

The Future of Tobacco and Tobacco-Dependent Communities in Kentucky

A project by students in Rural Journalism at the University of Kentucky School of Journalism and Telecommunications



A field of free-market burley ready for harvest in tobacco-dependent Owen County, August 2005

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Cooperating:

Cooperative Extension Service, UK
University of North Carolina
Kentucky Farm Bureau Federation
Bath County News-Outlook
Breckinridge County Herald-News

Casey County News
The Jessamine Journal
The Ledger Independent
Mount Sterling Advocate
News-Democrat and Leader

Director's Note

In 2004, shortly after creation of the Institute for Rural Journalism and Community Issues, Congress repealed the federal tobacco quota and price-support program, which had been a mainstay of agriculture and rural culture in Kentucky and several other states for 65 years. This posed serious challenges for farmers, rural communities and those who serve them, such as the Cooperative Extension Service. Other public-policy questions had already been raised. States were receiving hundreds of millions of dollars annually from the national tobacco settlement of 1998, which helped lead to repeal of the federal program. The two leading tobacco states, Kentucky and North Carolina, each set aside half their settlement income for improving their rural economies, but decided to spend the money in very different ways. Kentucky's approach included a local component that raised issues on a county level.

This combination of developments needed news coverage at the local, state and interstate levels, but coverage was often lacking because local news media lacked information or resources and state newspapers had cut back on their rural coverage. Those phenomena were some of the main reasons that the Institute was created, to help rural journalists define the public agenda in their communities. Accordingly, a class of journalism students at the University of Kentucky took on the assignment of covering the future of tobacco and tobacco-dependent communities. This booklet displays the results of their work in the spring semester of 2005. Meanwhile, students of an Institute partner at the University of North Carolina examined the spending of that state's settlement money, and published a report in 2006. Concurrently, the Institute produced a summary article that focused on the public-policy questions of the settlement spending. That article is also included in this report.

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End of quotas means less tobacco in Kentucky, but not every place in state

By Philip Stith

Rural Journalism

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This story was published in the Breckinridge County Herald-News, the Jessamine Journal and the News-Democrat and Leader of Russellville.

HARDINSBURG, Ky. -- With the end of the federal tobacco program, farmers are expected to grow 25 to 30 percent less burley tobacco than last year, but some Kentucky counties will grow more – signaling a westward shift in the state's trademark crop.

Burley acreage in Kentucky is expected to fall from 114,800 acres last year to 82,200 acres in 2005, according to United States Department of Agriculture estimates.

But in Breckinridge County, agriculture officials predict the county's 2005 tobacco production will surpass pre-buyout levels, and there are signs elsewhere in near Western Kentucky of higher tobacco production.

To the southwest, in Logan County, the end of the quota and price-support system has opened the door for many large-scale farmers to increase their tobacco production substantially. Among them is Page Barker.

Barker plans to increase his production to 100,000 pounds in 2005, from 72,000 last year. These figures place him in the top 10 percent of Kentucky tobacco farmers in pounds grown.

While the amount of tobacco Barker grows is impressive, the amount of federal quota he had is not. He owned only 1,200 pounds of quota, which meant he rented the right to grow and sell 70,800 pounds. At 70 cents per pound, the going rate in Logan County last year, that's not cheap.

But with quotas abolished and his land available, Barker will not have to spend a penny for the right to grow tobacco in 2005. The result could be a huge increase in profits for Barker and other growers who were forced to rent the majority of their quota.

"I'm much better off," said Barker, 40, who raised his first crop of tobacco when he was 16. "I'm \$80,000 ahead before I start because I don't have to borrow the money to rent the quota."



What allows Barker and other Western Kentucky farmers to increase production so substantially is the landscape where they live. Unlike Eastern Kentucky and the adjoining part of Southern Kentucky, which are hilly and tillable mainly in small tracts, Logan County is 90 percent tillable, Barker says.

It is for such reasons that some observers expect the production of tobacco in the Bluegrass State to shift westward, to areas where larger tracts of land are available and -- unlike in much of Central Kentucky -- relatively cheap.

In 2004, tobacco was grown in 119 of Kentucky's 120 counties. As recently as 1997, tobacco was grown on 67 percent of all Kentucky farms. That kind of widespread tobacco production will not continue in coming years, but appears likely to become concentrated in counties like Logan and Breckinridge.

Logan County, west of Bowling Green, has long been a major agricultural county. It lies on the Pennyroyal Plain and the somewhat hilly Clifty Area, a transitional zone that forms the outer rim of the West Kentucky Coal Field (but has no coal).

Breckinridge County, bounded by the Ohio and Rough rivers between Louisville and Owensboro, is similarly situated. It is less industrialized than Logan and is one of the Kentucky counties most dependent on agriculture.

Ricky Miller, a Kentucky State University small-farm assistant assigned to work with farmers in Breckinridge County, said he

believes its significant increase in tobacco production is directly related to the available agricultural land in the county and the average lease price in recent years.

"A large portion of tobacco in Breckinridge County leased for 80 cents [per pound] last year," said Miller. "Some tobacco leased for as much as a dollar per pound."

In 2004, Breckinridge County was the 12th largest burley producing county in Kentucky. Breckinridge County farmers raised 3.6 million pounds or approximately 1,800 acres of tobacco last year.

Breckinridge County Agriculture Extension Agent Carol Hinton estimates that the county will be one of the five largest tobacco producing counties in Kentucky next year at 4.2 million pounds and 2,100 acres.

In fact, Hinton anticipates 2005 will be the first of several years of consistent increases in tobacco production. "We are hoping to double tobacco production in Breckinridge County within the next few years," she said.

Hinton expects a relatively small percentage of growers to stop production in 2005. "Nearly all of the farmers who aren't going to continue growing tobacco are older or had sharecropped their 2004 crop," said Hinton.

"Almost everyone left will grow more tobacco in 2005, whether it is 1,000 pounds more or 50,000 pounds more."

Without the added cost of leasing quota, it is much easier for some farmers to grow more tobacco, perhaps more profitably, but small farmers aren't ready to jump on the bandwagon just yet, if at all.

Some say that small farmers, who have relied on tobacco as a reliable source of income, will become a smaller part of the industry.

Earl O'Reilly, who lives near Hardinsburg, is reducing, not increasing his production this year -- to 5,000 pounds from a relatively modest 8,000. While he believes tobacco will flourish in Breckinridge County in coming years, he doesn't think farmers of his size will be a part of it.

(Continued on next page)



“Eventually it will become concentrated in the hands of a few large growers,” said O’Reilly. “A perfect example is hog farming; when I was a kid there were hogs on every farm on this road, now there are only six or eight hog farmers left in Breckinridge County.”

As tobacco growers increase production, they must become more efficient, Hinton cautions.

With companies paying about 25 percent less under this year’s contracts than last year’s price-supported auctions or contracts, Hinton advocates smarter farming and close attention on the part of growers to achieve efficiency and maximize profits.

“Farmers will be able to double production without doubling acreage by becoming more efficient,” said Hinton. “In the old system people used the same amount of fertilizer every year; now, farmers will have to lower their expenses to make money at a lower price, so they will watch things more closely.”

Hinton said Breckinridge County farmers likely used enough fertilizer on 3.6 million pounds of tobacco last year very efficient.

Kelly Shultz isn’t concerned that increased efficiency by farmers will hurt his seed, plant and fertilizer business.

Shultz, manager of Breckinridge Southern States Cooperative in Hardinsburg, reports a 15 percent increase in sales of tobacco seed, starter soil and Styrofoam float-tray sales this year. He is optimistic those figures will translate to increased profits throughout the growing season.

“We have a lot of good growers that are going to continue to produce a quality product, and [in Breckinridge County] they have a good situation,” said Shultz. “These farmers know how to grow tobacco and they have the infrastructure to expand,” including barn space to air-cure harvested burley.

Shultz said in spring 2005 that he hoped these expanding growers will result in increased chemical sales, sprayer rentals and harvesting supplies that year.

While these expectations are still largely speculative, what is certain is that increased production next year is going to mean more plants going in the ground next month, and that is music to the ears of Joey Graham.

For the past eight years, Graham, who lives near Custer, has sold plants to tobacco growers all over Breckinridge County and beyond. Last year Graham raised enough

plants in water filled float-beds to set 285 acres of tobacco.

If tobacco is on the way out in Breckinridge County, nobody told Graham.

This year he expanded his capacity and is raising enough plants to set 365 acres of tobacco, and still has to turn away customers. During a two-week period this spring when orders were flooding in, Graham added capacity each day just to keep up.

“All 52 float-beds are spoken for already, and I could sell another 20 acres if I had it,” he said.

Graham is not unique among producers of tobacco plants. Steven Hinton, who lives near McQuady in the southern part of the county, said he has also noticed higher-than-usual demand this year.

Unlike Graham, Hinton raises his plants in large hothouses and transfers them to float beds when they are large enough. This year, business is good; all his plants were sold by the first week of February. In fact, he said he was forced to turn away returning customers due to a significant number of his regular customers increasing their acreage.

Two top tobacco states both put half of settlement money into agriculture; North Carolina invests it, funds biotech; Kentucky gives most to farmers

This story appeared in several Kentucky newspapers with this preface: *Al Cross is director of the Institute for Rural Journalism and Community Issues, based at the University of Kentucky, where is an assistant professor of journalism and directs reporting projects by undergraduate students – including one on the future of tobacco and tobacco-dependent communities, which provided some of the information for this article. Until July 2004, he was political writer at The Courier-Journal.*

By Al Cross

No state has put as much of its tobacco-settlement funds into agriculture – half the total – as Kentucky, the state with the most tobacco growers. And the growers, or those who once grew the crop, continue to be the focus of officials who hand out the money.

The \$206 million invested so far in Kentucky agriculture has helped shake farmers' historic allegiance to tobacco, encouraged diversification and upgraded the state's cattle industry, largest in the Eastern U.S.

But the state has put virtually none of the money directly into research and development of biotechnology, which has been a major focus of settlement spending in North Carolina, the top tobacco-producing state.

Meanwhile, some legislators worry that the state is spending the settlement money too loosely, and the head of the office that oversees the spending acknowledges that it needs a larger compliance staff.

When hundreds of millions of dollars in settlement money began to rain down on the states in 2000, there was heavy political pressure on Kentucky legislators and the governor to funnel it into the pockets of farmers – who were going through a series of cuts in the tobacco-production quotas set by the federal government on the basis of cigarette companies' buying intentions.

At the time, the political leverage of tobacco in Kentucky far outweighed its contribution to the state's economy (less than 2 percent of the gross state product) because the economic interest in tobacco was so widely scattered among small growers, fractional quota holders and part-time tobacco workers.

Though Kentucky ranks second in tobacco production, it is first in the number of growers and quota holders. A poll by The (Louisville) Courier-Journal in 1997 showed that 18 percent of Kentucky adults had at least some economic interest in tobacco, and about 160,000 Kentucky households will share in the "buyout" payments that are part of the repeal of the federal program of quotas and price supports.

Those numbers made tobacco growers' political interests almost sacrosanct in the 2000 General Assembly. Former Gov. Brereton Jones, a Democrat, proposed that much of the money be put into a trust fund to cover health costs of the state's uninsured, but that idea got nowhere. (Meanwhile, North Carolina was investing its money and spending only the earnings.)

The legislature and Democratic Gov. Paul Patton soon agreed that half the state's settlement money should be devoted to improving its agricultural economy, with the rest going to health, early-childhood development and other programs. (The legislature has since used the fund for water and sewer projects, more than \$20 million this year.)

