUCATION**

*“Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be permanently maintained”*

— James A. Garfield (20<sup>th</sup> President of the United States)

## **AGRICULTURE AS A VITAL COMPONENT IN ECONOMIC DEVELOPMENT**

*“The truth is, for rural Kentucky, Agriculture IS ‘economic development’...”*

— **Unidentified Planner**

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# Preface

Kentucky Agriculture — still one of the largest sectors of the state’s economy in terms of financial scale and employment — is ready to embrace a new vision of its future, and to adopt a comprehensive and overarching strategic plan that can guide it toward the opportunities of tomorrow.

Since publication of the highly acclaimed *Ag. Project 2000* plan in 1993 and its implementation over the next seven to ten years, the world of Agriculture has changed dramatically ... and nowhere more so than in Kentucky. The word “change” is synonymous with the word “tobacco” for Kentucky farmers and agricultural leaders. Once the state’s number one cash crop and the foundation for a highly regulated industry, tobacco is no longer regulated and has lost its historical position as the economic engine for Kentucky agriculture. National public policy has been unequivocal on this subject, and the debates, public discourse, court actions, negotiations, and decision-making that led to the Master Settlement Agreement and to the federal Tobacco Buyout legislation are now behind us.

What lies ahead is, fortunately, not entirely uncharted territory. The Task Force benefitted from many guideposts pointing the way forward, in the form of strategic and business plans prepared in recent years by various commodity groups and agricultural associations across the state. These provided initial foundations on which this plan is built. Notably among these is the report, *Cultivating Rural Prosperity: Kentucky’s Long-term Plan for Agricultural Development*, produced under the direction of the Kentucky Agricultural Development Board through an extensive, state-wide public engagement process, and referred to daily as a roadmap for the various County Councils and boards that together oversee the investment of funds received by Kentucky through the Master Settlement Agreement.

Kentucky always has maintained a diverse agricultural economy — more so than many states — due to our varied geography and distinct regional assets. This has allowed the state’s gross agricultural receipts to rebound, for instance, through the strength of its equine industry, the rapid expansion of poultry production and its leadership in beef cattle production east of the Mississippi river. University of Kentucky Economist Dr. Will Snell outlines these areas of strength and resilience in his essential and timely overview at the conclusion of this document.

However, as Dr. Snell points out, the opportunity for family farmers to rapidly shift to new forms of cultivation or livestock production, or to develop new markets to replace the economic mainstay that tobacco formerly represented, are not equally distributed across the state. A majority of Kentucky farms, for example, are small in size compared with national averages, and located on terrain that does not easily lend itself to large-scale crop production. Therefore, while some portions of the State have more quickly adapted and made a transition to new, economically viable crops and livestock production, a majority of the State’s counties have lost net ground in their economic base from agriculture. This burden has fallen disproportionately on the eastern part of the state, and represents a serious economic and *economic development* challenge for rural communities, Counties, and for State government.

The issue for Kentucky farmers is not just purely one of an *intent and willingness* to diversify their products, but equally one of their *ability* to make the needed transition — unaided — at a time of especially difficult market conditions in terms of rising fuel, labor, fertilizer, and equipment costs, and in the facing of ever-more stringent environmental, consumer and other regulations. The ability to move quickly and to make investments in new equipment, new technologies, new farming practices, and new approaches to value-added

food processing and marketing approaches requires an entrepreneurial spirit — as well as financial resources — that is new to many established, traditional farmers and farm families. It also requires significant investments in education and training, and improved delivery and coordination of technical services, beyond the levels that have been available to the farmers and rural youth in the past.

To the extent that farmers and their supporting agribusiness partners in some regions of the state make the transition readily, the net income of Kentucky farm families and the welfare of those rural communities may remain healthy and their prospects robust. However, for farmers and communities less prepared or able to shift gears to make up for lost tobacco revenues — or where poverty, low education rates, weak infrastructure and other structural factors have left their dominant imprint — future prospects are not bright.

It is for these reasons, coupled with the lack of an update since the outstanding *Ag. Project 2000* plan, that Kentucky's agricultural leaders together with leaders in government determined that a strong new vision and roadmap for Kentucky agriculture was urgently needed. Their agreement to convene the Task Force on the Future of Agriculture also represented an unusual consensus around the need for a plan based on elements and strategies that would benefit ALL of agriculture, and not to seek to replicate the detailed commodity and production recommendations of *Ag. Project 2000* and that are addressed through other existing sources, such as the USDA and State University Research and Extension Service capabilities. Thus this plan is largely organized around broad themes and overarching strategies that can help advance all of Kentucky's agricultural producers, processors, supporting agribusinesses, and its rural communities.

It is also because of the unique nature of the transition that agriculture in Kentucky *must* achieve (and achieve fairly quickly), that an exceptional focus was placed by the Task Force on the state's Agricultural Development Fund funding and programs. Indeed, the Agricultural Development Fund (ADF) is the bedrock as well as the catalyst for change and innovation — above and beyond the resources that State government traditionally has allocated to support agriculture and economic development in rural communities. *Therefore, the Task Force's strategic intent is for the State to:*

**“assume its historic obligation to use General Fund dollars to support basic agriculture and rural development programs, recognizing that Agricultural Development Fund (ADF) dollars were intended for strategic investments in new and expanding agricultural initiatives.”**

Specific recommended actions that support and implement this overarching intent are spelled out in the sections of the report that follow. *A clear aspect of this intent is that ADF dollars should be used for projects that directly benefit agricultural producers for the purpose of improving net farm income.*

# Section One: Core Strategies and Recommended Actions to Drive Kentucky Agricultural Progress

## INTRODUCTION

The thrust of this plan is directed toward two overarching goals: increasing the net income of farm households across the Commonwealth in the post-Tobacco Buyout era; and strengthening the quality of life in rural communities. The Task Force views these two goals as inextricably intertwined.

**Implicit in this plan is the need to continue — and indeed to strengthen — efforts by farmers themselves, and by the organizations that support Kentucky agriculture, to diversify the farm economy.**

To accomplish this involves promoting additional livestock production and a broader array of crop farming that may include horticulture, forestry, and biofuels, in addition to traditional fruits, vegetables and grains. It also must promote other non-traditional forms of farming such as aquaculture and development of agri-tourism — opportunities that exist in many parts of the state.

Diversification of the farm economy and strategies to increase farm household incomes must promote new technologies and farming practices. Value-added techniques for cultivation, food processing and marketing can help farmers capture a higher share of the ultimate consumer purchase, and provide a higher return on the farmer's investment of time and money. Also, *Agribusiness* is recognized by this strategy as a vitally important element of the rural economy and a growing source of employment for individuals coming from a rural or farming background.

The plan seeks to create conditions for both large scale commercial producers and small farmers to prosper and that will make farming attractive to “the next generation” of farmers — a major theme of input obtained at six Public Forums held across the state. Increasing net farm income will ensure sustainability for the infrastructure on which Kentucky farmers depend. It will also provide the incentive for young farmers to remain in agriculture and ag-related businesses in rural Kentucky.

Finally, this plan makes clear that *education* — at all levels, including continuing education for existing farmers — must receive significant additional attention from policy makers and administrators alike. Innovation, and greater focus and coordination of services, are as important as investing new financial resources to the success and effectiveness of the initiatives recommended by the Task Force.

The Task Force recommendations are grouped into six topic areas:

- ❑ **Agricultural Production and Consumer Marketing**
- ❑ **Agri-energy Development**
- ❑ **Education**
- ❑ **Public Awareness and Advocacy**
- ❑ **Rural Communities: Quality of Life, Conservation and Leadership Development**
- ❑ **Agricultural Development Fund and Supporting Governmental Actions**

In focusing on these topics, the Task Force remained true to its overarching vision to establish a consensus agenda that will address ways to increase farm family incomes and strengthen rural communities. With one exception — Agri-energy development — the strategy does *not* prescribe specific diversification strategies or offer detailed actions for narrow segments of agriculture and farming. Rather it strives to recommend actions to improve the welfare of agriculture as a whole. Kentucky's farmers and agricultural industry leaders are unified in their commitment to improving ALL of Kentucky agriculture.

# Agricultural Production and Consumer Marketing

## ISSUES & STRATEGY STATEMENT

At the heart of the Task Force’s goal of increasing net farm household income is the farm as a “production unit” for livestock and crops. However, the core farm unit cannot successfully function in a vacuum. Farms are critically dependent on support services from federal and state agricultural departments and organizations such as the State’s universities, community and technical colleges that provide direct services to farms — such as diagnostic labs — and also provide training in fields essential to agriculture, notably veterinary medicine.

Further diversification of Kentucky agriculture, and its livestock and poultry segments in particular, are fundamentally tied to this support structure. Its constraints represent bottlenecks for further growth and development of these sectors. Periodic incidents such as the Mare Reproductive Loss Syndrome (MRLS) event underscore how important the farm laboratory and diagnostic facilities are to the economic success of agriculture, as well as their role in protecting public health and safety.

Production agriculture has a unique set of labor needs and issues. Kentucky agricultural employers are experiencing a shortage of affordable, reliable and legal agricultural workers. Further compounding this problem is a general lack of understanding of the various employment related laws, regulations and protocols that must be followed when hiring workers. Much misinformation exists, in both the minds of policy makers and the general public, concerning the use of migrant labor in agriculture. Inequities, from enterprise to enterprise, exist in the current migrant worker program.

Additionally, many agricultural employers can be competitive with *wages and salaries* offered in other industries, but are at a disadvantage in providing comparable *benefits*. Benefits may be a key factor that persuades individuals in choosing among employment opportunities. Agriculture employers need assistance in the type and quality of benefits they are able to offer their employees.

Solutions to Kentucky’s agricultural labor situation and the competitive benefits structure for agricultural workers are largely national issues, difficult to address at a local level. Nonetheless, efforts to educate both policy makers and the general public on the need for change is viewed by the Task Force on the Future of Kentucky Agriculture as an urgent necessity.

Marketing provides the other bookend to the Agricultural Production equation. This area addresses two dimensions: identification of market *opportunities* (for both traditional and emerging product areas); and market *development* and penetration, in other words sales. This includes selling raw materials to producers of finished food and fiber products; or directly to consumers, including to retail outlets and direct sales venues such as Farmers’ Markets. Marketing is a complex area, often misunderstood and not fully appreciated as the critical link in a decision-making process by farmers regarding what to produce as well as how it can be sold. Creating new markets for Kentucky producers and Kentucky products can involve strategies ranging from development of new infrastructure (refining and transportation for agri-fuels, for instance) to the attraction of new food processors to Kentucky, or to new packaging and retail sales techniques.

Finally, the Task Force notes that Agriculture can play an important role in improving the health of all Kentuckians. Agricultural marketing can emphasize the nutritional aspect of Kentucky products, taking advantage of the public's positive perceptions of high quality, locally grown food.

## **Actions to Support Production Agriculture<sup>1</sup>**

### **GOAL:**

**Meet the future needs of Kentucky Agriculture for state-of-the-art, comprehensive diagnostic services.**

### **ACTIONS:**

- ❑ Upgrade and maintain the diagnostic facilities at the University of Kentucky and the Murray State Breathitt Veterinary Center. Continue State General Fund and Federal funding support for disease control programs and emergency response plans.

### **BENCHMARK:**

- ❑ State funding secured in 2008 Legislative Session; communicate need to Kentucky's federal delegation and U.S. officials by Q3 of 2008.