There were turf battles over who would control spending about \$100 million a year, the largest discretionary pot of money in the state executive branch. In the end, a new state board representing agriculture, business and other interests was given control of the

money, but 35 percent of it was allocated to counties based on their economic dependency on tobacco, and the spending priorities and immediate oversight were placed in the hands of local boards representing agricultural interests.

The feeling at the time was "We need immediate bang to help our farmers," said Keith Rogers, who has been executive director of the Governor's Office of Agricultural Policy, which oversees settlement spending, since late 2003. In 2000, Rogers was a tobacco, grain and livestock farmer, and district director for 2nd District U.S. Rep. Ron Lewis.

Rogers said the University of Kentucky and other state schools might have wanted some of the money for research in agriculture or biotechnology, but kept quiet because they also wanted to see farmers get direct help and didn't want to be seen as competing with them.

Farmers' political clout was illustrated again in 2005, when the legislature reserved \$114 million in settlement money to make the final "Phase II" settlement payments due to farmers from cigarette companies. The companies eventually lost in court, and the money went back into the Agricultural Development Fund.

But with the buyout, and the departure of many growers from the industry, tobacco appears to have lost

Farming Income: Top 10 Leading Commodities for Cash Receipts, 2004

NORTH CAROLINA			KENTUCKY		
Commodity	2004 % of Total Sales	% of U.S. Value	Commodity	2004 % of Total Sales	% of U.S. Value
Hogs	25.3	14.5	Horses & Mules	23.0	81.8
Broilers	24.9	10.0	Broilers	16.7	3.4
Greenhouse & Nursery	10.1	5.9	Cattle & Calves	15.0	1.3
Tobacco	7.6	40.8	Tobacco	10.2	27.8
Turkeys	5.5	15.0	Soybeans	9.0	2.0
Cotton	3.7	5.6	Corn	8.3	1.5
Soybeans	3.5	1.6	Dairy Products	5.7	0.9
Cattle & Calves	3.1	0.5	Hogs	2.5	0.7
Chicken Eggs	2.9	4.5	Chicken Eggs	2.1	1.7
Corn	2.2	0.8	Greenhouse & Nursery	1.9	0.5

SOURCE: U.S. Department of Agriculture Economic Research Service, State Fact Sheets

much of its political clout in Kentucky. It has declined from its historic position as Kentucky's No. 1 agricultural product to fourth, and the buyout and loss of price supports have encouraged many growers to leave the industry.

In 2005, the state Agricultural Development Board rejected a grant application from tobacco growers, saying that funding tobacco would run contrary to the board's goal of diversification. Not long afterward, the legislature raised the cigarette tax from 3 cents a pack, the nation's second-lowest state tobacco tax, to 30 cents a pack – and Republican Gov. Ernie Fletcher, a physician, wanted more.

Rogers said the initial strategy of immediate, direct payments to farmers was not just a tactical, political move, but logical public-policy strategy – because it gave farmers an incentive to diversify, improve the quality of their livestock or invest in value-added processing of their products.

“We had to have a change of attitude and mindset in the Kentucky farmer to ever move beyond tobacco,” and it has worked, Rogers said. He said that when he started work for the state, “I was shocked by the change I saw” in farmers’ attitudes since 1997, the year before the settlement and the first congressional votes on a buyout.

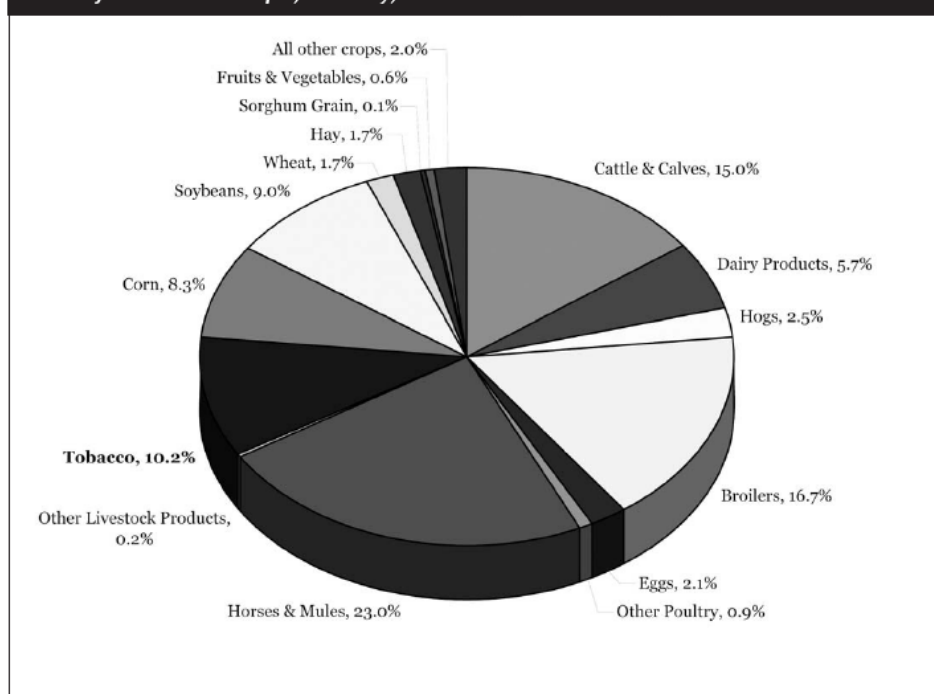
Not only did the money provide incentives, each of the county-level programs – diversification, storage, fencing, forage, cattle handling, cattle genetics and on-farm water supplies – require farmers who get matching grants or forgivable loans to take training in the subject. Rogers said the programs are helping about 12,000 farmers per year.

Some legislators have complained about local management of the programs, and said Rogers’ office lacks the staff to properly audit the spending. Rogers agreed, and asked the legislature for more staff this year, but the request was denied.

Rogers said that auditors have found scattered instances of local groups not following rules for allocation of the money, but that he knows of only one legal action – the indictment of a former agricultural extension agent and a farmer for defrauding a local group handling settlement funds. They pleaded guilty.

At least two other counties had problems following the rules, and in one, Casey, the local cattlemen’s association will no longer get to handle

Source of Farm Cash Receipts, Kentucky, 2004



the money, Rogers said, unless an upcoming audit shows it followed the rules this year. He said controversy over handling the money led to the departure of all the county’s extension agents, who act as staff to the local settlement boards.

The chairman of the Casey County board charged that the cattlemen, who were awarded \$130,180, refused to check for compliance by farmers who received matching grants, refused to seek refunds from farmers whose contracts were voided; awarded cattle-related money to people who had no cattle; and violated state policy by awarding money on a first-come, first-served basis.

The largest share of Kentucky’s settlement money has gone to its cattle industry. Among the state model programs, which are funded at the county level, in which \$96 million has been spent, cattle handling facilities and cattle genetics have received \$19 and \$12 million, respectively. The largest single category, forage, at \$21 million, largely benefits cattle producers. So does livestock fence, at \$9 million, and on-farm water enhancement, at \$1.2 million. Cattle producers also benefit from the storage program for hay, straw and commodities, which has spent \$17 million.

The Kentucky Beef Network, which helps farmers produce and market their cattle, has received more than \$8.5 million from state-level allocations. The largest outlays in that category have been \$23 million to the Kentucky Agricultural Finance Corp., which makes loans, and \$9.3 million for an ethanol plant in Hopkinsville. The Kentucky Horticulture Council has received \$6.2 million.

Concerned that it was not getting enough applications from 19 tobacco-dependent counties in northeastern Kentucky, the board gave the University of Kentucky almost \$1.3 million for an Entrepreneurial Coaches Institute to develop entrepreneurship in the area. The university’s only other grant has been \$28,984 “to study the potential for farmer profit of supplying biomass products to a proposed Eastern Kentucky power plant.”

The only biotechnology grant in Kentucky has been \$255,000 to ApoImmune, an early-stage biopharmaceutical company. Rogers said last winter that the board might add research to its new strategic plan, but that has not happened. However, the Kentucky Agricultural Finance Corp. recently loaned \$3.6 million of settlement money to help a subsidiary of Owensboro Medical Health System buy the Owensboro facilities of bankrupt Large Scale Biology Corp., where tobacco plants are to produce proteins for vaccines.

Rogers’ predecessor, John-Mark Hack, said efforts to fund research in Kentucky faced big obstacles – the desire “to see money in farmers’ hands,” organized resistance to biotechnology, lack of a biotechnology industry like that in North Carolina, and now a state board that is “more dominated by people coming from a traditional farm background and less from an agribusiness background.”

Kentucky legislators wonder if tobacco settlement money being spent too loosely

By Jeffrey W. Fichner
Rural Journalism
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As Kentucky continues to pump millions of public dollars from cigarette manufacturers into diversifying and developing the state's agricultural economy, some legislators say the money is being spent too loosely.

Agriculture gets half of the money the state receives from the national settlement between cigarette makers and states, about \$60 million a year. The largest discretionary fund in state government, it is easing Kentucky farmers' transition from a tobacco-dependent past.

Through June 2005, Kentucky has invested more than \$179 million of public money into its agricultural economy.

The No. 1 tobacco-producing state, North Carolina, set aside half its settlement money to "positively affect the long-term economic advancement of the state," with emphasis on tobacco-dependent counties. But instead of spending the money as it is received, as Kentucky's lawmakers did, North Carolina puts its money into a foundation and uses only the earnings.

North Carolina's foundation has committed \$166 million, mostly to state universities for biotechnology projects that could add value to the state's agricultural output. Of the 2,147 grants or forgivable loans made in Kentucky, only one, a grant for \$255,000, has gone into biotechnology.

In Kentucky, the governor and 2000 General Assembly "saw the ability to address the tobacco issue and help farmers start the transition of diversifying instead of waiting until tobacco was gone and farmers were in trouble," said Kara Keeton, spokeswoman for the Governor's Office of Agricultural Policy.

The office serves as staff for the state Agricultural Development Board, which the legislature created to distribute the diversification money.

The board and the legislature have responsibility for spending 65 percent of the money, on regional and statewide projects; the other 35 percent is distributed to county-level programs endorsed by county agricultural

development councils. A county's share is based on its past dependence on tobacco.

The board has established 11 model programs, such as cattle genetics improvement, as one way to classify county applications into groups.

The money allocated to county projects cannot be touched by state agencies, but the legislature has tapped the 65 percent share to help address other problems around the state, such as need for water lines – and, to a lesser extent, sewer lines.

This year, the state will spend about \$4.1 million on debt service for bonds issued to lay water and sewer lines. In the next fiscal year, beginning in July 2006, the payments will be \$5,358,000 per year, Keeton said.

"There is significantly more county money [available] than state money, because the legislature can address problems and use money out of state funds," said Keeton. In addition to the water and sewer projects, \$9 million in state money "goes to conservation efforts around the state," she said.

Legislators have oversight only

The legislature created the Tobacco Settlement Agreement Fund Oversight Committee to oversee spending of the money.

"We don't have the power to veto anything the Agricultural Development



McGaha

Board does, but we share input on approved projects and express disapproval or approval," said Sen. Vernie McGaha of Russell Springs, the Republican co-chairman of the committee.

"Overall, I think we have been very successful

with a lot of things we have done and we will continue to do agriculture and do it better," said Rep. Carolyn Belcher of Owingsville, the Democratic co-chairman of the committee.

Not every committee member, however, is satisfied.

Rep. James Comer of Tompkinsville, a Republican, and Sen. Joey Pendleton of Hopkinsville, a Democrat, dislike the first-come, first-serve policy that many counties use to hand out funds for some programs.

"I don't think it is the right way to handle it," Pendleton said. "We need better screening of the money to get it to where it needs to be."



Comer

Comer said the first-come, first-serve policy is very controversial. "Some people have to work and have kids, and when the line for applications opens at 8:30 a.m., all the money is gone by the time many can get

there."

On local applications, Comer said, "More and more counties around my area are putting a box to check whether you have received any settlement money before or not. If you haven't, you get first priority over those who have already received settlement money."

Keeton said the state board has set a limit of \$15,000 on funds a person can receive for all model programs except agricultural diversification, which requires a small business plan from the applicant, and a \$5,000 limit – or four bulls – in the cattle-genetics program. The diversification program also prohibits first-come, first-serve.

Some committee members worry about how state money is being used by the people who receive it. They want to be sure that it is first going to help tobacco farmers diversify away from tobacco, and want to also see the money going to help the condition of Kentucky's agricultural economy.

"I don't want to just hand out checks," Pendleton said. "I want to know if there is a buy-in for people receiving the money and want them to help the future of agriculture."

They also worry that the state board doesn't have enough staff to monitor the spending.

"We want accountability for the money, and one problem is the Governor's Office of Agricultural Policy doesn't have the manpower to monitor all the money," McGaha said. "They rely heavily on written reports that come in because there is no time to physically audit that concern."

Keeton said the board and its staff are working daily to ensure people are using the money as they stated in their applications.

"We have had situations where we worked in actual counties to make sure

money was being used properly,” Keeton said, adding that she once went to Owensboro “and went through bank accounts and reports to make sure funds were being spent in terms of an applicant’s legal contract.”

Pendleton thinks for the most part money has been used properly, but he acknowledges there have been cases where money was mismanaged and overall management and projects have failed.

Belcher voiced confidence in the system. “We asked this question in our last meeting and from what the Governor’s Office of Agricultural Policy said, there are sufficient checks and balances with the policies,” said

Belcher.

Comer wishes the oversight committee had more power. “I don’t think the oversight committee has any teeth. I just wish we could deny a project.”



Belcher

At its April meeting, the committee raised concern about a catfish project in Western Kentucky that has received millions of settlement dollars but is in financial trouble.

“The catfish project topped \$3 million for a co-op that only had 30 producers. That is terrible economics,” said Comer.

Comer said he was misled by letters and other reports that indicated the project was a success. “I agree it was good to try the catfish project, but \$3 million? Wow, too much.”

McGaha also labeled the aquaculture project a failure. “Unless a correction is made, that venture has not been wise. It looked good, but was not.”

Forgivable loans debated

The board makes most of its funding is given through forgivable loans, which are awarded to single entities with value-added processes, and straight grants. Keeton said the board has made fewer than 10 straight loans.

To earn forgiveness on a loan, borrowers must buy Kentucky products. “We are giving money to a single entity and want to make sure they are buying products at a premium from Kentucky farmers,” said Keeton.

Comer believes forgivable loans have little risk for borrowers and would like

to see this method of funding changed. “If I have to sign a loan and pay it back, then I’ll make darn sure I will make it,” he said. “Too many people are just taking a shot because they know they won’t have to pay it back.”

Keeton says forgivable loans are much better than awarding grants. “The board gives forgivable loans as an alternative to grants because they allow us to tie the applicant to benefiting other Kentucky farmers.”

Keeton said a previously existing state agency, the Kentucky Agricultural Finance Corporation, was already making loans, while the Agricultural Development Board’s forgivable loans give farmers the opportunity to do something new and help other Kentucky farmers.

“If the applicant does not comply with the terms in their contract stating their specific way of giving back to Kentucky farmers to earn forgiveness, then they must pay all funding back,” said Keeton.

Comer charged that political influence spurred funding of Pig Improvement Corp., a foreign-owned company that he thinks is hurting more Kentucky farmers than it is helping.

Comer said the company is vertically integrated, which means it owns every step in the process of improving pig production. This allows the company to produce all necessary supplies, house and feed pigs and raise them until they are ready for processing. Instead of helping Kentucky farmers, it has put them out of business, he said.

“The Agricultural Development Board gave the company \$800,000 and they never had any county funding, not even Allen County, where the company operates,” Comer said.

Comer said he found out about the project around January 2004 and was preparing to contest the approved funding at the oversight committee’s next monthly meeting, while the legislature was still in session and could take action.

“We are supposed to meet every month, but we did not meet until May because the committee knew I would raise a stink,” said Comer, adding that he believes some of his fellow legislators used their influence to get the project approved.

The co-chairmen of the panel at the time did not respond to calls seeking comment.

The oversight committee is insistent on settlement money going to help tobacco farmers first.

“Our number one direction we went in was to see that tobacco dependent communities

got the money,” said Pendleton. “I always look at how many people a project will affect and is it helping people diversify from tobacco.”

At April’s meeting, McGaha asked how tobacco farmers are benefiting from specific projects. He said, “I always ask one question, where are these tobacco farmers?”

“The whole goal is to help tobacco farmers diversify and we have entrepreneurs out there wanting to get a piece of the pie,” McGaha said, “but we need to meet tobacco farmers’ needs first.”

Despite legislators’ avowed priority on tobacco farmers, state funds have gone to help rural communities improve infrastructure mainly through water and sewer projects. Through March 2005, \$126 million in bonds had been approved for these types of projects.

John-Mark Hack, former executive director of the Governor’s Office of Agricultural Policy, said using the money to help rural Kentuckians access quality drinking water is worthwhile. “I know first hand that there are folks in Kentucky without access to potable water,” he said.

However, Hack questions sewer and water projects funded by diversification money that aren’t in rural areas. Political influence sometimes has an affect on these types of projects, he said.

“In the most recent budget, over \$2 million was earmarked for Louisville and Lexington sewer projects,” said Hack. “I think there would be other resources available to fund these projects instead of diversification money.”

The largest share of money has gone to help raisers of beef cattle. In county money alone, more than \$70 million has gone to programs that are for or dominated by cattle raisers.

In some tobacco-dependent counties where beef has been a secondary industry, it is becoming a leading source of agricultural income. One example is Adair County, in the south-central part of the state.

The Adair County Cattlemen’s Association has received over \$500,000 in funding through six different county model programs, grants from which do not necessarily relate to cattle but can be useful to farmers in the beef industry.

The association received \$110,387 for hay, straw & commodity storage, \$208,000 for cattle handling facilities, \$68,860 for cattle genetics improvement, \$56,000 for farm livestock fencing improvement, \$52,000 for agricultural diversification and \$24,000 for on-farm water enhancement.

Other big investments

Grain farmers have also benefited from the settlement money. The most funding given to a single project, \$9.7 million to help finance an ethanol plant in Hopkinsville, has given Kentucky a big stake in the fuel-alcohol industry and raised corn prices in the area.

“The Agricultural Development Board had already given the project \$6.5 million in grant money, so they decided to provide an additional \$3 million as a loan which must be paid back in full,” said Keeton.

The plant hoped to break even its first year, but ended up turning a profit of \$3.5 million and plans to complete an expansion by the end of 2005. The new expansion will allow the plant to increase its production capacity from 24.3 million gallons to 30 million gallons of ethanol.

Corn is used to make ethanol, and the plant is purchasing millions of bushels of corn from Kentucky farmers. Last year, the plant purchased over 8 million bushels from Christian County farmers alone and the average price per bushel increased 15 to 20 cents, said Pendleton, the senator for the area.

Development funds are also going to state universities to help diversify the state’s agriculture.

The Agricultural Development Board did not receive as many applications from 19 tobacco-dependent counties in northeastern Kentucky as it expected, so it have the University of Kentucky \$1,282,206 to design and implement a leadership program for entrepreneur coaches and facilitators.

The Entrepreneurial Coaches Institute is an effort to stimulate entrepreneurial businesses in those counties. It was one of 16 other entrepreneur organizations invited by the U.S. Small Business Administration to a Washington conference to explore the best entrepreneur teaching tactics across the country.

The board recently set aside \$1 million for a new competitive awards program in agri-tourism, which it defines it as any economic activity that occurs on a farm for the enjoyment or education of the public to promote agricultural products, services, or experiences, which generate additional farm income.

Funding through the agri-tourism program is given in the form of a forgivable loan that the applicant does not have to pay back as long as he abides by the requirements in his contract. However, the applicant must match the state funding.

Eight agri-tourism projects have been approved for a total of \$292,200 in funding.

Evans Orchard and Cider Mill in Georgetown received \$31,900 to help renovate an outdoor shed into a certified kitchen and sales area. The renovated shed will allow the business to expand its cider production and increase their store sales area.

Another business approved for agri-tourism funding is Farmer Bill’s in Williamstown, which, like the Evans business, is near heavily traveled Interstate 75.

Farmer Bill’s received a forgivable loan of \$50,000 in to renovate a tobacco barn into an area for the sale of produce, value-added farm products and crafts, and to provide educational information on Kentucky agriculture. The renovated barn will include a number of homegrown Kentucky farm products to be sold, improving awareness of Kentucky farm products.

This year, the board gave Kentucky Wireless Co. \$15,000 of Robertson County funds for equipment to provide high-speed wireless Internet services in the county of 2,200 people, the state’s smallest.

The current cable technology in the county cannot support a high-speed connection. The company hopes Internet access will help farmers save time and increase profits by tracking information on farming and equipment.

As of March 2005, each program has received the following funding:

Agricultural Diversification, \$9,804,596
Cattle Genetics Improvement, \$9,985,105
Cattle Handling Facilities, \$15,707,269
Dairy Diversification, \$133,700
Farm Livestock Fencing Improvement, \$5,158,410
Forage Improvement and Utilization, \$17,608,134
Goat Diversification, \$2,887,274

Hay, Straw & Commodity Storage, \$12,955,431
On-Farm Water Enhancement, \$984,515;
Shared-Use Equipment, \$350,452
Technology, \$149,000

Casey County farmers fuss over allocations, oversight of tobacco money

By Brittany Johnson

Rural Journalism

University of Kentucky

LIBERTY, Ky. -- Concerns about the management of tobacco-settlement money earmarked for agricultural diversification prompted a state investigation in Casey County.

The controversy has led to distrust among community members overseeing the money and has highlighted loose state controls over other types of money from the 1998 settlement between states and cigarette manufacturers.

Some in Casey County's farming community want to provide more oversight and accountability, and suggest that until state policy provides firmer guidance, similar situations could occur in other counties, if they have not already.

The chief protagonists in Casey County are Marion Murphy, chairman of the local council that endorses applications from local groups for state grants, and Jim Young, who administers several grants for the Casey County Cattlemen's Association.

Murphy made nine allegations against Young in a March letter to Keith Rogers, executive director of the Governor's Office of Agricultural Policy, which manages the settlement money and says it is investigating the charges.

Among other charges, Murphy said Young had refused to check for compliance by farmers who received grants from the association; refused to seek refunds from farmers whose contracts were voided; awarded cattle-related money to people who had no cattle; and violated state policy by awarding agricultural diversification money on a first-come, first-served basis.

Casey County Farmer Larry Dalton said in an interview that he got his diversification funding of \$4,236 on a first-come, first-served basis. The cattlemen's association has received \$130,180 in diversification funds and awarded \$94,059.

Young could not be reached by telephone. A reporter left five messages requesting a response to Murphy's allegations.