### **GOAL:**

**Improve access to large animal veterinary care throughout Kentucky.**

### **ACTIONS:**

- ❑ Create more flexibility within the veterinary technician (Vet-Tech) program, ultimately giving qualified Vet-Techs more freedoms and flexibility in treating large animals.
- ❑ Evaluate the potential of establishing a Kentucky Agricultural Finance Corporation (KAFC) loan program which would offer low interest loans to veterinarians to establish or expand "large animal" practice facilities.

- ❑ Work through the Council on Post-Secondary Education (CPE) to develop a forgivable loan / grant program for veterinary students who will commit to working in large animal practices in underserved areas after graduation.
- ❑ Provide General Fund resources through the CPE to fund additional slots for Kentucky students attending Auburn and Tuskegee Veterinary Schools, and pursue additional opportunities with other veterinary schools at which Kentucky students might be permitted to pay in-state tuition rates.

### **BENCHMARKS:**

- ❑ During the 2008 General Assembly, seek changes to the Kentucky Veterinary Act and funding as needed to support improvements to the State's Vet Tech programs. Work through the CPE to expand and enhance programs at Murray State University and Morehead State University that produce qualified veterinary technicians by Q4 of 2008.
- ❑ Work in partnership to obtain Kentucky Agricultural Finance Corporation (KAFC) funding of loans to start or expand large animal veterinary practices by Q4 of 2008.
- ❑ Work through the CPE to establish a forgivable loan / grant program for students willing to work in large animal veterinary practices by Q1 of 2009. (Kentucky Veterinary Medical Association [KVMA] to define underserved area.)
- ❑ The KVMA, the Farm Bureau and animal agriculture organizations should partner to seek 2008 General Fund dollars to support an expanded number of veterinary school positions.

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<sup>1</sup> Throughout this plan, Benchmark dates for beginning or completing recommended actions are generally identified in terms of "Quarters" of the calendar year, shown as Q1 for First Quarter, Q2 for Second Quarter, etc.

**GOAL:**

**Provide stronger support for agricultural education, development and research.**

**ACTION:**

- ❑ Adequately fund Agriculture Experiment Stations and University Farms through additional Federal and State dollars to cover the costs of deferred maintenance on facilities; adequately fund new programs in crop diversity and bio-fuel development.

**BENCHMARK:**

- ❑ Secure an additional \$3 million for Agriculture Experiment Stations and increase State General Fund support for Comprehensive Universities' farms from \$200,000 to \$250,000/farm in the 2008 General Assembly.

**GOAL:**

**Increase labor efficiency on Kentucky farms.**

**ACTION:**

- ❑ Using the resources of allied industry partnered with commodity groups and the state's higher education institutions (including the University of Kentucky Engineering Department, Kentucky Community and Technical College System and others) to increase development and usage of industry specific labor-saving technology that is adapted to Kentucky's terrain, typical farm size, predominant types of agriculture, and other unique features.

**BENCHMARK:**

- ❑ The Kentucky Agricultural Council will identify an appropriate organization to provide leadership on this issue, with results to be reported by Q1 2009.

**GOAL:**

**Encourage continued development and diversification of Kentucky's agricultural product array.**

**ACTIONS:**

- ❑ Develop financial incentives to encourage processing or specialization which adds value to products or production (Examples: heavier weight feeder calves; crops for bio-refinery; milk for regional or state branded marketing; added-value timber products and others.) Individual agricultural organizations should collaborate with the Kentucky Department of Agriculture and the Agricultural Development Board to evaluate the need and specific types of incentives required to grow their respective industry.

**BENCHMARK:**

- ❑ A report summarizing these findings and recommendations should be made to the Kentucky Agricultural Council by the conclusion of 2008.

**GOAL:**

**Expand Kentucky Agriculture's role in biotechnology.**

**ACTION:**

- ❑ The Kentucky Agricultural Development Board and the Governor's Office of Agricultural Policy (GOAP) should collaborate with the Economic Development Cabinet's Department of Commercialization and Innovation, the State's higher educational institutions and the Kentucky Bio Alliance to assess Kentucky's current status in agricultural-based biotechnology and life science commercialization efforts; identify market opportunities to create and expand businesses that use agricultural products in biotechnology; and recommend additional State support or actions needed to achieve this goal.

**BENCHMARK:**

- ❑ Progress should be measured toward this goal and a procedure put in place to implement it by Q1 of 2009.

## Labor Force Development Actions

### GOAL:

**Strengthen the existing infrastructure to aid farmers in the employment of migrant workers, and thereby provide a higher level of service to production farmers. Encourage federal policy makers to make changes in federal labor regulations and programs that would make them more farmer- and worker-friendly.**

### ACTIONS:

- ❑ The Kentucky Farm Bureau, in partnership with the Kentucky Department of Agriculture, the University of Kentucky and the various commodity groups, should create a Task Force to conduct a comprehensive assessment of the labor requirements and issues facing each segment of Kentucky agriculture. The Task force should provide recommendations for future action to the Kentucky Agricultural Council to ensure that all segments of agriculture participate in the validation of the report.
- ❑ The study should examine the adequacy of support systems for hiring migrant workers, as well as of existing education programs designed to teach migrant workers and employers necessary communication skills and cultural mores and customs.
- ❑ Entities designated by the recommendations should initiate efforts to coordinate the delivery of existing resources and develop new programs to meet the needs identified by Task Force recommendations.
- ❑ Prepare a white paper summarizing federal labor policy issues and provide briefings to appropriate federal and state policy makers, regulatory personnel, and the media to educate them regarding the agriculture labor situation in Kentucky.
- ❑ Establish a communications strategy to inform Kentucky policy makers, regulators, and the general public on the overall labor situation and needs of production farmers and related agribusinesses.
- ❑ Encourage the Agricultural Development Board to develop a cost share program to assist agricultural employers in providing for housing, busses, computers and other support infrastructure needed to meet their labor needs.

### BENCHMARKS:

- ❑ Task Force should be created by the end of Q2, 2008. A final report should be transmitted to the Kentucky Agricultural Council by the end of 2008.
- ❑ A progress report on efforts to address federal labor policy concerns should be provided to the Kentucky Agricultural Council by Q4 of 2008.
- ❑ The communications strategy on Kentucky labor force issues should begin by Q1 of 2009.
- ❑ Kentucky Agricultural Council to have obtained feedback from the Board by Q3 of 2008.

## Actions to Support Production and Consumer Marketing

### GOAL:

**Promote and strengthen the Kentucky Market Maker web-based marketing data base for Kentucky products.**

### ACTIONS:

- ❑ Create a complementary “needs and opportunities database” to better link Kentucky processors and producers, and to help focus production on meeting the demands of the marketplace. Locate sources of Kentucky-produced raw products for Kentucky processing plants; encourage processors to utilize Kentucky products.

### BENCHMARK:

- ❑ The Kentucky Department of Agriculture should complete these steps by Q1 of 2009.

### GOAL:

**Encourage and support efforts to develop unique export marketing opportunities.**

### ACTIONS:

- ❑ Capture marketing opportunities for products recognized as Kentucky products (equine, tobacco, Bourbon and others). Encourage all producers to take full advantage of internet marketing opportunities thereby exposing Kentucky products to a world market.

### BENCHMARK:

- ❑ KAC or their designated entity will conduct two (2) export marketing and internet marketing utilization education seminars for Kentucky producers in 2008.

### GOAL:

**Identify agricultural sectors / products that provide the greatest market opportunities for diversification and rapid or expanded growth, based on the unique characteristics of Kentucky’s diverse regions.**

### ACTION:

- ❑ Conduct a comprehensive *market opportunities analysis* for all Kentucky agriculture sectors, keyed to the unique geographic characteristics of Kentucky’s major regions and with special emphasis on identifying new and emerging product opportunities (e.g., “infant industry” sectors such as horticulture, meat goats; biofuels; trends in food processing towards decentralization, etc.) Build on the base of existing studies and information (at the State’s research universities and within state and federal agencies) to recommend regionally-based “target marketing” and infrastructure development strategies for both non-traditional and traditional producer groups.

### BENCHMARK:

- ❑ The Kentucky Agricultural Council will identify an appropriate group to lead this initiative by end of Q2, 2008; funding should be identified and regions for analysis defined by Q4 of 2008; regional-based market opportunities analysis should be completed by the end of Q3 2009.

### GOAL:

**Ensure the long term continuity of, and benefits from, the Kentucky Department of Agriculture’s Kentucky Proud Program.**

### ACTIONS:

- ❑ Utilize *Kentucky Proud’s* full potential by expanding the brand to cover additional Kentucky grown and produced products, consistent with the program’s goals, values and criteria.

- ❑ Make the *Kentucky Proud* logo more visible on Kentucky’s farms as a part of the overall marketing strategy.
- ❑ Increase access for producers to regional marketing opportunities to take full advantage of the consumer perception that “local is better”.
- ❑ Determine if additional marketing programs / initiatives are needed to complement the Kentucky Proud program to promote more sectors of Kentucky agriculture at the state, regional and local levels.
- ❑ The Kentucky Department of Agriculture should establish a committee consisting of consumers, producers, processors, distributors, retailers and policy makers to serve an advisory role in helping to develop programs and operational plans, and to support their implementation. The committee should recommend guidelines to ensure that future expansion of Kentucky Proud promotional efforts build and protect the program’s “brand equity” and positive image.

**BENCHMARK:**

- ❑ The committee should be established by the end of Q2, 2008 and provide a progress report to the Kentucky Department of Agriculture by Q1, 2009.

**GOAL:**

**Strengthen consumer marketing of locally-grown foods in ways that emphasize improving the health of all Kentuckians.**

**ACTION:**

- ❑ Coordinate existing consumer education and outreach programs — including efforts within the *Kentucky Proud* campaign — that promote the health and nutrition benefits of agricultural commodities, especially those that promote the link between health and locally grown food and that promote child and adult nutrition. Explore other potential marketing strategies that would help to effectively communicate the nutrition and economic benefits of buying locally produced foods/products from Kentucky producers and identify the funding needed to implement these.

**BENCHMARK:**

- ❑ The Kentucky Agricultural Council will work with the Kentucky Department of Agriculture, the state’s higher educational institutions, and local and regional organizations (such as Departments of Public Health) to foster coordination of existing promotional activities and of such efforts to focus the message and to reach a wider consumer base within the Commonwealth.

**GOAL:**

**Raise Kentucky’s visibility and profile to the national and world agricultural communities by supporting premier special events and Kentucky marketing efforts at those events.**

**ACTION:**

- ❑ Provide state funding through KDA for agriculture-focused marketing efforts in conjunction with regional, national and international events held in Kentucky. (Examples: World Equestrian Games, Highland Games, National Farm Machinery Show, North American International Livestock Exposition, etc.)

**BENCHMARK:**

- ❑ The Kentucky Department of Agriculture should evaluate its special events promotion budget to determine the level of increased funding required, and provide a report to the Kentucky Agricultural Council by Q3 of 2008.

# Agri-Energy Development

## ISSUES AND STRATEGY STATEMENT

Agriculture will play a major role in providing the energy needs for this country in the future, as demand for renewable fuel sources increases. Kentucky has an opportunity to capitalize on the new technology in biofuels and biomass production along with today's renewable energy industries. Kentucky has extensive areas of productive farmland, which are ideal for dedicated production of biomass crops. In addition, Kentucky has an abundance of forest products to supply materials for energy utilization. Research and development of energy capabilities and markets is needed to help position Kentucky as a long term leader in the field of renewable energy. This effort will benefit agriculture as a whole in Kentucky.