In a Feb. 28 letter sent to the council and state officials, Young asked that anyone who "thinks that any program has been administered improperly. . . to please contact me and explain the reasons for thinking so. Knowing the circumstances for a complaint, I may be able to give a satisfying explanation that the Cattlemen's Association has acted properly in the administration of cost programs. Any such explanation will be made in writing and for public review."

First-come, first-serve is allowed in most of the model programs established by the state, including those for cattle genetics and cattle-handling facilities, which Young and the cattlemen's association handled before getting diversification funds.

But the state now encourages local program administrators to use other criteria, and says first-come, first-serve should not be used for agricultural diversification funding.

When the cattlemen's association applied for agricultural-diversification money, President John Gossage wrote, "A committee of three to five is anticipated" to consider grant applications.

Gossage wrote, "James Young, one of the twelve directors of Casey County Cattlemen's Association, will select the members of the review committee and assist the committee in accomplishing its purpose. Mr. Young will also be the person having principal oversight of the program's administration."

Murphy said in a telephone interview, "It's not proper for one man to have all the control."

It is unclear whether Young has established a review committee. He and Gossage could not be reached for comment despite repeated attempts.

The agricultural-diversification funding is intended to help farmers who previously relied on tobacco for their primary income. The grants are targeted to farmers whose goals are to raise their farm's income, and are awarded on a reimbursement basis for qualifying items.

The program makes matching grants available for aquaculture, horticulture, forestry, and production of vegetables, herbs, fruit, sweet sorghum, small

animals, horses, dairy products and direct-to-consumer livestock.

Only the latter two involve cattle. So how did the Casey County Cattlemen's Association come to be responsible for administering agricultural diversification funds?

Rogers, head of the state office, said, it is "not unusual" for one person in a county to administer several programs.

Rogers said he had not replied to Murphy's letter "because we are investigating the allegations he made. He will receive a response as soon as we're finished."

State oversight in question

The state does not require program administrators to check up on grant recipients to make sure they are using money as it was intended, something Murphy said Young has failed to do. However, Dalton, a diversification recipient, said his operation has been checked on more than one occasion.

While the Governor's Office of Agricultural Policy allows first-come, first-serve funding in some programs, it reconsidered the policy because of recommendations from the county level, said Kara Keeton, spokeswoman for the office.

For the past two years, the office has required annual reports on non-model programs. Model programs report quarterly. Asked if the reports make local administrators more careful about their spending, Rogers said, "I think it is. It's the first step."

State officials say they are still catching up with initial programs, and will keep a tighter rein on new ones. They said their next step is wrapping up old programs so it can be more involved in situations like the one that has arisen in Casey County.

"As we get caught up with close outs, we will do spot checks and start to audit on individuals and programs like this," Rogers said.

In February 2004, the office imposed a lifetime limit of \$15,000 that any one recipient can get from any one model program except diversification, for which there is no limit, and cattle genetics, which has a lower limit. The goal was to ensure that the money is

spread around and does not only go to a few individuals.

Some members of the Casey County Agricultural Development Council want to focus on the settlement money's original purpose, to help tobacco farmers recover from the declining tobacco market.

"I just want to help as many tobacco farmers as possible," said council member Betty Lou Weddle.

But some Casey County farmers who have never grown tobacco are being funded, according to Murphy.

In addition to the diversification, cattle-genetics and cattle-handling-facilities grants administered by the Casey County Cattlemen's Association, the county's share of settlement money have also gone to the Central Kentucky Meat Goat Producers Association for goat diversification and to the Casey County Soil Conservation District for forage improvement and utilization.

The programs were approved by the state after being given priority by the county agricultural development council.

After a debate at the council's March meeting, when Murphy objected to Young's broad authority to award money, the council agreed to meet only when it has an application to prioritize.

"I don't know why we even have a board. It has no power, it seems," said Murphy.

The council was reminded of its limited authority after it sent a list of 26 questions to GOAP Project Analyst Maggie May regarding several issues, including its oversight responsibilities.

"The county council is not responsible for money that is awarded to farmers," May wrote. "This is the administrators' responsibility."

May said if the council has questions about grant recipients' compliance with regulations, it should first review the regulations with the local program administrator. Then, if questions arise, the GOAP can schedule a meeting with the administrator to review files. The GOAP may, at any time, request to view the administrator's records when there is evidence of conflicting reports.

The council is made up of six members, each representing a particular agricultural group. Ernest Lynn, of Liberty and Terry Mullins of Yosemite represent the county extension council.

Murphy and Weddle, both of Liberty, are representatives of the county Farm Service Agency committee. Brent Ware of Waynesburg and Roger Weddle of Liberty represent the soil conservation district.

Once this six-person council was formed, these members chose two young farmers, under the age of 40, to represent a new generation of agriculture. Cheston Wilson and Greg Goode, both of Liberty, were chosen to sit on the board.

Grants, fund by fund

Here's a look at each grant recipient in Casey County and the funds each received through February 2005, other than for diversification:

Goats: The Central Kentucky Meat Goat Producers Association has received five grants totaling \$183,149. The program is administered by Ed Lanham and Joyce Cardenas of Lebanon, in adjoining Marion County, who could not be reached for comment despite repeated attempts.

All told, the association has received \$564,306, in funds that were allocated to Casey, Nelson, Washington, Marion, Taylor, Green and Adair counties. Casey County funds account for almost a third of the total and are the largest county allocation.

Forage: The Casey County Soil Conservation District has received \$415,500 for the forage and utilization program. Pat Williams of the local office of the Natural Resource Conservation Service (NRCS), which serves as the district's staff, is the program administrator. The forage and utilization program is to improve fertilization and seeding of pastures and feedlots.

The forage program funding has a limit of \$5,000 per person per grant and requires a lengthy application process as well as a soil sample. The program currently has a long waiting list for funding, said Valerie Floyd, secretary for the Casey County office of the NRCS.

Cattle: The Casey County Cattlemen's Association has received \$233,000 for improvement of cattle genetics, and has awarded \$189,406 to producers. It has received \$577,249 for cattle-handling facilities and has awarded \$441,334.

--Brittany Johnson

A typical county: Mercer uses tobacco money to help raise cattle and goats

By LeeWood Pugh
Rural Journalism
University of Kentucky

HARRODSBURG, Ky. -- As many people in Kentucky move away from tobacco, now that the federal program of quotas and price supports is over, programs have been set in place to find alternatives.

Tobacco companies paid money to states in 1998 to settle lawsuits to recover health costs states had expended from tobacco smoking and related illness. Kentucky's General Assembly chose to put 50 percent of Kentucky's money toward agricultural diversification.

The 2000 General Assembly appropriated 35 percent of agriculture's share of the settlement money to county sponsored projects, and created county Agriculture Development Councils. Counties' allocations were based on how tobacco-dependent a county was and how much federal tobacco quota it had.

"This is the public's money, but the use of it came from a public policy decision made by the General Assembly," said Keith Rogers, with the Kentucky Governor's Office of Agriculture Policy. "The purpose was to have programs that would help build infrastructures on farms that would last and to institute self-help."

The money allocated to agriculture is mainly going to cattle operations. For example, in Mercer County, approximately \$953,582 of the \$1,439,867 sent to the county is being spent in ways that help or could help cattle producers. But tobacco-settlement money is also making a new goat industry a significant part of the central Kentucky county's agricultural economy.

Darrell Waterfill received \$600 in 2004 from the cattle genetics program, after receiving money from other programs. The money has helped him put up water tanks, feeding pads,

(Continued on next page)

Mercer County uses tobacco-settlement money to help raise cattle and goats

(Continued from previous page)

buildings and a watering barn.

Waterfill's improved production sold beef to Laura's Lean Beef Co. The company sets restrictions on the meat they buy from producers, so the genetics program helps Waterfill to have top quality beef. "I couldn't do what I've done without the help of these programs," said Waterfill.

The priorities for each county are established by county agriculture development councils, made up of two representatives each of the county Farm Service Agency committee, the county soil conservation district board, and the county extension council, who elect two other members who must be farmers between 21 and 35. Also one of the extension council representatives must have experience in agricultural diversification.

The Mercer County council is made up of Daryl Agee and Allen Whitenack from the conservation district, Charles Ison and Glenn Devine from the extension council, Dale Cinnamon and Margaret Hopewell from the Farm Service Agency committee and young farmers Brooks Peavler and Myron Ellis.

As of February 2005 Mercer County had received \$1,439,867, including a \$259,910 that is a loan granted to one farm. With the exception of the loan, the money is granted as part of a 50/50 cost share, in which the farmer must pay half.

The county council invited agricultural groups in the county to sponsor a model program, set in place by the state, for farmers to receive money. Each organization had to fill out an application, which the council prioritized as high or low and sent to the state for review.

When the Mercer County council and Kentucky's Agriculture Development Board, which oversees spending of diversification money, examined applications they were scored according to state goals and criteria for each model program.

At the county level, each person who wants to receive money from a program applies to the sponsor. Committees formed by each sponsor review applications using different criteria.

There is a \$5,000 limit for each person on each program.

Members of the committees may also be granted money. Doris Hamilton serves on both committees for the Mercer County Cattlemen's Association has received \$710 for cattle genetics for her cattle farm, plus has been funded for other programs. "We received money through the facilities program and it has really helped improve the working facilities and we've been able to construct a weaning pen," said Hamilton.

The Mercer County Cattlemen's Association has received \$304,750 in settlement funds. Over three years, the money has been divided among more than 200 applicants. Its sponsored programs are cattle genetics improvement and cattle handling facilities.

"These two programs go hand in hand and work very well together," said Doris Hamilton with the association. "One program provides better facilities, so that the genetics work can be done in a better environment."

"The goal of the cattle genetics program is to improve the quality of cattle herds in Mercer County," Hamilton said.

Artificial insemination, bull leasing and purchasing is all part of the program. Bulls must meet requirements that are calculated statistically on how a bull and its offspring will perform. This leads to better cattle production and sales.

Genetic criteria include birth weight, growth rate and maternal traits, which have been set by the state for cattle to meet. Participants must buy a registered bull that meets those requirements.

The cattleman's association gave \$25,750 to 46 farmers in 2004 for genetics. The genetics committee, which reviews the applications and is made up of members of the association, consists of Gary Brost, Doris Hamilton, Jim Mansfield, Dale Peavler and Bob Clark. Of the 149 applications received to date, 139 have been funded.

The handling facilities program received \$50,000 in 2004, but no grants were made due to a lack of applications and interest. A new round began for 2005. Out of 116 applications, 78 have been funded. More grants would have been awarded, but the association ran out of money, Hamilton said.

The handling facilities program is designed to improve management practices and cattle health, adding value to herds. The program helps farmers install equipment

such as watering systems, pens, chutes and corrals, which help producers to give vaccinations with less stress on the cattle.

"Kentucky is making big strides in improving health and producing better feeder cattle," said Hamilton. The handling facilities committee is made up of Hamilton, Jim Mansfield, Mike Ellis, Mark Burberry and Zack Ison.

Committees overseeing the two cattle programs base their grants on the percentage of the applicant's income that comes from farming and tobacco, how important the cattle enterprise is to their farm, why they need the money and how it will help improve their farm. They also look at goals set for the applicant's cattle.

The Mercer County Conservation District is the largest local recipient of money for agricultural diversification, receiving \$588,632 for three programs that can help farmers, especially those who raise cattle, forage improvement; hay, straw and commodity storage; and shared-use equipment.

"These programs will be a big help, especially to cattle farmers," said Linda Lake, administrative secretary for the district.

Garland Yankey, Tony Best, Gayle Horn, Dale Heise, Tom Moore, Bill Royalty and Jim Wheeler make up the elected district board, which reviews applications for the three programs.

The forage-improvement program improves pastures and other feeding areas. Most farmers choose to seed with alfalfa or clover, or to do a heavy-use feeding area, which is cleared off and covered with a non-woven geotextile fabric, a layer of rock and a top layer of dense grade limestone aggregate, so it holds up to heavy traffic of animals.

"Since the tobacco program is going out, people are moving toward cattle, which means raising more grasses," said Lake. "And the heavy-use area helps the ground not to get torn up." This helps farmers to have an easier, cleaner way to take care of their cattle.

In 2004 the forage-improvement program in Mercer County received \$40,000. The application process is now based on a scoring system, after the district abandoned a first-come, first-serve policy. Lake said the board

felt it would be fairer to switch to the scoring system, which is based on an applicant's dependence on tobacco for income. Out of 35 applications, 28 have been approved.

Tracy Stratton received \$2,500 for forage improvement. She plans to put up a hay shed on her cattle and horse farm. This will help improve her feeding environment and hay area. This will allow her cattle to feed better and do so in a healthier environment. And she will probably spend less money in the long run with this more efficient way of feeding. She said she has not done it yet, but must do it with in one year. "I think the programs can be really helpful as long as everyone does their part," said Stratton.

Mercer County's hay, straw and commodity storage program was awarded \$82,500 in 2004. The money must be put toward buildings or protective structures for storing those items. Some of the commodities being stored include corn, soybeans and wheat.

Although applications were turned in, no applicants followed through with the program, some due to not starting their project within the specified time. Lake said that these things happen quite often in many of the programs.

The shared-use equipment program received \$3,200. The district used the money to purchase a no-till drill and sprayer. The sprayer is rented to individuals for spraying herbicides, and the drill is used for seeding- mainly with alfalfa, orchard grass or clover.

The district also has two small projects outside the state model programs. A tree planter costing \$2,245 was purchased for shared use by producers. It is mostly used for planting trees around ponds and rivers to provide shade for animals.

The other project used \$1,500 to purchase a projector, PowerPoint program and screen to make presentations at meetings.

"Everyone seems pleased with what the program has done," Lake said.

The Mercer County Farm Bureau was granted \$149,000 through February 2005 for fencing, another program that can help cattle farmers, and for agricultural diversification, a much broader category.

The fencing program received \$67,500 in 2004. Out of 87

applications, 21 were approved for funding.

As of April 28, 2005, an additional 20 had been approved, but money ran out during the first round. Farm Bureau plans to approve more grants for those who didn't receive any money during the first round.

The agricultural-diversification program was awarded \$25,500 in 2004. Eligible diversification projects in Mercer County are horses, ornamental horticulture, vegetables and herbs, sheep, fruit, greenhouses, forestry, dairy and bees. All can be successful ways to add to a farmer's income.

Donna Stratton received \$1500 through the program to improve fencing and build paddocks for her miniature horses, which she sells. "I have been pleased with the help from the program," said Stratton. She also has Tennessee walking horses and cattle on her farm.

Farm Bureau committee members who review applications are Penny Major, the chairperson, Leon Mayo, local agency manager, George Buchanan, Tom Moore and Garland Yankey. Members of the local Farm Bureau board chose each committee member.

Applications are scored according to the applicant's dependence on tobacco, which counts for almost half the score. The rest comes from evaluations of how the money will be used and if the project can become self-sustaining.

While most of the money sent to Mercer County is helping or could help cattle producers, the state is also helping expand the goat industry in Mercer County with a grant to the Fort Harrod Goat Association and a loan to the Burns-Larkins Farm, which raises boar goats.

The Fort Harrod Goat Association was granted \$20,000 in 2004 for the Goat Diversification program. Anyone participating in the program for the first time is put at the top of the list to receive money, and about half of the people funded through this program didn't own a goat until it began.

The association thought that the first time rule would help as many people as possible, said Michelle McAfee, who is on the association committee and works on the Burns-Larkins Farm. Most producers are members of the association, but McAfee said, because there aren't a lot of goat producers in the county.

Paul Brooks, one of the new producers, has received money for about three years through this program. In 2001 he received his first payment of \$3000, and \$500 in

2002 and 2003 each. The program "was an incentive to get into goats," said Brooks.

Brooks used his first grant to purchase goats. In the years since he has been able to buy more goats, but also buy and erect fencing, shelter and equipment such as pens.

"The program has been a great help and has been successful as far as I'm concerned," said Brooks. He also has worked at garden centers since he and his family moved here from England.

Mercer was one of the first counties to get money for goat diversification.

"There is a big demand for goats, but little production," said Watts. The goats can control vegetation that you don't want on your farm, so goat production can be a benefit to farmers because they can be raised on a big farm or on only a few acres. "We're pleased with how things have gone," said McAfee.

The committee is made up of Michelle McAfee, Bobby Watts, Mike Royalty, Dan Stoltzfus and Gary Bunch, all members of the association.

In February 2002 the Burns-Larkins Farm, on which McAfee and Watts work, was loaned \$259,910.

The farm, which the University of Kentucky was already using for some educational purposes, uses the money to provide educational experiences for students, extension agents and other groups, for goats and supplies to teach other classes on care for goats.

"This works out well for both the farm and goat producers; especially those who are getting into production," said Watts.

McAfee, who along with Watts operates the farm, said "its main purpose is to educate.

Laura Murrell of Texas and Bill Larkins of Virginia own the land and half of everything on it, McAfee said. It was at one time the Burns family farm, and has been in the family for 200 years. Laura's mother was a Burns and married into the Larkins family.

With programs for cattle and goats, and many other programs available, tobacco farmers may have help in what could be a difficult transition.

"It will be hard to farm without tobacco for many people throughout the state," said Rogers. "We have tried to help farmers develop new enterprises so they can continue farming."

Greenhouses that once produced tobacco seedlings are finding a new use

By Kyle Hamilton
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This story was published in the Mount Sterling Advocate.

MOUNT STERLING, Ky. -- In working hours, most farmers near Mount Sterling can be found outdoors, working on their farms.

It's a good chance you won't find T.J. Bigstaff outside, though.

He's probably inside, working in one of the four greenhouses on his farm.

Once built for growing tobacco seedlings, the greenhouses are now being used for Montgomery County Greenhouses, a plant and flower business that Bigstaff started. While he still grows tobacco — he plans to grow 30 acres this year — Bigstaff started the greenhouse business to create income from something other than tobacco production.

A tobacco and cattle farmer for nearly all his adult life, Bigstaff, 50, is just one example of many Kentucky farmers who are moving away from growing tobacco.

The end of the federal tobacco program, and the government-guaranteed prices that went with it, have forced many Kentucky growers to attempt various farming alternatives.

Bigstaff's alternative was his plant and flower business.

In his greenhouses, annuals such as geraniums and petunias are now grown. And while tobacco plants can still be found in two of the houses, vegetables will take their place next year.

That's the reality that's hitting home for farmers all around the state: there's not too much room for tobacco anymore.

But there's always room for more income and for Bigstaff, the greenhouse business has been a viable option.

The 'houses'

Located just a short, gravel-road drive off Paris Pike in Montgomery County, Bigstaff's four greenhouses stand out among the barns that can be seen on neighboring farms.

Built for growing tobacco more than 10 years ago, the 150-by-35-foot



T. J. Bigstaff at work (Photo by Tom Marshall, Mt. Sterling Advocate)

greenhouses are put to a different use now.

About four years ago, Bigstaff and his wife, Becky, were thinking of ways to make up for the decrease in tobacco-income that they expected would come with the end of the federal tobacco program.

It was then that a family friend, who himself had once been involved in the greenhouse business, advised Becky Bigstaff that it might be a good idea for her husband to make the change from growing tobacco to growing flowers and plants in his greenhouses.

Whether he liked the idea or not, T. J. Bigstaff knew they had to do something.

"The big thing is when they started dropping our tobacco bases (quotas) a few years ago," Bigstaff said. "They dropped it almost in half. With the talk of the tobacco buyout going on the last three years pretty heavy, I figured it was time I did something."

And what he did was start Montgomery County Greenhouses.

Bigstaff's banker, Bill Gay of Mount Sterling National Bank, said the business seemed like a good investment because Bigstaff already had greenhouses on his land.

"It seemed like a good transition — from tobacco to flowers and plants," Gay said.

When his wife told him about the idea, T.J. Bigstaff said he thought plants and flowers would be a good fit.

"You just got to find a way to utilize what you've got," he said.

And what he's got now are two of the front houses filled with annuals and two of the back houses filled with tobacco.

Bigstaff said that his company mostly focuses on growing annuals.

"It's probably, I would say 70 percent of everything," Bigstaff said.

In addition to annuals such as pansies, cosmos, geraniums and marigolds, the houses also yield some vegetables like tomatoes, zucchini and squash.

Bigstaff said that in an effort to make Montgomery County Greenhouses get even bigger, he plans to clear the back houses of tobacco.

"Next year, in the back houses, we're going to start growing some vegetables and see how that works," Bigstaff said.

Now, the greenhouses are only used from about January through May. The Bigstaff's say that when they start to grow more vegetables, they will be able to use the greenhouses for most of the year.

Becky Bigstaff, a soon-to-be-retired schoolteacher, plans to take over many of her husband's duties later this year. She explained what types of vegetables they will grow.

"We will plant cold vegetables that you know that can withstand the winter (with the help of a greenhouse)," she said. "They are the varieties of lettuce and carrots and beats and broccoli."

Adding vegetables will be important, she said.

"At least the greenhouses aren't going to be empty. Now, we can use them, rotate them around," Becky Bigstaff said. "We're just trying to think of different ways to use them and keep them occupied all year round."

A learning experience

Taking care of a greenhouse is hard. Although he grew tobacco in the houses for six years before the start of his business, Bigstaff said running Montgomery County Greenhouses has been something like going to school.

"There's just so much that you have to learn while doing something like this," Bigstaff said. "If it wasn't for some of the help I got, I'd be lost in the dark out here trying to do things."

Some of the education that Bigstaff receives is from classes and programs taught by experts at the University of Kentucky and Western Kentucky University.

Bigstaff said that it has been really helpful to be able to consult with experts who have experience in managing greenhouses.

"It's good to have people that would say, 'Now listen, these are going to be your problems: you're going to have this kind of disease, you're going to have this and this, and this is what you need to do,'" Bigstaff said. "Those people have already done the trial and error."

In addition to the help he gets from out-of-town experts, Bigstaff also gets local help from Ron Catchen, the Montgomery County extension agent.

"As the extension agent, I provide educational programs for farmers and I consult with them about insect and disease control," Catchen said.

While Bigstaff notes that people like Catchen have taught him a lot about the business, he said one of the main things he's had to learn for himself is that greenhouse work isn't physically easy.

While Bigstaff is no stranger to hard work — he's worked on the farm all his life — he says that working in greenhouses can wear on him.

"You know, being a farmer, you get used to being outside," Bigstaff said. "Working in the greenhouses is kind of like factory work in that you're in a confined space a lot."

Bigstaff's wife, Becky, knows how much time and effort the greenhouses require. An elementary school teacher, she works in the houses when she can.

"I work on it during most of my free time, seven days a week," she said. "It's a full-time job."

"A lot of marketing"

The biggest change that has come with running his own business, Bigstaff

says, has been adjusting to the market forces that affect most businessmen.