Increasing the quality of crops used in biofuels and feed sources will be important as renewable energy production grows. This will be accomplished by growing higher quality crops with the characteristics needed to produce biofuels, livestock feeds and industrial products.

A key element of the biofuels industry is the byproducts generated from the production of energy. Further utilization of these products improves the profitability of the facility, therefore increasing the farmer's value of the commodity and improving the return to the rural communities. Agriculture will also be able to benefit from the use of many of these products. Agricultural operations generate byproducts that can be further utilized in the production of energy. Examples include manure, crop stover, culled vegetables, sawdust, etc.

Fuel and energy expenses are putting increasing pressure on the profitability of farming operations. By identifying and implementing more efficient production methods, equipment and facilities, farmers can become more energy efficient, reduce their "carbon footprint" and improve their net farm income.

While consumer interest in access to domestically produced renewable fuels has been heightened as a result of global conflicts, high fuel cost, and environmental sensitivity, levels of demand have not yet reached a critical mass sufficient for the marketplace on its own to provide a reliable, affordable and convenient retail supply. This, coupled with unique logistics related to biofuels transportation, continues to represent an obstacle for matching potential consumer demand with Kentucky's agricultural based biofuel production opportunities. Therefore, raising the level of demand through institutional purchasing policies (e.g., by State and local government agencies, school systems, etc.), and strengthening the delivery infrastructure and retail access to biofuels are critical priorities for further development of Kentucky's renewable fuels industry.

**GOAL:**

**Develop a successful renewable energy industry in Kentucky, utilizing Kentucky's agricultural resources.**

**ACTIONS:**

- ❑ Develop a *Kentucky 25 x '25 Roadmap* to guide the Commonwealth to a leadership position in renewable energy. (25 x '25 is a national initiative with a goal that by the year 2025, America's farms, ranches and forests will provide 25 percent of the total energy consumed in the United States, while continuing to produce safe, abundant and affordable food, feed and fiber.)
- ❑ Use Agricultural Development Funds to initiate applied research and development of biomass production in Kentucky. Farmers should be educated about production opportunities as well as the species of crops, specific varieties and production techniques that maximize net farm income, while protecting natural resources.
- ❑ Encourage farmer investment in renewable energy production facilities.

**BENCHMARKS:**

- ❑ The Kentucky Rural Energy Consortium will provide the leadership to develop the roadmap by Q1 2008. Kentucky agriculture organizations will endorse the Kentucky 25 X '25 Roadmap by Q3 2008.
- ❑ By July, 2008, the Kentucky Agricultural Council will identify areas of opportunity and research that will advance biomass production in Kentucky. Agricultural organizations will work with the Cooperative Extension Service through their annual meetings, field days and publications to disseminate information.
- ❑ At least one new biofuel facility with substantial ownership and financial investment by farmers should begin production by 2011.

**GOAL:**

**Improve the utilization of byproducts generated through various agricultural and renewable energy production practices. Additional energy saving efficiencies should also be identified at the farm level.**

**ACTIONS:**

- ❑ Use Agricultural Development Funds to initiate applied research, development and implementation of more efficient byproduct utilization in Kentucky.
- ❑ Increase educational opportunities and material for agricultural producers in the area of on-farm energy efficiency.
- ❑ Advance state government support for energy efficiency through the Governor's Office of Energy Policy and the Kentucky Department of Agriculture.
- ❑ Explore and develop agreements with bordering states to cooperate in the production of biofuels and byproduct utilization.

**BENCHMARKS:**

- ❑ Kentucky Agricultural Council will coordinate a review of current and future opportunities for Kentucky farmers related to byproduct utilization, and provide that information to the Kentucky Agricultural Development Board by Q3 2008. At least one on-farm methane digester demonstration project for energy production should be established in Kentucky in 2008.
- ❑ The Kentucky Agricultural Council, Cooperative Extension Service and Kentucky Rural Energy Consortium will coordinate the review and development of information related to on-farm energy efficiency by Q4 2008. Agricultural organizations will include energy efficiency as a topic for annual meetings, field days and in their publications in 2009.
- ❑ By Q4 2008, the Kentucky Agricultural Council will coordinate the development of a strategy to gain state government support for a statewide energy efficiency strategy.

- ❑ Kentucky Agricultural Council will identify potential organizations and companies in Kentucky and bordering states and work to link the opportunities for regional biofuels development and byproduct utilization.

### **GOAL:**

**Increase access for farmers, consumers and institutional users to a supply of affordable renewable energy throughout the Commonwealth. Farmers should set the example by using biofuels in agriculture production and promoting the use of biofuels.**

### **ACTIONS:**

- ❑ The Kentucky Agricultural Council will advance state support to develop an adequate infrastructure for the delivery of biofuels within the Commonwealth by examining the needs for infrastructure development that matches the future supply of biofuels with the potential demand.
- ❑ The Kentucky Agricultural Council will work with the Kentucky Petroleum Marketers Association, the Kentucky Clean Fuels Coalition, and others to locate biofuel suppliers and promote their availability to all farmers in those markets.
- ❑ The Kentucky Agricultural Council will identify current promotion programs and coordinate with those organizations to develop new programs as part of a comprehensive promotion campaign in 2010.
- ❑ Mandate that all authorized retail outlets supplying fuel to the state fleet offer a minimum of E10 and B5 biodiesel blends by 2011.
- ❑ The Kentucky Agricultural Council should identify a highway in Kentucky to be designated the first Biofuel Trail where consumers can reliably purchase renewable fuels, and develop guidelines needed in order to secure state government approval.

### **BENCHMARKS:**

- ❑ Double the use of biofuels in agriculture production by 2009.
- ❑ Prepare and post a listing of locations for biofuel supply available for farmers on the Kentucky Agricultural Council's web site by 2009.
- ❑ State government approval for establishing a Biofuel Trail should be secured by Q3 2009.
- ❑ A comprehensive biofuels promotion program should be underway by 2010.
- ❑ Develop and secure legislation mandating biofuel supply standards for the state fleet in the 2010 session of the General Assembly.

# Education

## ISSUES & STRATEGY STATEMENT ON YOUTH EDUCATION

As Kentucky’s public schools strive to prepare the next generation of students for work and to become fully informed and participating citizens in an ever more complex society, the issue of education *about* agriculture — as well as education *in* agriculture — deserves a fresh look by the state’s policymakers.

The Task Force believes that Kentucky must provide all students in primary and secondary school systems with the opportunity to:

- learn where the food they eat comes from;
- actively engage in learning about agriculture and natural resources;
- be presented educationally-based facts about controversial agricultural issues; and
- appreciate the important role that agriculture plays in our economy and our society.

It also is vitally important to the future of Kentucky agriculture that our state’s youth be exposed to the expanding number of diverse career opportunities available within the agricultural industry.

Several examples of successful agricultural education programs exist currently in our K-12 school systems, including the Kentucky Department of Agriculture’s and Kentucky Farm Bureau’s *Ag in the Classroom* program, 4-H and FFA. However, agricultural education programs are *not* available in every school system. The metropolitan areas of Louisville, Lexington and Covington, along with several “mountain” counties and most independent school districts have little to no access to agricultural education. In addition, agricultural education programs are noticeably absent in most middle schools.

A variety of misconceptions persist about the content of agricultural programs, the academic skills of agricultural students, and career opportunities within agriculture. As future generations become even further removed from their connections with farming, the challenge of maintaining and expanding agricultural education programs for our youth will continue to escalate amidst tightening budgets, unless action is taken immediately to address this issue.

For these reasons, the Task Force strongly believes that — although not part of the basic core curriculum specified through KERA — Agricultural Education should be viewed as vitally important to the ultimate goal of providing every child in the Kentucky school system with an enhanced exposure to the role of agriculture in our society, and to its increasing career opportunities.



**GOAL:**

**Increase the scope and depth of education curriculum “about” agriculture for all Kentucky’s youth; sustain and strengthen the existing education in agriculture through a revised agricultural career preparation curriculum and delivery system.**

**ACTIONS:**

- The Kentucky Agricultural Council will convene a Task Force consisting of educational leaders within Kentucky agriculture to garner support for a comprehensive K-12 youth agricultural education program, including agricultural literacy (“education *about* agriculture”) as well as career preparation and entrepreneurship (“education *in* agriculture”).

- The Task Force should emphasize the following specific measures as part of its overall approach:
  - » Incorporate an “agricultural literacy” component (education about agriculture) into the K-5 (primary grades) curriculum of all public and private schools. (The Kentucky Department of Agriculture’s “Ag in the Classroom” is a possible model.)
  - » Incorporate an “Agricultural Careers/ Agricultural Impact” curriculum for all Middle School (6-8) public and private schools.
  - » Expand Middle and High School “Agricultural Education/FFA” (Career and Technical Education approved) programs in public and private schools, using either current delivery models or new, “best practices” curriculum models.
- Additional measures the Task Force should consider including:
  - » Promote new model programs and curriculum to educators and lawmakers.
  - » Strengthen the State’s five university agricultural education teacher preparation programs to ensure a supply of certified teachers.
  - » Expand the number of youth participating in 4-H and FFA educational programs along with seeking investments in infrastructure for 4-H and FFA Leadership Training camps.

**BENCHMARK:**

- The task force on K-12 agricultural education will be established by Q2 of 2008; it should develop a comprehensive assessment of existing programs and a planning strategy, and report back its findings and recommendations — including recommendations for needed funding — by Q1 of 2009.

## ISSUES & STRATEGY STATEMENT ON ADULT AND CONTINUING EDUCATION

Agriculture is becoming more complex, competitive and challenging on a daily basis. The future success of Kentucky agriculture therefore depends *both* on increasing the number of graduates from post-secondary institutions in a diverse set of agricultural-related fields, and on expanding access to continuing education opportunities for farmers and other agricultural professionals.

While Kentucky farmers currently are benefiting from enhanced markets for many traditional products, the agricultural sector is being increasingly challenged by global competition; the decline of government support programs; issues of labor availability and cost; the rising cost of energy and inputs such as feed and fertilizer; tighter regulation (environmental, animal care, biosafety); as well as by the demands of ever more discriminating buyers and consumers.

To meet these and other challenges, Kentucky's farmers must constantly reeducate and inform themselves. For example, they must learn to position themselves to take advantage of emerging opportunities such as grain-based fuels, cellulosic ethanol, crop-produced pharmaceuticals and biochemicals, ag-related tourism and recreation, and organic and other value-added food products. In the "post-Tobacco Buyout era", the process of diversification is only begun, not completed. Not only must farmers evolve their crops and production methods: to be successful, they must also become more entrepreneurial in their approach, adopting modern business practices and new technologies.

Consequently, the role of educational and research organizations in providing access to information about improved production, marketing and quality-enhancing practices and technologies is increasingly important. Farmers also need timely and convenient access to information about government programs that improve net farm income for traditional enterprises, as well as to government sources of technical expertise and education on emerging market opportunities.

Finally, both farmers *and* the growing non-farm population in rural communities benefit from access to the programs and skills offered by agricultural educators. Agricultural educators are a true resource for development of rural communities.