In Kentucky, where the economic effects from the quota cuts and the end of the tobacco program have begun to take effect, the buyout has led to a rise of many entrepreneurial farmers such as Bigstaff.

"It's a lot different in that now I'm fooling with the public, where before I never fooled with the public," Bigstaff said.

"Before, you just took your tobacco to the market and went through the auction and that was it."

Now, it's a lot of marketing. Marketing is a big deal."

Bigstaff markets mainly to individual customers from Mount Sterling. "They all drive out here and buy it, I'd say 90 percent," Bigstaff said. "Very few businesses have bought from us."

But just because the businesses haven't been buying, that doesn't mean Montgomery County Greenhouses isn't doing well.

While he wouldn't say just how well his new business has been doing, Bigstaff indicated that recent revenues have been sufficient.

"Shoot, we're not getting rich by any means, but we're doing okay," Bigstaff said. "(The business) is making some money and it kind of takes the place of the tobacco plants we used to grow."

Becky Bigstaff echoed that sentiment.

"We can't really predict how well it's going to do, but it just seems like from year to year the people just keep coming back," she said.

Bigstaff's banker, when asked how good of an investment the greenhouse business was, said he's not quite sure.

"Only time will tell," Gay said.

Growing up in Mount Sterling, T.J. Bigstaff was born to become a farmer.

His family owning the farm he lives on for nearly 130 years, Bigstaff seemed destined to grow tobacco, just like his family always did.

"My great-grandfather had about 3,000 acres (of land) in different counties," Bigstaff said, "and through tenants, he probably grew about 150 (acres). This year, I'll have about 650 acres in different counties and I'll only grow 30 here (on the farm)."

That decrease in numbers signifies what is happening all around Kentucky.

Many farmers around the state are decreasing their production, which is expected to be down about 30 percent from last year, if growing conditions are comparable. About half of last year's tobacco growers have hinted at growers'

meetings held around the state that they would not continue to grow this year.

It may seem that tobacco growing in Kentucky is dying a slow death, but Bigstaff displays no sadness at that.

"That's just what it is," Bigstaff said. "Everyone knows it's real bad for tobacco, but it is what it is. I figured a while ago that for tobacco, it's about over with."

Bigstaff said that because the government doesn't guarantee prices anymore, he doesn't see much reason to grow a lot of tobacco.

"The agreements the tobacco companies have now (with growers) are worth about as much as the piece of paper they're written on," he said.

As long as cattle prices stay high, Bigstaff said he won't have to worry about growing tobacco. He hopes to just be able to focus on greenhouses and cattle, an increasingly popular source of income for farmers looking for alternatives to tobacco.

Bigstaff knows that with tobacco growing declining, he is somewhat lucky to have greenhouses and cattle considering that to the east, in the hills of Eastern Kentucky, farmers have few options.

Cattle another option

"At least here (in Montgomery County) we still have cattle. Those farmers up there in far Eastern Kentucky don't have a lot of flat land for grazing," Bigstaff said.

Many farmers in Montgomery County are a lot like Bigstaff in that they are cattle farmers. The topography of the region in which Montgomery County is located is a slightly rolling terrain that allows for good grazing. He noted that some cattle farmers, who have long been tobacco growers, are making some good money because of great cattle prices that exist right now.

"Oh man, cattle prices are so high right now," he said. "As long as (prices) stay high, it'll be okay."

For T.J. Bigstaff, high cattle prices will keep him okay. But for many other growers of the leaf, cattle prices may mean nothing. For some, especially those with no farming alternatives or industrial work, the end of tobacco may leave them with no financial options.

For such farmers, Bigstaff said he has no answers: "Shoot, I don't know what they'll do."

In tobacco-dependent Bath, some worry about the future, and some plan it

By Allison King

Rural Journalism, Univ. of Kentucky

OWINGSVILLE, Ky. -- In the quiet towns of Bath County, Kentucky, locals gather to talk about the many changes that are taking place.

Some share stories of their successes in tobacco and tell how they still think it will be a profitable industry, but others share their concerns of what is to come -- not just for tobacco, but for this tobacco-dependent county.

Charlie Kissick and his family, like many in Bath County, have been involved in the tobacco industry since the beginning of the 20th Century. But changes in the tobacco industry mean that Kissick's family will not be participating in any aspect of it for the first time in more than 100 years.

"It feels unusual knowing that nothing is happening on the farm," said Kissick, vice president and chief lending officer of Owingsville Banking Co., who made decisions about the family tobacco crop.

Others in Bath County have noticed that things are changing, due to the end of the 65-year-old tobacco program, which set quotas to limit the amount of tobacco farmers could grow but supported prices for the crop.

Even before the end of the program, some farmers had found it hard to depend on tobacco for their livelihood because of cuts in quotas that followed the 1998 settlement of states' lawsuits against cigarette companies.

John Rogers of White Oak said he is full-time tobacco farmer, and has been raising tobacco since he was big enough to walk. He said that the decline of quotas has hurt his family, but he still plans on growing tobacco.

"I would raise other crops but I don't have enough of a profit to, or the land to grow it on," Rogers said.

He said that also keeps him from expanding his tobacco crop on their hillside farm, because no one else is willing to lease them additional land.

Former Circuit Judge Jimmy Richardson of Owingsville has a positive outlook on the future of tobacco farming in Bath County, but not for small farmers like Rogers.

"Things will be tragic for about three years, but in four years tobacco will be back. The tobacco companies need the



Charlie Kissick (Keith Smiley photos)

tobacco," said Richardson. Burley, the main variety in Kentucky is essential for the blending of American cigarettes.

Richardson said farmers will have larger contracts with the tobacco companies, but there will be fewer farms. This will hurt the small farms, which have been the backbone of the county, he said.

Bath County's location and topography make it a great spot for tobacco farming. It has been a community centered around agriculture in general and tobacco in particular.

J. Morrow Richards, president of the Owingsville Banking Co., said that over the past 50 years, the heyday of the federal tobacco program, small farming became a comfortable way of living for many residents of Bath County.

The heritage of tobacco runs deep in the county, where the hills of the Outer Bluegrass Region join the Daniel Boone National Forest. According to the Kentucky Long-Term Policy Research Center, it is one of the counties most dependent on tobacco production.

When Charlie Kissick's grandfather was living, Bath County was even more dependent on tobacco. Kissick said his grandfather was an active tobacco farmer until he died at the age of 97 about a year ago, and found the changes difficult to accept.

Kissick said it wasn't easy for him to decide not to take part in growing tobacco because it had been such a big part of his family history, but he foresaw the changes coming as far back as the Clinton administration, which tried to regulate

nicotine as a drug, and knew that his family could no longer continue in the industry.

Kissick said the main reason he does not plan on raising tobacco any more is the drastic decrease in profits from the crop. In the past 10 to 15 years, Kissick said his profits dropped more than 50 percent. He blamed this on the decreases in quotas after the 1998 settlement. For him, the tobacco industry, which was once considered to be a dependable source of income, had become a questionable industry.

Kissick said most people in tobacco foresaw the possible changes within the industry. He also said younger people are less interested in farming and do not want stay at home to help on the farm, which forces farming families to look for other sources of help. The extra money spent for hired help can be too significant for some to handle, therefore causing them to look for other sources of income, he said.

Even before the tobacco industry ran into trouble, many local residents began working in surrounding counties. Recent surveys show 28 percent of Bath County residents work outside the county.

In recent years, most tobacco farmers in the county of 11,000 have held full-time jobs away from the farm and used tobacco as a supplemental source of income rather than a primary one.

Many have recognized that with the uncertainty of the tobacco industry they need a more reliable source of income, as well as one that offers health-insurance benefits, said Gary Hamilton, Bath County extension agent for agriculture.

With the lack of available industrial jobs in Bath County, residents look to surrounding counties for employment opportunities. Montgomery County, the home of Cooper Tires and other industries, employs a large number of Bath County residents.

"Cooper Tires pays their employees well and they also have great benefits," said Kissick. A high school diploma is all that is required for employment, so to many Bath County residents this is one of the best jobs they could possibly find. About 60 percent of local adults have high-school educations.

Currently, the two largest employers in Bath County are the county school board, which is the largest employer, and Custom Foods, which employs around 100. Conditions of the water and sewage treatment plants in the county seat of Owingsville have left the county unable to support larger industries or an expansion of Custom Foods.

The city is working to upgrade both plants, but some in the county, such as Paula Wyatt, former president of the Owingsville-Bath County Chamber of Commerce, say these changes should have occurred a long time ago.

Wyatt says Bath County is no longer a farming community. "People have come to realize that tobacco is over," said Wyatt.

Not only have the farmers struggled because of the decline of the tobacco industry, Wyatt said, but so has the community as a whole. Many small-town businesses were dependent upon the money that came their way after tobacco sold. Without this money being brought into the town, these small businesses have been forced to close. Wyatt said that she could remember when the town once had four grocery stores, three clothing stores, and most families farmed full time, but things have changed.

This is partly due to the locations of larger businesses, such as Wal-Marts, in the surrounding towns of Morehead, Flemingsburg, and Mount Sterling. With these large businesses, trade has been drawn away from Bath County.

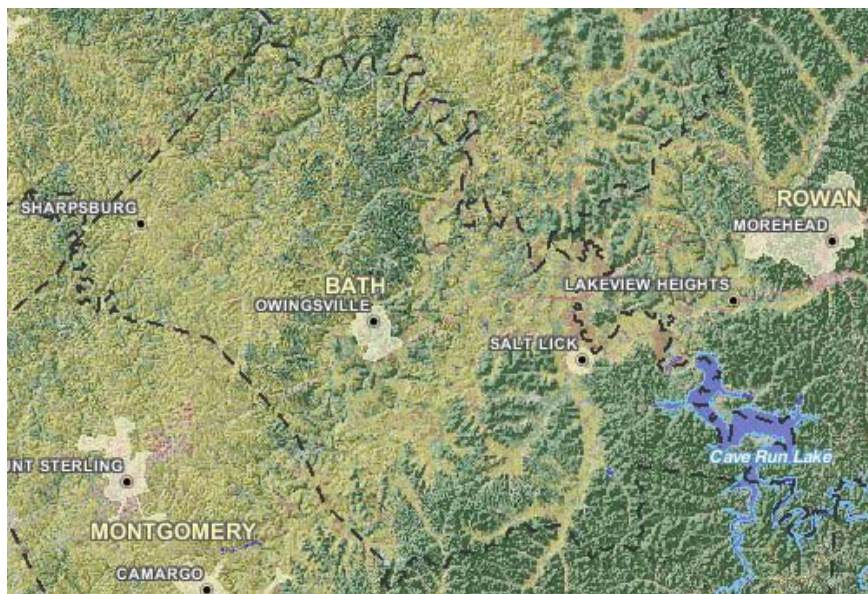
Owingsville is seen as a satellite of Mount Sterling, she said, and more stores in Bath County close on Saturdays around noon because residents tend to travel outside the county to do their shopping.

"We've grown kind of pessimistic because we've lost so many types of businesses," said Wyatt.

Considering all the changes that have affected them, Bath County residents have been resourceful and will be able to handle the loss of the tobacco program, said Kissick.

Some residents have looked for opportunities in farming outside tobacco. The main form of agricultural diversification has been cattle.

The beef cattle industry has boomed over the past few years and became the leading source of agricultural income for Bath County in 2000, when cattle



prices rose and helped make up for lower tobacco prices, Hamilton said.

"About 90 percent of farmers in Bath County who grew tobacco now raise cattle," Hamilton said.