**GOAL:**

**Increase access to, and completion rates for, educational and technical programs and professional development opportunities for students and adults employed in farming and agricultural-related fields.**

**ACTIONS:**

- The Kentucky Agricultural Council will provide leadership for an initiative that will identify the emerging educational, technical and professional development needs for adults employed in agriculture. This effort will bring together the resources of Kentucky's universities, community and technical colleges, farm organizations, government agencies and other relevant organizations to:
  - » assess existing programs and services available;
  - » identify gaps in the current delivery system for continuing education;
  - » recommend ways to Improve coordination and promotion of all agricultural, rural community, natural resource and technology-related educational programs; and
  - » identify funding needed, and possible sources, to implement improved or expanded efforts.
- Continue to expand the number of graduates from the State's Agricultural degree programs.
- Additionally:
  - » Special focus should be placed on communication technologies such as distance learning and the internet to maximize access to available educational opportunities and information sources.
  - » Explore creation of a beginning farmer mentorship program to allow young people to get established in production agriculture and to assist with the transition of resources (knowledge, land, equipment) from one generation to the next; draw on models developed by USDA as well as other states in designing a program appropriate to Kentucky's needs.
  - » A public awareness campaign should be developed in conjunction with the overall initiative, emphasizing the importance of adult education and continuing education as a strategy to ensure Kentucky's agricultural competitiveness.

**BENCHMARK:**

- Leadership should be identified and the initiative for strengthening Adult Education underway by Q1 of 2009. A report back to the Kentucky Agricultural Council should be made by Q4 of 2009; the report should identify specific recommendations, as well as metrics relative to measuring and monitoring progress in this area.

# Public Awareness and Advocacy

## ISSUES & STRATEGY STATEMENT

The general public has become increasingly less connected to the farm and is exposed to significant negative or incorrect publicity about agriculture. Current examples include a host of environmental and animal welfare issues, along with the debate over farm support programs. Tobacco production itself — formerly part of Kentucky’s unique image conveyed through nostalgic postcards and barn billboards — has lost its place as a *positive* feature of our landscape, since it now is more frequently viewed in a controversial light.

The same holds true for elected officials, who must shape agricultural policy and who determine the funding that will be made available for institutions, programs or initiatives that are important to agriculture. The number of “farm legislators” — with a personal connection to farming or agribusiness, or with a majority agricultural electoral base — continues to decline.

In contrast, surveys and anecdotal evidence abound about the public’s lack of awareness of how their food and fiber are produced. Deeply complex agricultural topics — such as the importance and difficulty of farmland preservation, the relationship between farm prices and food prices, and the role of agricultural labor in producing the cheapest and safest food in the world — are not the stuff of either “feel good” or sensationalistic journalism. Educating non-farm audiences about agriculture’s needs and problems — as well as its opportunities and positive contributions and successes — is simply not easy, nor a job that can be left to the media to accomplish.

In order for agriculture to continue to secure the policy and funding support required to remain competitive, elected officials, government administrators and the general public need to be exposed to agriculture’s views on these and many other issues. They also must become better educated on the fundamental economic and social importance of agriculture at the local, state, and national level.

This need is certainly not unique to Kentucky. Kentucky is, however, in a unique position relative to the kind and degree of abrupt dislocation its farm economy has experienced, and that it continues to experience as we seek to diversify our farm economy and to protect the health of our rural communities. *To that extent, the gap in the public’s understanding of farm issues and in its appreciation of agriculture’s positive features cannot be allowed to persist.* Too much is at stake in Kentucky — notably the potential for a gradual but continuous weakening of public policy support.

The perceptions of farming and agribusiness held by farm families and rural populations *themselves* should be recognized as an aspect of public awareness and advocacy that must be addressed. A recurring theme of Task Force deliberations and of comments at public forums was a concern that young people are turning away from production farming and career opportunities in related agricultural industries.

While purely economic and lifestyle factors clearly do affect career choices, negative perceptions and a lack of information about positive aspects of farming and agri-industry job opportunities were also seen as significant contributing factors as well. Curriculum emphasis, educational administrators in rural communities and teachers themselves were cited for lacking sufficient emphasis on positive information about farming and farming careers, that may discourage youth from pursuing such

opportunities. Education that emphasizes farming as an entrepreneurial endeavor, incorporating advanced technology in both the field and in its business practices, presents an alternative vision and image sought by many of today's increasingly well-educated teens and young adults.

Harnessing the enormous leadership talent that exists within agriculture and rural communities can be one of the most powerful tools for affecting change in public perceptions and government support. Leadership development techniques and programs have become highly sophisticated, and are increasingly available through Chambers of Commerce, professional and trade organizations, the State's universities, public schools, FFA and 4H programs, and other venues. However, many of these programs are entirely lacking in any agricultural focus. Others that *do* promote agricultural leadership development have not in the past been coordinated in such a fashion that the emerging leaders are equipped to address Agriculture's image or the gap in public understanding of agricultural issues in a systematic way. An examination of ways to more effectively tap the leadership capabilities that exists within Agriculture deserves serious attention<sup>2</sup>.

With these in mind, a rallying point around which *all* of Kentucky Agriculture can come together to celebrate its common roots and culture lies with the Kentucky Agricultural Heritage Center (KAHC), an initiative that is now gaining momentum. The Center is designed to be much more than a museum to house Kentucky's rich agricultural history. Its sustainable building will showcase interactive exhibits, a learning center, research facilities and an auditorium for lectures and presentations. The KAHC's programming will include a strong focus on education, that will give youth and adults from farms and Kentucky's rural communities an opportunity to share in the process of creating a positive vision of Agriculture's future and helping to communicate that to the general public.

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2. *Specific goals and actions to promote agricultural leadership development are contained in the Plan's section on Rural Communities.*

**GOAL:**

**Raise the level of awareness within the general public and among policy makers about the importance of agriculture to our economy and society and strengthen their understanding of controversial issues confronting farmers, agribusinesses, and rural communities.**

**ACTION:**

- Create and implement a comprehensive marketing and public awareness-building plan for communicating with policymakers and the general public, emphasizing the importance of agriculture to Kentucky's economy and social fabric, while addressing controversial issues that confront farmers, agribusinesses, and rural communities.

*Illustrative elements of the plan may include items such as:*

- » Increase the number of farmers and agricultural professionals becoming active members in various local/statewide business organizations
- » Encourage local and state policy makers to attend local ag-related meetings and to become more involved in policy issues that affect farmers and rural communities.
- » Provide an agricultural tour for Kentucky policymakers and government agencies on an annual and rotating geographical basis to illustrate the importance of agriculture and agricultural-related programs to local communities, stewardship practices of agricultural producers, and the diversity of agriculture across the state.
- » Visit with the editorial boards of major newspapers across the state to brief them on major agricultural issues, especially those affecting their individual regions.
- » Promote development of local, regional, and statewide agricultural leadership and ambassador programs.

- » Identify farmers and agricultural supporters to run for local, state, and national political offices.
- » Expand agricultural education programming for non-farm audiences to enhance the understanding of agricultural issues, provide benefits for non-farm households and rural communities, and to broaden support for funding agricultural initiatives.
- » Develop educational materials to illustrate the economic importance of Kentucky agriculture.

**BENCHMARK:**

- The Kentucky Agricultural Council should bring together all of Kentucky's agricultural interests to initiate the process for creating a detailed roadmap for public-awareness building and advocacy by Q2 of 2008. A comprehensive action plan of awareness-building activities and advocacy should be presented to the KAC Executive Committee by Q4 of 2008; the plan should identify an overall budget for the Plan and detailed steps for implementing the various plan elements, including where possible commitments by various organizations to assume leadership or supporting responsibility for implementation. Maximum effort should be made to draw on the capabilities of major organizations such as the State's universities for research, data, and information that can be used to support the recommended communications and advocacy activities.

**ACTION:**

- Provide funding for construction and operational support for the Kentucky Agricultural Heritage Center.

**BENCHMARK:**

- Secure funding for implementation of programs, facilities development and construction in the 2008 General Assembly, with efforts continuing as needed in the 2010 General Assembly.

# Rural Communities: Quality of Life, Conservation and Community Leadership Development

## ISSUES AND STRATEGY STATEMENT

Agriculture and its associated industry segments represent nearly 12% of Kentucky's total economic activity and approximately 15% of Kentucky jobs.<sup>3</sup> As one of Kentucky's largest industries, it remains vitally important to every community and region in the state. However, the focus of Kentucky agriculture varies greatly from community to community and region to region. It is very important that regions and communities have an understanding of the types and locations of agricultural enterprises in their area and recognize their contribution to economic development. To address these issues, it is vital for agricultural leadership organizations across the state to take a more vested interest in the community and regional planning.

"Agriculture" has a major responsibility for protecting the sustainability of rural communities — not only by providing a growing net farm income. Its key organizations also can provide leadership in identifying problems, developing solutions and taking actions which will help achieve better economic opportunities, improve environmental stewardship and enhance the quality of life for all. Healthy and prosperous rural communities are a key factor in sustaining the future of Kentucky agriculture; conversely, innovations in agriculture are important to the future of rural communities.

Despite this mutual interdependence, agricultural, community and regional development have too often been studied and conducted independently from one another. Rural Kentucky is losing ground in the global economic race. Globalization has changed regional development in profound ways, and the new paradigm for success involves regional innovation strategies. An important way to compete

globally is to think regionally — across the county lines laid down for a different era. Regions must build new sources of competitive advantage through innovation and entrepreneurship.<sup>4</sup>

## POPULATION GROWTH AND LAND DEVELOPMENT<sup>5</sup>

The 2000 Census of population revealed that Kentucky grew by 9.7 percent over the course of the 1990s. Outside of the State's major urban areas, this healthy population expansion — some from in-migration and some internally generated — has brought tremendous pressures to convert rural and agricultural lands to non-agricultural uses. Many rural local governments and other community leaders are having a difficult time coping with the host of problems that urban sprawl may present. The challenges include conflicts regarding the conversion of prime farmland for non-farm uses, the placing of constraints on farming practices as a result of complaints lodged by new residents living

3. University of Kentucky College of Agriculture, Department of Ag Economics

4. Rural Policy Research Institute: <http://www.rupri.org/regionalcomp.php>

5. Southern Rural Development Center: <http://srdc.msstate.edu/focusareas/ruralurban/ruralurban.htm>

near farming operations, the implications that growth may have on the area's natural resources, disputes as to which approaches are best for managing growth, and the social problems that rapid growth may introduce to rural areas.

In light of the pressures that many rural communities are experiencing as a result of population and economic expansion, farm operators will face increasing demands to embrace a sustainable agricultural agenda. Local leaders and residents are in dire need of information that can help them understand the complex set of issues associated with urban and suburban encroachment on rural areas. In addition, education on sustainable community development techniques are needed to equip community leaders, local and county governments, private organizations and average citizens with an array of strategies and tools that can be effective in addressing the urban-suburban/rural interface issues emerging in nearly all localities.

For all of these reasons, communities are recognizing that they need to include agriculture in their plans for the future. They see that agriculture needs the same access to economic development resources, such as grants, tax incentives and loans that other sectors of the local economy enjoy. One of the most basic agricultural development strategies, then, is to ensure that agriculture is fully integrated into the community's general planning and economic development efforts.