Roger Stephens, manager of Southern States Cooperative in Owingsville, said he keeps selling more cattle feed. "Everyone puts on as many cattle as possible," he said.

Though many have high hopes that cattle could be the answer to the decline in the tobacco industry, others have a pessimistic outlook on the subject. Richards says that he does not think that high cattle prices will last much longer.

Though diversification has helped some farmers, others have doubts that anything will be able to replace the once-dominant tobacco crop. Tobacco growers wonder if the crop will ever be as profitable again, or whether it is worth it to put the extra time and money into growing a new crop.

These are just a few of the questions running through the minds of Bath County tobacco farmers. Some feel that it is time to say goodbye to their farming days, while others continue to hold on to tobacco.

Tobacco is, for the most part, an easy crop to grow, said Kissick. It takes a lot of work at certain stages of the growing process, but once those are completed there is not much else to maintain. With other crops there is much more to maintain and more workers are needed.

"There is nothing else you can work for in this short of time," and make a decent profit, said Kissick.

County Judge-Executive Walter ShROUT, who raises tobacco, said diversification is

not a viable alternative for many farmers. He said tobacco will continue to be raised in Bath County, but at a smaller level.

Some county farmers are looking for alternative means of income other than cattle and tobacco. Some have turned to vegetables such as corn, peppers, and mushrooms, while others are taking new ventures into aquaculture, such as raising shrimp, and have found a little success.

Kissick and his cousin took a venture into growing grapes, but it has not been as successful as they had hoped.

"We set out two acres, or 1,000 grape vines, but it was very labor intensive," said Kissick.

The grapes took constant care and upkeep, the chemicals used on the grapes were very expensive, and there was a lack of workers who knew how to work with grapes, he said. Another drawback is a delayed return on investment.

He said it takes three years to get only a half a crop of grapes and it is recommended that you wait until the fourth year to actually sell a crop. By the fourth year, Kissick had earned around half of the profit he first expected.

"This had me on the ropes until my cousin bailed me out," he said.

With the help of his cousin, Kissick plans to continue growing grapes. He is now in his fifth year growing and says the enterprise looks more promising.

Bath County's Chamber of Commerce, composed of 55 volunteer business professionals, is trying to

encourage local citizens to look for means of income outside of tobacco.

"The chamber is trying to encourage people to do different things," said Wyatt, a volunteer for the organization.

Carole Risen, a Bath County extension agent for 29 years, said residents of the county are coming together to build a new agriculture center. The Bath County Agricultural Educational and Marketing Center will include a farmers' market, a processing kitchen, a meeting facility, and possibly a retail center.

This new center, which was a local concept, has been in the works for six years and will be largely completed this year. The processing kitchen, which can serve as a incubator for commercialization of agriculture projects, is expected to be completed by September.

The center has been funded by a variety of sources, such as the state Transportation Cabinet, the Rural Development program of the U.S. Department of Agriculture, the local extension boards, and the \$1.5 million

in state agricultural diversification funds from the national tobacco settlement.

Bath County has had a farmers' market for 20 years, but the center will allow it to expand. It is located on Interstate 64, which should draw traffic. Risen is hoping that many residents and non-residents will take advantage of the center.

Risen said she expects the center to be successful, but she fears local producers will not have the supply to meet the demand.

Before breaking ground for the new center, residents of the county looked around the country at other farmers' markets. They found a market in Ohio that has brought in several million dollars to its community; this is what the Bath County residents are hoping their new center will do for community, Risen said.

Moving away from the tobacco market is something farmers are having problems with because it was such a successful and dependable market. "No one thing will replace the tobacco market," said Hamilton, who also stated, "the more marketing opportunities the better." For Bath County there will be two new

marketing opportunities within the year, the farmer's auction and the produce market.

Things are changing in Bath County, but sometimes change can be good. Folks such as Risen have hopeful spirits about what the future holds for their community. Though it has been difficult for some to say goodbye to the tobacco industry, many are looking ahead to the changes.

"The Bath County Agricultural Educational and Marketing Center will have a big impact on the economy of Bath County," she said. "The potential is great and it is our choice for what we do with that potential."

The Bath County Extension Service Web site is updated daily on the changes occurring with the new center and other events to come for Bath County, at www.ces.ca.uky.edu/Bath.

UK Rural Journalism student Sarah Lutz contributed to this story, which was published in the Bath County News-Outlook.



A sale card from the last auction at a Maysville tobacco warehouse, where many Bath County tobacco growers sold their burley before the end of the federal quota and price-support program did away with almost all auctions after 2005, and left almost all tobacco growers as direct contractors for U.S. cigarette manufacturers.

Photo from Maysville Ledger Independent

Family gains from mushroom raising, Entrepreneurial Coaches Institute

By Sarah Lutz

Rural Journalism

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This story was published in the Bath County News-Outlook.

SALT LICK, Ky. – Some farmers are not seeing as much money in agricultural- diversification projects as they did in tobacco, but the Webb family of Bath County created a successful diversification project and hopes it can set an example for others.

The University of Kentucky and the Kentucky Agricultural Development Board, which uses money from the 1998 tobacco settlement to develop the state's agricultural economy, are promoting alternative crops such as shiitake mushrooms.

When Bill Webb was working for the Kentucky Economic Development Cabinet a few years ago, he had to attend meetings that promoted shiitake growing. That made his previous interest in shiitakes grow, and made Webb wonder if he could make in mushroom farming.

But he was skeptical about the advice at least one expert was giving, so he began his own research about growing mushrooms. His main source of knowledge was Paul Stamets, author of Growing Gourmet and Medicinal Mushrooms. After reading it, Webb said, he realized that there was a better way to produce high-quality shiitakes than the way being promoted by the state.

Webb and his wife, Becky, took classes from Stamets in Oregon, which built on scientific knowledge they already had. Webb said he has a masters' degree in hazardous-waste management, was a naval explosives expert. They met in Bloomington, Ind., when he was at stationed at nearby Crane and she was working on her Ph.D. in kinesiology.

Webb said he decided to get into the mushroom business because he has a large family to support, and mushroom farming is safer and healthier than working with hazardous waste or consulting for businesses that may be unable to pay him at the end of his research. Also, he thought creating a mushroom farm could show other farmers it is possible to create a successful diversification project from scratch.



The Webbs started growing mushrooms in 2001 in Salt Lick, Ky., on 70 acres he leased from his father. He invested a quarter of a million dollars a facility to grow and store mushrooms -- which he said is one of five of its kind in the country, and the only one in operation.

"The lights are on here, but they aren't in the other buildings," he said, adding that the others apparently have not found the right method for making their businesses succeed.

Webb's facility has 10 inches of insulation as well as separate rooms to grow and store the shiitake and oyster mushrooms at different temperatures, humidity levels, and air content.

Inside the facility, mushrooms are grown on wheat bags packed with organic, chopped, pasteurized straw, and cottonseed hulls that have been soaked in water. Mushroom spawn, or seed, are mixed in, and holes are pierced through the 10-inch-diameter bag.

At the first sign of mushroom growth, bags are removed from the spawn room and taken to the grow room where temperature and humidity are controlled. When the mushrooms consume the available nutrients, the dark-brown bags turn yellow, and the mushrooms are on the outside of the bags where a hole once used to be. The mushrooms are then picked off and put in a storage area that is kept at 35 degrees Fahrenheit.

Shiitakes are also grown on sawdust blocks, an alternative to the traditional method of oak logs. The blocks produce shiitakes more quickly and year round, unlike the oak logs.

Webb gets his sawdust from a saw mill in Frenchburg in adjoining Menifee County. He can create 40 blocks a week in his small pressure cooker but with is getting a larger cooker that will make 400 per week. The blocks are created by combining sawdust, rye grains and shiitake spawn in the cooker.

Outside the facility, mushrooms also grown on 18,000 oak logs, stacked crib-style in sets of 20. Each log, four to six inches in diameter, has been drilled on each side with four one-inch holes that hold the spawn -- which is covered with hot wax to prevent contamination.

The logs soak in a water tank for up to 16 hours. Each log is put in the tank every 10 weeks, and Webb puts 100 to 120 logs in the tank each day. To the logs stay damp after removal from the tank, and prevent the mushrooms from rotting if it rains, plastic is placed over the log with a canopy at the top of the logs to keep rain from sitting on the top of the logs and help sunlight reach the logs.

The logs can producing 200 to 300 pounds of shiitakes a week, but their harvest season is only six months, from April to October. From November to February, new logs are cut and prepared for the new season.

Many mushroom farmers don't make it because they grow a large quantity of mushrooms without anyone to sell them to, Webb said. "You sell it, and then you grow it," he advises.

Webb said his main customers are restaurants such as Portofino's, Rossi's and other restaurants in Lexington and Louisville. He said he delivers orders regularly to 32 restaurants and has done business with 44, and will soon be selling to the Wild Oats organic grocery.

Oyster mushrooms come in several different types, offering restaurants a wide choice of looks and flavors.

They include the Hu Oyster, which is a delicate white; Grey Dove, a pale gray; Blue Dolphin, a slate blue grown in the fall and winter; Pink, a tropical, fluorescent pink grown only in the summer; Golden, bright yellow; and the Italian, also bright yellow but with a sweeter flavor than the others.

The oyster varieties grow to different sizes, but nothing too large, the Webbs say, because their Sheltowee Farm practices quality and not quantity.

Producing so many mushrooms, and so many types, required money. “There are many nights were Becky and I will stay up till two or three in the morning researching grants that we can apply for to get money,” said Bill.

The Agricultural Development Board recently made a forgivable loan of \$37,750 to Sheltowee Farm, to expand production and teach would-be mushroom farmers how to enter the business. Webb said Stamets will teach there.

Webb said he hopes to encourage tobacco farmers to learn more about mushroom farming. “It is harder to teach the older generations,” he said, but “maybe we’ll teach them something.”

Becky Webb is also learning. She is a student in the Kentucky Entrepreneurial Coaches Institute, which the Agricultural Development Board funded for the University of Kentucky.

The institute is teaching people how to coach entrepreneurs in Bath and 18 other counties of northeastern Kentucky, the most dependent tobacco area of the state.

The coaches are learning how to show people what it takes to make a living from a diversification project, and how to help entrepreneurs find startup money and give them management advice. They promote diversification, agri-tourism, and technology-based projects.

Webb said her experience as a coach has shown her that people do not want to change. “No one out there to coach, no one doing innovative crops. The same people are doing the same things and something needs to be done.”

But the Webbs themselves could inspire other Kentucky farmers to diversify. They said their Sheltowee Farm it not just about them making a living, but about educating other farmers and create possibilities for them to help Bath County and Kentucky.

Farmers need to be able to look at a diversification project as a chance to grow as a person and to help others, they said. Bill Webb said their project worked because he can handle the physical aspect of farming, has scientific knowledge to apply, and has the etiquette and sales skills needed to go into the cities and make deals.

People and farmers in Bath County need to embrace change and look to the future, he said.

Extension agents help farmers, communities cope with post-buyout era

By **Lindsey O'Donnell**
Rural Journalism
University of Kentucky

SHELBYVILLE, Ky. -- After nearly 65 years of willing participation in the federal government's efforts to control and support tobacco prices in the United States, Kentucky's quota owners and growers are walking into a new era of uncertainty, with questions that are in need of educated answers.

The federal tobacco buyout became an anticipated reality in January of 2005. Around the same time tobacco farmers started to consider their options and started asking extension agents around the state for educated advice and answers.

Kentucky's tobacco growers are making decisions that will ultimately affect the state's economy. The future of local economies of tobacco-dependent communities will primarily depend on how the farmers choose to spend their buyout funds. Will they choose to invest the money into their local economies to enable long-term benefits? Or will they splurge and purchase that brand new Dodge Ram they've been admiring from afar? But where do these people go to get the advice and information necessary to make a short term or long term investment?

Brittany Edelson, an extension agent from Shelby County, is concerned with how the farmers will choose to spend the money they receive from the buyout. "You can lead a horse to water and that's what we'll try and do through education, but people will make their own decisions in the end." Edelson does not try to tell the people how to spend their money. Instead she provides the farmers with options and opportunities. She said, "We can preach all we want but, the people will ultimately invest their money however they please."

This nation's Cooperative Extension network consists of thousands of people who work to serve the daily needs of millions across the country. Kentucky is home to 80,000 farms and about 400 extension agents who work in agriculture, horticulture, and design and operate programs focusing on family and youth.

The cooperative extension service was created in the early 1900's to cater to people's agricultural needs, at a time when the American economy was chiefly agriculture. The purpose was to develop practical applications of research knowledge and offer instruction to people seeking educated guidance; these efforts were financially supported by federal, state and local governments. It was a plan to bring the university to the people, and today the educational service has professionals in every state.

The University of Kentucky extension service tries to fulfill its mission and remain effective by adapting to fast-paced changes and emerging challenges. The country has gone through a complete makeover since the establishment of the cooperative extension service in the early 1900's. Agriculture is no longer the most widely practiced occupation, but it remains important to Kentuckians. Larry Turner, UK's associate dean for extension, said, "Kentuckians have a unique desire to stay on the land. We need to help those folks who want to maintain an agricultural lifestyle."

Will Snell, the extension economist for tobacco, said in early 2005 that the biggest issue facing UK's extension service is the tobacco buyout. Snell has spent the last seven years preparing for the buyout to become a reality -- a reality that became effective in 2005.

It's a situation involving America's tobacco growers and quota holders, the federal government, state governments, the big tobacco companies, financial institutions and cooperative extension agents.

Snell feels the buyout is probably the most significant and far-reaching piece of agricultural policy legislation for Kentucky farmers and rural communities since the development of the federal tobacco program in the 1930's.

The issue remains on the front burner with Kentucky's extension service because so many people and so many communities are tobacco dependent and therefore dramatically affected by the recent events.

For many people, it's all they know. But Turner expressed his confidence in Kentuckians when he said, "People are very tied to the state of Kentucky and



**UK Associate Dean for Extension
Larry Turner**

have an allegiance to the state, and are very capable people."

Kentucky farmers will receive \$2.5 billion from the federal buyout in the next decade, and will have to distribute the money accordingly to 160,000 growers and quota holders. Some farmers will receive payments exceeding \$1 million while other small farmers will receive less than \$2,000.

Many feel that the buyout amount is less than desirable, the loss of Phase II payments is inexcusable, and the extinction of the federal program will cause great insecurities among those who have never had to maintain accurate records of their farming operations.

For many tobacco farmers, it's a new world that offers few guarantees. But extension worries about how people will choose to spend the money they receive from the buyout. They encourage the idea of investing the money into the local economy, especially the economies of tobacco dependent regions.

Various extension leaders have expressed their concerns about farmers making the decision to buy that brand new truck or splurge on a tropical family vacation. These types of purchases won't prove economically beneficial in the long run.

Turner wants the service to provide alternatives to people and make them take the long view. He said, "I don't

think we've got the right to tell them what to do....That's one of the strengths of extension-our unbiased nature and the credibility we have through that."

David Beck, executive vice president of the Kentucky Farm Bureau, agrees that Kentucky is going through a transition, but he is less concerned with how farmers choose to spend their buyout money.

"Some people are underestimating the tobacco farmer and it's almost disrespectful," Beck said. "They are good business people-they are survivors."

Beck said the driving force in growers' decision-making process will be the future of their families and farms. "If they do choose to purchase that new F-150, that will also have an impact on the economy."

UK's extension service works to answer a multitude of questions from its clients but various barriers sometimes prevent the service from getting necessary information.

Turner was surprised at how fast the buyout occurred. He said in early 2005, "We don't have all the answers. At times it's difficult for us to get the information needed. We give people options relating to the information that is known."

When the legislation passed in October 2004, agents worked to figure out the parameters of the buyout, including the effects it would have on the players involved in tobacco production.

"People wanted to know how they would be affected and agents had to scramble to try and understand the production contracts being offered by tobacco companies and to help their clients put the pencil to the paper as to whether the price offered would be profitable or not and under what conditions", explained Lori Garkovich, a professor of community and leadership development in UK's College of Agriculture. "They want simple, authoritative answers that are not always available."

Snell is the recognized expert on tobacco in Kentucky and many high-stressed farmers came to him for answers.

He said, "It's not our role to tell farmers how to spend their buyout money. My main concern is that the tobacco program over the years has provided a means to provide a steady



**UK extension tobacco specialist
Will Snell**

stream of income to many individuals and to lots of relatively poor, lower educated communities.

"My hope is that individuals will invest this money in a manner that will maximize their benefits over a long time frame. Investment could be into future tobacco production, alternative agricultural enterprises, non farm enterprises, stock market, retirement, education, et cetera."

Many people are seeking advice from extension agents because the majority of tobacco farms in Kentucky were small operations that stayed in business with the support of the tobacco program. Now that the program is non-existent, people want to know what the future of tobacco farming holds and many are curious about possible alternatives to tobacco farming.

"It is challenging to meet the needs of everyone, but we do what we can to answer everyone's questions", explained Turner. "It is our job to take the University to the people and serve them hopefully improving their quality of life. It's our obligation to help people understand the opportunities and consequences."

UK's cooperative extension service is a popular resource of information for millions of Kentuckians. Beck said the University of Kentucky has always been well connected with the people.

"Over the last 30 years I have interacted with many members of extension," Beck said. "They have always been involved in tobacco

production benefits by researching tobacco varieties and disease control methods."

Beck explained that UK's extension service has continuously introduced new marketing techniques to tobacco farmers, providing them with information that will hopefully increase success. "Extension has a strong relationship with the farmers because they listen to the farmers. He said, "They look into the future of tobacco farming."

Over time and countless projects, extension has earned credibility by providing the people with unbiased information. Turner said, "We aren't selling a product -- we're providing options for those in need."

A great deal of time and effort has been dedicated to helping those affected by the buyout. The service began preparing in February 2002 for the it.

So how does it measure their success when dealing with an issue as big as the tobacco buyout? Jim Henning, assistant director of extension for agriculture and natural resources, said it will be determined by the number of people who decide to diversify their agricultural operations.

Snell and Steve Isaacs, an agricultural economist from UK, have contributed to the decision-making of tobacco people all around Kentucky by holding dozens meetings throughout the state in 2004 and 2005 to evenhandedly discuss the future of tobacco farming with groups of concerned and frustrated farmers.

The farmers came to the meetings to listen to Isaacs and Snell discuss what has happened, what can be done and take note of their predictions regarding the future economics of tobacco farming.

At a gathering of nearly 200 tobacco farmers in Shelby County in February, Isaacs opened the floor to questions and one farmer said, "Maybe our best alternative is to invest in a lot of rolling papers and then just smoking our own tobacco."

Isaacs responded calmly by saying, "We have been dealt a deck of cards and it's up to us to decide how we play them."

Snell grew up raising tobacco on his family farm and realizes the economic impact that the golden-leafed crop has always had on Kentucky. He helped the farmers understand that the purchase of

foreign tobacco is responsible for the decline of U.S. tobacco. Foreign tobacco has improved dramatically with the introduction of technological advancements and time.

Snell explained to his Shelby county audience that, "Quality is something we have always had over these countries. Now they are catching up to speed and selling their product at costs more appealing to the tobacco companies."

Isaacs explained essential book-keeping practices that growers will have to learn if they are to remain in the business.

Since the late 1930's, the federal government was responsible for determining their costs of production in order to set the level of federal price supports. The federal government made the life of a tobacco farmer more comfortable and reassuring. But when the buyout legislation became final, the federal government shed itself of all financial responsibility, other than delivering checks to compensate farmers for their lost quotas.

Keeping detailed records appears to be a new idea to the majority of tobacco farmers. When Isaacs asked his Shelby County audience how many actually practice record keeping, only five or six people out of the 200 raised their hands.

Extension realizes the importance of teaching the states tobacco farmers the essential book keeping skills needed to maintain an organized tobacco operation.

Edelson said, "It's very individualized because everyone's financial situation is different. We will spend the next year making sure that the people are aware of all their costs." She will focus her efforts towards helping people "to understand things like labor costs versus blanket costs."

Henning has been in UK's extension program for 14 years and stays loyal to the profession because he said he enjoys getting the chance to help people. "It's the concept of taking the University to the people. It really, really works and that's the exciting part! When livelihoods are on the line, people come to us."

Henning said one of the biggest challenges has been to cater to the needs of highly tobacco dependent counties, especially areas located in northeastern Kentucky. Counties like Mason, Fleming, Lewis and Henry have been forced to think about alternatives. New efforts like the New Crop Opportunity Center and an entrepreneur program were designed by extension to encourage and educate people from tobacco dependent regions about the various opportunities that exist as an alternative to farming tobacco.

The New Crop Opportunities Center was made possible by a special grant from the United States Department of Agriculture. It was created to provide production and marketing information about new crops and value-added versions of new crops to people around the state.

The entrepreneur program was established to encourage youth, like those involved with the 4-H program, to stay in their hometowns after high school and college while increasing their economic situation. The program teaches youth certain skills, tools and knowledge that are necessary to become successful in both business and life. Today's youth leave school without having learned important life skills and the entrepreneur program teaches such skills and encourages the youth to consider making a promising life for themselves in their hometowns.

County extension agents sometimes struggle to find farming alternatives for their people that involve very little risk. But through new diversification projects and the creation of the Kentucky Agricultural Diversification Fund, people have joined forces in finding Kentuckians solid alternatives to tobacco farming.

The fund was created by the 2000 General Assembly to distribute half of the state's monies received from the 1998 Master Settlement Agreement with cigarette makers, to promote agricultural development in the commonwealth. The board invests money in promising innovative proposals that it thinks will increase net farm income and help tobacco farmers, tobacco-dependent communities and agriculture around the state. It also works to stimulate existing agricultural product markets, by adding value to Kentucky agricultural products and the board explores new opportunities for Kentucky farms.

Although problems constantly arise, Turner says, "I don't like to think about the problem. I'd rather discuss new opportunities."

While Turner aims his concern towards the well-being of tobacco-dependent counties, Snell doesn't seem to be worried about such communities being unable to compete in the post-buyout era. Instead, "I concentrate my attention on working with policy makers and farm groups, trying to develop safety net provisions for future tobacco growers."

For the first time in their lives, thousands of tobacco farmers have to face the new reality of making their own choices that will ultimately determine their financial futures.

Lori Garkovich has faith in extension's efforts. "In a period of multiple uncertainties, stress increases", she said, "But so does creativity and innovation. The challenge is balancing these two processes."

Note: Larry Turner died in August 2006, in a plane crash in Lexington.

After cutting burley tobacco in a field in northern Fayette County, workers spear it onto sticks and load it onto a wagon for hauling to a barn, where it will air-cure for several weeks before leaves are stripped from the stalks, baled and sold. (Photo by Matt Baron, University of Kentucky Agricultural Communications)