### **LEADERSHIP DEVELOPMENT**

Many Kentucky farm/commodity organizations, agricultural colleges, and local groups have established successful programs to assist students, farmers and other agricultural professionals in improving/developing leadership and communication skills, and to motivate them to become more active on issues and in organizations affecting agriculture and rural communities. These programs are vital to most rural communities in retaining a solid leadership base to communicate agricultural issues to the general public and policymakers, and to encourage entrepreneurship, volunteerism, involvement in public policy issues,

and to seek various offices or positions (e.g., site-based councils, school board members, county officials, government agencies, commodity group leaders, state or national representative). In these ways agricultural leaders work to improve the quality of life in their communities.

However, there has been a lack of coordination among the leadership programs to share ideas related to agendas, funding, geographic location of participants, alumni programs, etc. Challenges include discovering additional funding to maintain and enhance these programs; keeping alumni active and coordinated on important agricultural issues; and obtaining participants from all areas of the state. In addition, other non-agricultural leadership programs could potentially benefit from introducing an agricultural component.

The success of many concepts noted above, along with the success of most of the other components in the Task Force on the Future of Kentucky Agriculture hinges critically on improving the leadership and communication skills of current and future agricultural leaders to more effectively promote Kentucky agriculture.

### **HEALTH INSURANCE / BENEFITS**

Finally, as part of its focus on healthy rural communities, the Kentucky Agricultural Council notes that the affordability and availability of health care remains a deeply important issue for Kentucky's farm families. The cost of health insurance premiums can be one of the largest components of a farm family's personal budget. An intensified effort should be mounted to investigate insurance rates and coverage, and to explore options that would improve the affordability of health insurance for Kentucky farm families.

Additionally, Kentucky can and should take advantage of technological breakthroughs and the leadership being provided by the state's schools of Medicine, Nursing, Public Health and Dentistry to provide greater access to healthcare in underserved areas of the Commonwealth.

**GOAL:**

**Promote region-specific agricultural economic development and competitiveness.**

**ACTIONS:**

- ❑ Work in collaboration with the Kentucky Council for Postsecondary Education's (CPE) *Regional Stewardship Program* and the Kentucky Enterprise Fund's *Regional Innovation and Commercialization Centers* to create a network of Regional Agricultural Development Planning Councils covering the state.
- ❑ Through the Councils, produce localized Regional Agricultural Strategic Plans that should become an extension of the State's strategic plan; and should be coordinated with and through the University regional stewardship committees and the Regional Innovation and Commercialization Centers for both potential action and funding.

**BENCHMARKS:**

- ❑ The Regional Agricultural Development Advisory Councils will meet at least annually and submit a report to the Kentucky Agricultural Council. All five Regions will develop Strategic Plans for Agriculture based off the Statewide Plan and will submit them to the Kentucky Agricultural Council by July 1 of each year.

**GOAL:**

**Encourage regional agriculture development projects and initiatives through funding from the Agriculture Development Board.**

**ACTIONS:**

- ❑ Regional Agriculture Development Councils will, in consultation with other regional entities (Governor's Office of Agricultural Policy Project Analysts, Extension Districts, Area Development Districts, Economic Development Councils, Innovation and Commercialization Centers etc.) consider funding requests through the ADB to implement actions in their regional strategic plans, including seeking potential funding for pilot Regional Agricultural Development projects through the Agricultural Development Board (ADB) and the Innovation and Commercialization Centers.
- ❑ The ADB will strengthen and formalize its efforts to encourage County Councils to pool resources in funding regional projects (processing facilities, multi county veterinary services, regional stockyards and others).

**BENCHMARK:**

- ❑ The Kentucky Agricultural Council should request the ADB to review, evaluate and make recommendations no later than Q2 of 2008. A goal should be set of approving or funding at least two Regional Grant Proposals in 2008-2009.

**GOAL:**

**Engage the Kentucky Economic Development Cabinet as a full partner in planning for and promoting agriculturally-related economic and community development activities in rural areas of the Commonwealth.**

**ACTIONS:**

- Initiate a dialogue with the Kentucky Economic Development Cabinet to discuss agricultural business trends and entrepreneurship issues, and identify and share ideas regarding opportunities for economic development in rural areas within the current structure of agriculture.
- In addition to job creation, encourage the Economic Development Cabinet to consider revenue creation as a criterion for providing economic incentives to producers and processors of agricultural products.

**BENCHMARKS:**

- Representatives of the Kentucky Agricultural Council should hold at least one meeting with the Economic Development Cabinet leadership by Q1 of 2008.
- Work with the Economic Development Cabinet, Legislative Leaders and other Executive Branch departments to develop potential legislation modifying Kentucky's economic incentives tax law policy, and to support its introduction and passage by the General Assembly during 2008.

**GOAL:**

**Assist rural communities in addressing the challenges associated with expansion of urban and suburban localities into rural areas.**

**ACTIONS:**

- Develop a community-based planning approach based on sound land use and conservation principles (including identification of most productive farmland and areas for future development) by designating a "County Agricultural Development Specialist" for each County to facilitate and support the collaborative network between local agricultural and community organizations.
  - » The Specialist will encourage representation of agriculture on community boards, committees, task forces, economic development councils, and local government positions and vice-versa.
  - » They will also initiate community wide visioning and planning processes with specific focus on agriculture and farming and ensure that agriculture is integrated into any proposed comprehensive community planning processes.
- Continue the *Purchase of Agricultural Conservation Easements (PACE)* Program and pursue a dedicated source of funding.
- To address the loss of productive land available for Kentucky farmers due to various forms of development (including residential, industrial, recreational land use, as well as Federal programs which may remove up to 25% of open cropland), urge Kentucky policy makers to consider utilizing tax credits as a means of promoting farmland preservation.

**BENCHMARKS:**

- A program based on a County Agricultural Specialist Model should be designed, funded and implemented by Q3 of 2009.

- ❑ The Kentucky Agricultural Council will ask the PACE board and the Kentucky Department of Agriculture to provide recommendations by Q3 of 2008, to address the need for a dedicated source of funding to support continuation of the program.
- ❑ A recommendation to consider tax credits as a farmland preservation tool should be made prior to the 2010 General Assembly.
- ❑ Expand and improve coordination of agricultural leadership programs, while considering a state-wide ambassador program.
- ❑ Review the success/structure of the Kentucky Equine Education Project (KEEP) with the potential of developing an agricultural ambassador program that would identify and train a designated agricultural leader for all 120 Kentucky counties.

### **GOAL:**

**Promote agriculturally-related Community and Regional based planning and development by strengthening the engagement of rural people and organizations in the civic life of their communities.**

### **ACTIONS:**

- ❑ County Agricultural Agents, in concert with other agricultural community leaders and County Agricultural Development Boards, should conduct an annual local government “forum” (with involvement by County Judges, magistrates, other elected officials, planning and zoning leaders, School Board Chair, Economic Development Districts, et. al.) where local agricultural organizations can provide input on issues concerning Agriculture and vice-versa.
- ❑ Survey local leadership groups across the state to see if they have an agricultural component in their programs. Request each Leadership Program to host an “Agriculture Day” to bring an appreciation of Agriculture to community leaders.
- ❑ A goal should be set of implementing local government forums in 75% of Kentucky counties by Q2 of 2009, with a report on success made to the Kentucky Agricultural Council.
- ❑ All local Chambers of Commerce should be surveyed by Q4 of 2008 to determine if they include an Agriculture Day as a component of their leadership program, and encouraged to do so. (Goal of at least 75% of leadership groups to include an Agriculture Day.)
- ❑ A task force of agricultural leadership programs across the state will be formed in 2008 and meet annually to establish a strategic plan for improving and expanding future leadership programs and to explore establishing an Agricultural Ambassadors Program by 2010.

**GOAL:**

**Make healthcare insurance costs more affordable for Kentucky farm families.**

**ACTIONS:**

- ❑ A Task Force should be established to identify key issues, research healthcare options and insurance rates in other labor force sectors and states, and recommend specific actions to pursue in Kentucky. Examine the availability of providers for Kentucky families; and expand on cooperative efforts between the medical community and the agricultural community.
- ❑ The Task Force should consider strategies such as:
  - » Developing cooperative efforts with other organizations that represent independent business owners.
  - » Tax incentives for small business employers and agribusinesses to provide health insurance to employees.
  - » Creating a clearing house of information on health care options to assist farmers in decision making.
- ❑ Keep the issue of availability and affordability of health insurance for farmers in front of legislators.

**BENCHMARKS:**

- ❑ The Task Force should be in place by Q3 of 2008. Following its report a coalition of agricultural and business organizations should be created to identify a common implementation strategy. The Kentucky Agricultural Council and its represented organizations should present the findings of the Task Force to legislative leaders and continue to press for reform. The Kentucky Agricultural Council will identify an organization or group that will coordinate these efforts.

**GOAL:**

**Improve access to high quality, state-of-the-art healthcare in rural communities through greater use of telemedicine techniques and networks.**

**ACTIONS:**

- ❑ Support expansion of current telemedicine capabilities between the State's major medical centers and rural, under-served areas.
- ❑ Promote education and awareness about the use of telemedicine to practitioners and patients.

**BENCHMARK:**

- ❑ The Kentucky Agricultural Council should establish communication by Q2 of 2008 with the University of Kentucky and University of Louisville Medical Schools, and establish a dialogue regarding existing statewide telemedicine capabilities and ways that Kentucky agricultural interests can most effectively work to support their expansion and greater utilization.

# Agricultural Development Fund and Supporting State Governmental Actions

## ISSUES & STRATEGY STATEMENT

The responsibility of State government should be to assume its historic obligation to use General Fund dollars to support basic agriculture and rural development programs, recognizing that Agricultural Development Fund dollars were intended for strategic investments in new and expanding agriculture initiatives designed to ensure the diversification of Kentucky Agriculture following the Master Settlement Agreement and the 2004 Tobacco Buyout.

Therefore, it is a fundamental precept of this Strategic Plan that the State maintain a level of 50% of the Master Settlement Agreement proceeds allotted to the Agricultural Development Fund. This represents an overarching consideration for the Plan as many of its most critical and innovative recommendations would otherwise be impossible to fund and implement.

In addition to General Fund support for agriculture and rural Kentucky, it is also vital to have the support from the State Regulatory Agencies and favorable and fair tax policies. This will encourage growth and development of an ever changing agriculture which, in turn, will enhance Kentucky's rural communities. Also, with approximately 20% of Kentucky's net farm income originating from various government payments — primarily Federal — Kentucky's Congressional delegation must continue to pursue Federal program opportunities which will benefit Kentucky's farmers and rural communities.

All Kentucky Regulatory Agencies and State government Cabinets should be fully aware of the tremendous economic benefits of production agriculture. In addition to the thousands of jobs created and sustained by Kentucky agriculture, the total economic impact is in the multi-billion dollar range, far exceeding most other businesses and industries. Also, at the Federal level, the Kentucky Congressional delegation should always have a minimum of one (1) member on the Agriculture Committee and one (1) member on the Appropriations Committee in each chamber of Congress.

**GOAL:**

**It is critical to assure that all Agricultural Development Fund (ADF) proceeds are invested with a purpose of improving the net farm income of individual farmers engaged in production agriculture.**

**ADF ACTIONS:**

- ❑ Remove the debt service obligation for water and sewer projects from the ADF on a phased basis, and assign it to the State General Fund. (Current budgeted water and sewer bond payments total \$15,827,400.)
- ❑ Increase by 50% the total committed ADF funds to the Kentucky Agricultural Finance Corporation (an additional \$13 million) resulting in an approximately \$40 million revolving loan fund. This will assure the sustainability of future funds available for agriculture investments.
- ❑ Increase the cap on the Beginning Farmer Loan and Infrastructure Loan programs from \$100,000 to \$250,000. Allow the purchase of livestock to be an eligible item under both KAFC programs.
- ❑ Maintain \$9 million ADF investment in environmental cost-share programs in 2009-10 budget and request restoration of State general fund support (\$1.6 million/year). Future State budgets should allow the General Fund to assume a greater percentage (25% x \$9m) each succeeding two year budget. This long term goal would provide an additional \$9 million for other agriculture investments in the 2017-18 State budget.
- ❑ Conduct a study to analyze the economic impact of Agricultural Development Board investments on Kentucky agriculture.

**BENCHMARKS:**

- ❑ Begin to shift water and sewer debt service in the FY 2009-10 State budget to the General Fund, with a goal of phasing the transfer completely within four years.
- ❑ A review by the ADB and the KAFC Board should be conducted and decisions made by Q3 2008.
- ❑ The Kentucky Agricultural Council requests a report from the ADB and the KAFC by Q3 2008.
- ❑ Restoration of \$1.6 million/yr. of General Fund support and continued ADF investment of \$9 million/yr. for environmental cost-share in the 2009-10 budget.
- ❑ The Department of Agricultural Economics at the University of Kentucky will complete a study of Agricultural Development Board investments and release findings of the study by Q3 of 2008.

**GOAL:**

**Improve Kentucky's competitiveness with other states by enhancing net farm income through legislation and tax law modification.**

**EXAMPLE ACTIONS:**

- ❑ Remove sales tax on animal health pharmaceuticals
- ❑ Missouri's feeder calf tax credit program
- ❑ Tax law changes affecting the equine business
- ❑ Virginia's dairy price stabilization policy
- ❑ Energy policy with state incentives for producers and consumers

**BENCHMARK:**

- ❑ Using the pre-tobacco buyout years 2003-04 as a baseline, establish a goal of increasing Kentucky net farm income by 3-5% per year with a long-term goal of a 12% increase in net farm income by the year 2012.

**GOAL:**

**Streamline the environmental permitting process for production agriculture expansion projects and new facilities.**

**ACTION:**

- The Kentucky Agriculture Water Quality Authority (AWQA) should be given increased input and decision making capacity in developing permitting guidelines and a reasonable length of time required for permit issuance. (3-6 months)

**BENCHMARK:**

- The Kentucky Agricultural Council will ask the AWQA to review current standards and regulations, and provide a report with recommendations for future legislative and regulatory changes, if needed. The report will be delivered by the end of Q3 2008.

**GOAL:**

**Ensure that Kentucky agricultural interests are strongly represented at the federal level, in order that Kentucky producers and processors can take full advantage of all Federal grants and/or funding through USDA, DOE and other Federal funding opportunities.**

**ACTION:**

- Encourage the Kentucky Department of Agriculture (KDA) to commit resources to establish a strong Washington, D.C. liaison in coordination with efforts of the Kentucky Farm Bureau, Kentucky Universities, other agricultural organizations, and other State of Kentucky departments.

**BENCHMARK:**

- The KDA should provide a report to the Kentucky Agricultural Council on the status of Kentucky's federal relations efforts by Q3 of 2008.

# Conclusions and Next Steps Beyond 2008

This Plan, created through the diligent, sustained work of over 50 agricultural organizations and well over 100 volunteer members — and with input from citizens from across the state through Public Forums — represents a significant benchmark for Kentucky Agriculture.

Since passage of Kentucky's House Bill 611 and the historic transformation of Kentucky agriculture that occurred through the landmark Master Settlement Agreement plus the ensuing federal Tobacco Buyout legislation, the need for all segments of the industry to join forces and to establish a contemporary Vision and common agenda for the future has been imperative.

## ***That now has been accomplished.***

The Strategies, Goals and Actions contained in this document reflect both aspirations that Task Force members hold for the future, as well as a snapshot of the state's conditions, needs and opportunities at this time. "What is realistic?" "What can we really achieve?" These questions were asked over and over by Task Force members, in an effort to provide a disciplined approach to the strategy's development. The Task Force leadership has worked hard to avoid a natural tendency of planning efforts to set goals that are too idealistic, too distant in time, or that require authority and resources outside the scope of the planning group. As a result, the Task Force largely focused on actions within the control of Kentucky's decision-makers — whether local elected officials or individual farmers, farm organizations or agribusinesses. The Task Force recognized that many of the factors driving agriculture are national and international in nature; they therefore avoided setting goals that depend on federal actions or international events that cannot be readily influenced.

However, creating the Plan — while requiring a huge effort and commitment — is only a start. Plans require implementation — otherwise they become meaningless collectors of dust on the

shelves of administrators. ***Kentucky's agricultural leaders, assembled through the Kentucky Agricultural Council, determined that this plan will be implemented.*** Indeed, even before the Plan was completed, Task Force members voted to move forward with a number of priority actions that required early consideration by legislators preparing for the 2008 Kentucky General Assembly.

Above all, the Plan is intended to be a living document. Timelines for achieving a majority of the Plan's Goals and Actions will require aggressive efforts in 2008, 2009, and in some cases, 2010, in order to meet the Benchmarks that were set. Many of the Plan's most ambitious recommendations will require that implementation continue into 2011 or 2012, before evidence of substantive progress will be visible. For these reasons, the Kentucky Agricultural Council anticipates revisiting the Plan each year for the next five years. The Council will create a report card on progress, determine what is being achieved and where achievement is lagging, and seek to continually update and renew the Plan in successive years. The Plan must stay fresh, vital and relevant to current events that create continuous change.

The Kentucky Agricultural Council has challenged itself as an organization to respond to the opportunities identified in this plan by taking steps to mobilize its members and the Kentucky agricultural leadership. Those who participated in this plan are urged to stay the course and to help put in place the capabilities that will be needed to see the five-year plan through to implementation, and to ensure that progress is measured and that the plan is continually updated. This is the bold undertaking that has just begun.

## Section Two: Overview of Kentucky's Agricultural Strategic Plan and Process<sup>6</sup>

Since passage of the federal tobacco buy-out in October of 2004, Kentucky agriculture as a whole has not had a unifying focus or strategy to guide its future growth and development. Various organizations and agricultural sectors have established plans for their respective interests, but not for the industry as a whole.

In the fall of 2006, Kentucky's Governor Ernie Fletcher secured the support of key agricultural leaders to address this need by developing a bold and broadly inclusive strategic plan. On March 15, 2007, over 450 Kentucky agriculture leaders attended the first **Governor's Summit on Agriculture**, where then-Governor Fletcher issued this challenge in person to the assembled leaders.

The day-long event at the Kentucky Exposition Center featured nationally known business and economic experts, as well as representatives from all segments of Kentucky's agricultural industry. Governor Fletcher called on the Commonwealth's agricultural organizations, agribusiness and farmers to develop an action-oriented strategic plan which would build on Kentucky's agricultural strengths and propel all of Kentucky agriculture into the future. The Plan needed to address state, federal, and non-governmental components; to prioritize issues facing the industry, establish action plans, and set benchmarks for accountability.

A major strategic intent of the new plan was to assess how the public views the agricultural sector, including their perspectives on the use of technology and on farm policy. Governor Fletcher emphasized the importance of securing strong public support for farm programs and for environmental and resource use issues important to agriculture's success. Finally, he encouraged the State's agriculture leaders to complete the plan before the Kentucky General Assembly's 2008 Legislative Session, in order for it to be timely and actionable.

State Agriculture leaders including Commissioner of Agriculture Richie Farmer, Kentucky Farm Bureau President Marshall Coyle and University of Kentucky College of Agriculture Dean Scott Smith accepted the governor's challenge on behalf of Kentucky agriculture. Because of its broad representative base and its independent status, the **Kentucky Agricultural Council** (KAC) was asked to lead the plan's development. During the Governor's Summit, Dr. Tony Brannon, Dean of Agriculture at Murray State University and Chairperson of the Council, kicked off the initiative by presenting a project roadmap, including steps through which input would be obtained from all sectors of agriculture and agribusiness, and from the public at large.

Over the next 45 days, agricultural organizations and entities across Kentucky nominated representatives, alternates and staff members to serve on the Council's Task Force. The Task Force met for the first time on May 2, 2007. Reflecting the sense of urgency that agricultural leaders brought to this initiative, a goal was set to complete the plan by December of 2007.

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6. For additional information on every phase of the planning process, the reader is referred to the web site of the Kentucky Agricultural Council, [www.kyagcouncil.org](http://www.kyagcouncil.org)

## VISION, PRINCIPLES AND OPERATING PROCEDURES

In order for such a sweeping effort to achieve its aim and to be widely embraced, participants in the Task Force on the Future of Agriculture adopted at the outset the following **Vision Statement**:

***“Together we will develop the conditions that will enable our agricultural sectors and our rural communities to prosper.”***

*Principles* to guide the planning process and to ensure its inclusive thrust also were developed:

- ❑ Focus on planning for the prosperity of agricultural sectors in general; *all segments* will thus benefit.
- ❑ The economic future of rural communities and our agricultural sectors are linked to each other.
- ❑ To be enduring the Plan must reflect the interests of all participants; engage the commitment of all participants; and be based on sustainable agreements.
- ❑ The Individual organizations participating in the planning process pledged to incorporate the Plan’s overarching priorities, action plans and benchmarks into the strategic plans of their respective organizations.

*Operating procedures* defining the respective roles of the Kentucky Agricultural Council (KAC) and the Task Force on the Future of Agriculture included the following key provisions:

- The process was overseen by the KAC’s Executive Committee; a *Staff Working Group* was established to organize the day-to-day activities and provide guidance to the planning activities.
- Task Force Members and Alternates signed a “*Member Organization Responsibility Agreement*”, reflecting their commitment to participate actively in the process and to abide by the Task Force’s principles and operating procedures.
- Task Force *members* were responsible for developing the plan and for bringing to the Task Force the critical challenges and emerging opportunities identified by their respective organizations, while keeping in mind the vision and principles of the Task Force.
- Ideas and proposals were evaluated based on the degree to which they contributed to achieving the Plan’s vision. The Task Force worked under the maxim: “*When we disagree, we disagree with the idea not the person; everyone should feel free to express and try out ideas, even outrageous ones*”.
- Task Force members were responsible for providing timely reports on the progress of the planning process to the leaders and members of the organizations or groups they represent and providing continuous feedback to the Staff Working Group.
- The Staff Working Group was responsible for developing drafts for the Task Force to consider and sought to reflect the Task Force consensus in all documents. Their efforts were guided by the Task Force’s commitment to help all sectors of agriculture to prosper; and to think creatively about the challenges and opportunities confronting agriculture and rural communities.

# The Planning Process at a Glance

## **INITIAL TASK FORCE MEETING: MAY 2, 2007 — ELIZABETHTOWN**

Task Force members heard presentations by Kentucky Agricultural Council leadership and agricultural experts on strategic planning; and participated in brainstorming and visioning exercises designed to stimulate thinking about the wide range of issues facing Kentucky agriculture and Kentucky's rural regions, and to surface an initial set of challenges needing to be addressed.

## **QUESTIONNAIRE**

The input of Task Force Members was solicited through a written questionnaire in which they were asked to address the following questions:

- “What are the critical challenges or emerging opportunities that need to be addressed for *all agricultural sectors* in Kentucky to prosper?”
- “What are the critical challenges or emerging opportunities that need to be addressed for *your sector* of the agriculture industry to prosper?”
- “What are the critical challenges or emerging opportunities that need to be addressed for *our rural communities* to prosper?”

For each item, respondents were then asked to respond on three dimensions: “What is the most important thing that must happen to address the challenge or to take advantage of the opportunity? Where does the responsibility for this action lie? What resources are needed to make this happen?” The responses were returned to the Staff Working Group, tabulated and summarized.

## **SECOND TASK FORCE MEETING: JULY 12 – SOMERSET**

The Task Force heard presentations regarding the state of the Kentucky farm economy; the effects of changes in the tobacco industry and government payments; and a review of past strategic plans for Kentucky agriculture. Results of the Task Force questionnaire were presented, and issues were organized into six groups that formed the initial template for this plan:

- Education
- Rural Communities
- Labor
- Alternative Fuels / Energy
- Healthcare
- Agricultural Production & Marketing

Task Force members divided into six roundtable discussion groups to review the questionnaire results in depth, and to begin developing specific strategies, key actions and benchmarks or accountability measures for each of the identified topics or issue areas.

## **THIRD TASK FORCE MEETING: JULY 25 – MURRAY**

Based on the preliminary results from previous meetings, the designated chairmen developed, presented and led discussions within each of the six issue roundtables. Reports were then presented to the full Task Force, including broad issues that were identified and the strategies that were identified to address them. An initial set of actions, benchmarks and short-term goals were proposed for inclusion in the plan.

## **AGRICULTURAL DEVELOPMENT FUNDING APPROVED**

The Kentucky Agricultural Council made a request to the Agricultural Development Board for funding to support the Strategic Planning initiative. The application for \$25,000 was approved at the Board's June 15 meeting, allowing the KAC to hire planning consultants and to underwrite printing of the final document.

## **FOURTH TASK FORCE MEETING: AUGUST 16 – LOUISVILLE**

The Task Force met to review and agree on draft summaries of the Strategies, Key Actions and Benchmarks for each of the six issue topics. These documents formed "building blocks" for the plan during its development. A balloting system was used to give preliminary feedback on the degree of consensus that existed within the Task Force, and to help identify the priority issues or strategies, emerging from the planning process. These results were used to guide preparation of the final plan, in conjunction with new ideas and feedback that was obtained through a series of Public Forums held at six locations around the state.

## **PUBLIC FORUMS**

From the beginning, the Kentucky Agricultural Council's leaders believed that a critical step in the process would be to obtain public validation of the plan's over-arching assumptions and strategic direction. It also would be extremely important to solicit new ideas from a wider public, which could then be incorporated with those already recommended by the Task Force members. To accomplish this and ensure the greatest possible involvement of agricultural and rural citizen interests, the Task Force expanded on its original intent to hold three public forums and instead scheduled six forums across the state. These were held between October 12 and 21 in the following locations: Bowling Green; Owensboro; Murray; Somerset; Morehead; and Lexington.

All 50 organizations participating on the Task Force were asked to publicize the Forums to their respective members. Local and statewide media were informed, to ensure that independent citizens as well as members of agricultural organizations were aware the Forums were being held, and given a chance to participate. Consistent with the transparency maintained for the planning process from its beginning, publicity for the Forums called attention to the Kentucky Agricultural Council's web site, — where complete details of the planning process, meeting minutes, and drafts containing a full list of the recommended Strategies, Goals, Actions and Benchmarks were posted for public inspection.

The Public Forums were consistently well-attended by a diverse audience in each community and region of the state. Literally hundreds of specific actions and goals were cited, along with aspirational statements and anecdotes that were at times deeply moving. Youth from the State's FFA programs appeared at every forum and spoke eloquently regarding their views on agricultural education and the opportunities for in agriculture that lie ahead. Frustrations also were expressed, particularly related to the lack of public understanding of agriculture, its realities and needs, and its benefits to the Commonwealth.

Overall, the forums confirmed that both the broad thrust and the individual "building blocks" of the emerging plan were on target. A majority of the recommendations surfaced during the Forums mirrored the Strategies, Goals and Actions contained in the preliminary drafts generated by the Task Force — thus reinforcing the plan's current direction and providing substantiating detail that would help improve its focus. At the same time, several over-arching themes became apparent, echoed consistently by participants in all areas of the state. These cut across all the "details" and revealed deeper currents of concern on the minds of Forum participants, and underscore themes they want Kentucky policymakers and the State's agricultural leadership to address. Chief among these were the following:

- ❑ An overwhelming sense that more should be done to improve public awareness of agricultural issues and to project a positive, accurate and up-to-date image of agriculture
- ❑ A resounding emphasis on education at all levels, including elementary schools through continuing education and professional development for adults, as well as stronger support for higher education and research that can help to make farmers more successful
- ❑ A sense that young farmers are eager to embrace a spirit of entrepreneurship and that established farmers must begin to think and act as entrepreneurs
- ❑ A view that farming has become a “high technology industry,” but that education, training and public perceptions have not yet caught up with this reality.
- ❑ An appreciation that “diversification” of Kentucky’s farming is essential in the post-Tobacco Buyout era; that diversification efforts must continue to evolve rapidly and to be strongly supported by public policies, investment strategies, and support services.
- ❑ A desire for Kentucky to successfully capture its share of the “agri-energy” market, especially if national policies lead to a significant increase in the demand for renewable fuels.
- ❑ Concerns with the supply, regulation and costs of agricultural labor — cited as potential bottleneck for diversification of Kentucky agriculture into value-added (but labor-intensive) crops and horticulture.
- ❑ That market intelligence and training to tap into emerging agricultural opportunities — including value-added production, processing and marketing approaches — is essential to bolster farm profitability.
- ❑ A concern that potentially the greatest challenge to Kentucky agriculture is creating positive conditions that will attract young people to farming and agricultural careers, and that make it possible for them to be successful economically.
- ❑ A growing sense of urgency regarding rural land use planning and conservation, fueled in part by concern with rapid “suburbanization” of rural communities and the increasing conflicts between production farming that has resulted.
- ❑ An acute awareness that Kentucky contains many distinct regions, each with differing challenges and needs, and each also offering different opportunities for new and expanded agricultural development; the new Strategic Plan should reflect these identified regional differences.
- ❑ Enthusiasm for the “Kentucky Proud” food marketing initiative and a desire to see the program expanded.
- ❑ An underlying belief that “agriculture” and “economic development” are one and the same in rural communities, and should join forces

A detailed summary of the Public Forums input is posted on the project’s website at [www.kyagcouncil.org](http://www.kyagcouncil.org)

## **FIFTH TASK FORCE MEETING: NOVEMBER 9 – LOUISVILLE**

Following the Public Forums, the Task Force met in its next-to-final working session to review the Forum findings, and to react to a final outline identifying the major themes that emerged from those sessions; the proposed structure for the strategic plan document recommended by the Staff Working Group; and a detailed review of each of the goals and specific actions that would be included within the six major topic areas of the report.

The Task Force identified a number of improvements to the structure of the document, and increased the emphasis on major themes such as consumer awareness, youth education and the “return on investment” provided by Kentucky agriculture; they also identified some additional Actions for inclusion in the Strategy. The Task Force then voted their approval of these final changes, and authorized the Staff Working Group to prepare the final draft report based on the discussion and detailed review conducted that day. The Task Force also approved a draft document, entitled *Priority Policy and Legislative Actions to Advance Kentucky Agriculture*, which subsequently was presented on November 14 to the Rural Issues Subcommittee of the Interim Joint Committee for Agriculture and Natural Resources.

## **CONCLUDING TASK FORCE MEETING, FRANKFORT**

The last meeting of the Task Force occurred December 17, at which time the Task Force reviewed and approved a final draft of the strategic plan, and began preparations for its public release.

# Historical Context for a New Strategic Plan

## **Ag. Project 2000**

In an effort for Kentucky to more fully realize its long-range development possibilities in the agricultural sector, *Ag. Project 2000* came to be in 1992 and its report by the same title was released in 1993. *Ag. Project 2000* remains valid as the comprehensive master plan for Kentucky agricultural economic development upon which we are building today. This comprehensive master plan called for increasing on-farm production capacities, greater efficiency for greater profitability and expanding value-added industries in Kentucky. Each of these is interrelated, reinforcing the others to build a strong Kentucky economy.

The University of Kentucky College of Agriculture, the Kentucky Farm Bureau Federation, the Kentucky Department of Agriculture, the Kentucky Agriculture Resource Development Authority and all major commodity groups in Kentucky initiated and sponsored the report. Fourteen commodity study groups, made up of more than 200 Kentucky farmers, agribusiness leaders and educators, explored individual subjects in depth. While *Ag. Project 2000* focused on specific commodities, today’s new plan builds upon the success that individual commodities have achieved, and paves the way to developing a broader infrastructure to continue to expand, utilize and market the agricultural resources that exist across the Commonwealth.

While *Ag. Project 2000* represents the State’s last formal strategic plan, Kentucky and its agricultural community have nonetheless achieved many other significant innovations during the last 15 years. Two in particular have gone on to become national models — The *Kentucky Agriculture Water Quality Act* and House Bill 611 which established the Agricultural Development Fund to oversee agriculture’s share of the Tobacco Master Settlement Agreement.

## **KENTUCKY AG WATER QUALITY ACT**

The *Kentucky Agriculture Water Quality Act* was passed by the 1994 General Assembly and was the first legislation of its kind in the nation. It requires conservation planning and created comprehensive guidelines for the state's agriculture in its continuing efforts to address environmental issues associated with farm activities. It established an Agriculture Water Quality Authority representing the agriculture and environmental communities. The intent of the Act is long-term protection of ground and surface water resources. However, the Authority sees many other long-term benefits resulting from implementation of the Agriculture Water Quality Act. This includes, but is not limited to: increased longevity and profits for agriculture operations as a result of enhanced soil health; soil and nutrient retention; improved drinking water supplies; reduced risk to production; flood control; restoration and enhancement of wildlife habitat; increased water quantity capacities; achieving water quality compliance for producers; environmental responsibilities to others off-site, and an overall improvement to the quality of life.

## **MASTER SETTLEMENT AGREEMENT AND KENTUCKY HOUSE BILL 611 (CREATION OF AGRICULTURAL DEVELOPMENT FUND)**

The historic legislation establishing the Kentucky Agricultural Development Fund (ADF), and its related policy-making and administrative structures, represents not only the largest commitment to agricultural diversification ever undertaken in the Commonwealth, but also in the nation.

HB 611 was a visionary act of legislation and public policy, created in the wake of the 1998 Master Settlement Agreement between participating tobacco manufacturers and the 46 settling states. It anticipated the eventual resolution of the national policy debate on tobacco, even though the final outcome was not assured at the time. Through HB 611 Kentucky's agricultural leaders, legislators, and

state government officials united to lay a foundation for the Commonwealth to transition from being an agricultural economy dependent on tobacco production, to an agricultural economy that thrives on diversity.

Initially, Kentucky established a "Tobacco Settlement Agreement Fund" into which funds received from the Master Settlement Agreement were deposited. In turn, the State determined that 50% of the Tobacco Settlement Agreement Fund would be set aside for a Rural Development Fund, also known as the "Agricultural Development Fund" or ADF.

On April 26, 2000, the Kentucky Agricultural Development Board (KADB) was established to administer the ADF. The Board thus oversees the distribution of that portion of the monies from the Master Settlement Agreement that are dedicated to the purpose of diversifying Kentucky's agricultural economy. ADF investments are split between an allocation for county-level projects (35%), and projects throughout the state (65%). One hundred and eighteen of Kentucky's 120 counties receive a portion of the 35% county allocation. The specific funding level of a county is dependent upon its relative tobacco-production dependency to other counties in the state.

The Board's members include:

- Governor, Chairman
- Commissioner of the Kentucky Department of Agriculture, Vice Chairman
- Secretary of the Cabinet for Economic Development
- Director of the Cooperative Extension Service, (Dean of the University of Kentucky College of Agriculture)
- President of Kentucky State University
- Eleven (11) members appointed by the Governor serving staggered four-year terms. Appointments are subject to confirmation by the House of Representatives and Senate.

The staff of the Governor's Office of Agricultural Policy (GOAP) is responsible for supporting the activities of the Board and the ADF, including all accounting, financial and grant transactions, research, and policy recommendations.

Working through some 118 County Councils established by the HB 611 legislation, the Kentucky Agricultural Development Board created a formal investment strategy called *Cultivating Rural Prosperity: Kentucky's Long-term Plan for Agricultural Development*. This plan resulted from over 15 sectional meetings held across the state, in which hundreds of farmers and representatives from agricultural-related organizations and businesses participated. Regional meetings were followed by hearings conducted in Frankfort at which diverse groups testified, including groups outside of agriculture, such as environmentalists. The *Long-term Plan* is available on the website of the Governor's Office of Agricultural Policy at [www.kyagpolicy.com](http://www.kyagpolicy.com), and continues to provide guidance to the activities of the Office and the KADB.

## **NATIONAL TOBACCO BUYOUT LEGISLATION**

Work on a tobacco buyout began in 1997 during the unsuccessful attempt by Congress to enact a legislative health cost recovery measure against the big tobacco companies. The next effort — to tie a buyout to the state Attorneys General suit against tobacco companies — also was unsuccessful. In June 2004, the U.S. House of Representatives passed corporate tax legislation (H.R. 4520) that included \$9.6 billion in compensation to quota owners and growers, and provided for an end to the federal tobacco program. In July the U.S. Senate passed its version of the corporate tax legislation, which also ended the current tobacco program and included \$11 billion in compensation. It also included legislation that would allow FDA to regulate tobacco products.

The two versions of the corporate tax legislation then went to a joint House and Senate conference committee, which successfully resolved the differences and released a report for H.R. 4520 that contained a tobacco buyout. The conference report for H.R. 4520 passed the House on October 7 and the Senate on October 11; the President signed the bill into law on October 22.

The buyout is funded for \$10.1 billion. Funding of \$9.6 billion is to be paid to growers and quota holders over 10 years. The remaining \$500 million is for use in disposition of stocks held by the grower associations and the Commodity Credit Corporation. Cigarette manufacturers and importers fund the buyout based on their share of the U.S. cigarette market. Since the 2004 crop year, there has been no federal program regulating tobacco production. However, the bill did not contain provisions for FDA regulation of cigarettes sought by consumer and health groups.

Together, the Master Settlement Agreement and the Tobacco Buyout legislation represent closure on tobacco production as it historically operated. Of course, while individual Kentucky farmers no longer are guaranteed a tobacco allotment or price support for tobacco, production of tobacco continues to thrive in the State as a market-driven industry rather than as a regulated commodity. The Master Settlement Agreement funding has provided significant resources for State policy-makers to address the dramatic shift in tobacco growing patterns across the state, while the Buyout legislation has provided resources directly to farmers, who no longer grow tobacco under protected status.

# Competitive Position of Kentucky's Agricultural Economy Today

by Will Snell, Ph.D., Agricultural Economist, University of Kentucky

The Kentucky agricultural economy is experiencing some exciting as well as some changing and challenging times. Kentucky agriculture and its rural communities have arguably encountered the most dramatic structural change of any other U.S. state in the 21st century following the tobacco buyout and the injection of significant investments in the state's ag economy. Despite the loss of more than \$600 million of tobacco sales since 1998, Kentucky farm cash receipts have actually established record levels of more than \$4 billion in recent years. Net farm income has also soared to record levels — exceeding \$2.12 billion in 2005, somewhat in response to strong cash receipts, but mostly due to elevated government payments evolving primarily from the tobacco buyout. In fact, only 10 states had higher net farm income than Kentucky in 2005.

Net farm income fell to \$1.74 billion in 2006, just slightly below the second highest level on record of \$1.75 billion in 2000. Despite a late spring freeze and severe drought conditions, Kentucky agricultural cash receipts are expected to establish another record high in 2007, as strong commodity prices for grains, cattle, hogs, and dairy — along with an expansion in acres for many crops — may more than offset low yields resulting from unfavorable growing conditions. Cash receipts are expected to remain near or above record levels in 2008 based on price forecasts and, hopefully, better growing conditions. Net farm income will also remain relatively high, as continued strong cash receipts will counter soaring production costs (e.g., labor, fertilizer, fuel, feed) and declining government payments (due to lower grain and tobacco buyout payments). Diversification efforts, as a part of more than \$250 million of investments made available from the Master Settlement Agreement, continue to lay the foundation for a changing and expanding Kentucky agriculture for the near future. But Kentucky farmers will also confront many challenges ahead, including the escalating cost of, and limited access to labor, boosts in energy-based input prices, land costs, competition, expected declines in government payments, soaring health-care costs, dwindling tobacco buyout dollars and all the uncertainty surrounding the biofuels expansion.

During this growth period in cash receipts, Kentucky has observed some significant changes in the composition of farm sales. Traditionally Kentucky has seen a 50/50 split between livestock and crops. But in recent years there has been a dramatic growth in livestock receipts relative to crops with the escalation of the equine and poultry sectors, along with a relatively strong beef cattle market. Despite an increase in the diversity of Kentucky agriculture these three enterprises (equine, poultry, and beef) still comprise over 60% of the state's gross farm sales, with a noticeable concentration of sales among relatively few equine and poultry farms.

On the crops side, strong grain prices in response to tight stocks and increasing energy demands have enabled corn to replace tobacco as the state's top cash crop. Tobacco sales have stabilized, as farmers adjust to the free-market environment with additional burley export and dark tobacco demand opportunities. However labor, infrastructure, declining domestic cigarette sales, and burley contract incentives continue to constrain additional growth. Thus, while the gap between livestock and crop receipts may narrow some in the near future, livestock sales will likely continue to overshadow crop sales for the near future.

Although the state as a whole has achieved record ag cash receipts in recent years, these gains have not been equally distributed across the state. Nearly half of Kentucky counties have actually recorded a loss of more than 25% of their ag sales since 1998, with most of these counties located east of I-65. Tobacco buyout dollars have tended to soften the blow to many of these counties, but this only represents a short-term fix as around 50% of the tobacco buyout dollars were distributed in the first three years of this ten year program. Unfortunately, two-thirds of the counties showing a loss of more than 25% of ag sales have income growth less than the state-wide average annual growth rate since 1998. Meanwhile, jobs in these counties have increased by only 2% over the period, compared to a 5.5% gain in the other counties.

Most of the record growth in Kentucky farm sales in recent years has occurred in western Kentucky in response to the rapid increase in the poultry sector, relatively strong grain and dark tobacco economies, and the shifting of burley production to the western 1/3 of the state. In addition, net farm income in western Kentucky has also benefited from relatively high government payments in recent years,

although these payments declined in 2006 and 2007 and will likely remain relatively low in the future in response to high grain prices and changes in the Farm Bill. A thriving farm economy in this region has enabled several of the counties in this part of the state to still have farm sales directly accounting for more than 10% of their total personal income.

Across the entire state though, a diversifying overall economy has reduced farm sales to nearly 3.5% of the state's total personal income from all sources (including government transfer payments). However, aggregating farming, agribusiness sales, and forestry, agriculture still represents nearly 9% of Kentucky's total economic activity. And if one includes food retailing to these other components, agriculture by this definition directly and indirectly contributes about 12% of Kentucky's economy and accounts for about 1 out of every 6 jobs in the Commonwealth. Still, across the state a greater proportion of farmers are depending more and more on off-farm income to supplement their agricultural sales. Consequently, non-farm economic development will be critical to the future of many of these households and their rural economies.

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## Tying This All Together

Since passage of the federal tobacco buy-out in October of 2004, Kentucky agriculture as a whole has not had a unifying focus or strategy to guide its future growth and development. Various organizations and agricultural sectors have established plans for their respective interests, but not for the industry as a whole. Such a strategy is important to Kentucky because some form of agriculture related enterprise can be found in all 120 counties of the Commonwealth. Agriculture does affect **EVERYONE** in Kentucky.

Because of the commitment of the **50 organizations** who are members of the Task Force, we can start the journey toward our vision for the future of Kentucky agriculture and our rural communities: "Together we will develop the conditions that will enable our agricultural sectors and our rural communities to prosper".

**It has been the desire of the Task Force to produce a strategic plan which will increase net farm income and ensure a sustainable infrastructure on which Kentucky farmers depend. Only in this way can we provide the incentive for young farmers to remain in agriculture in Kentucky.**

# Task Force Membership

Agribusiness Association of Kentucky	Kentucky Farm Service Agency
Burley Tobacco Growers Cooperative Association	Kentucky Feed and Grain Association
Center for Rural Development	Kentucky Forest Industries Association
Commodity Growers Cooperative	Kentucky Goat Producers Association
Community Farm Alliance	Kentucky Horse Council
Council for Burley Tobacco, Inc.	Kentucky Horticulture Council
Eastern Kentucky University Department of Agriculture	Kentucky Nursery and Landscape Association
Farm Credit Services	Kentucky Pork Producers Association
Jackson Purchase Agricultural Credit Association	Kentucky Poultry Federation
Kentucky Agricultural Development Board	Kentucky Sheep and Wool Producers Association
Kentucky Agricultural Finance Corporation	Kentucky Small Grain
Kentucky Agricultural Resource Development Authority	Kentucky Soybean Association
Kentucky Alternative Livestock Association	Kentucky Thoroughbred Association
Kentucky Association FFA	Kentucky Veterinary Medical Association
Kentucky Association of Conservation Districts	Kentucky Vocational Agriculture Teachers Association
Kentucky Association of Equine Practitioners	Kentucky Women in Agriculture
Kentucky Bankers Association	Kentucky Woodland Owners Association
Kentucky Cattlemen's Association	Morehead State University
Kentucky Chamber of Commerce	Murray State University Breathitt Veterinary Center
Kentucky Corn and Small Grain Growers Association	Murray State University School of Agriculture
Kentucky Dairy Development Council	Purchase of Agricultural Easements (PACE) Board
Kentucky Department of Agriculture	University of Kentucky College of Agriculture
Kentucky Division of Conservation	USDA National Agricultural Statistics Service (NASS) Kentucky Field Office
Kentucky Equine Education Project	USDA National Resources Conservation Services (NRCS)
Kentucky Farm Bureau	Western Kentucky University

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For more information on the Kentucky Agricultural Council and the Task Force on the Future of Agriculture:

[www.kyagcouncil.org](http://www.kyagcouncil.org)







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