



Photo: James Archambeault

Kentucky
Agricultural
Landowners Guide
to Conservation and Profitability

Kentucky is famous for its rolling bluegrass hills, diversified farms and world-class horse industry. Its rich farming heritage provides beautiful landscapes for residents and tourists, protects wildlife and water quality, and is the foundation for community and tradition in the Bluegrass state. Agriculture also plays an important role in local economies. According to the 2002 Census of Agriculture, Kentucky's 86,541 farms cover 13.8 million acres and produce more than \$3 billion of agricultural goods and services.

However, recent changes in the tobacco economy, an influx of new residents, rising land prices and other growth pressures threaten the future of Kentucky's agriculture. Landowners are looking for ways to protect their investments and remain economically viable. For many farmers this may mean selling their land for development. But there are alternatives. Kentuckians take great pride in their agrarian heritage and place a high value on private land ownership, and fortunately they have a variety of options to help them stay on the land.

This guide provides an overview of the alternatives available to Kentucky landowners who want to pursue conservation options and benefit from financial incentives and technical assistance to save their land and improve its productivity. The information is presented in five sections:

- I. Farmland Protection: to save farmland for future generations
- II. Tax Reduction and Exemption: to level the playing field for agricultural landowners
- III. Farm Enterprise Development: to help farmers create profitable new farm activities
- IV. Land Conservation and Stewardship: to enhance wildlife and natural resources on private lands
- V. Resources: contact information for agencies and organizations to help landowners achieve their agricultural and conservation goals



Photo: Julie Hill, courtesy Lexington Convention and Visitors Bureau

American Farmland Trust thanks these Kentucky supporters for their generous contributions to produce this publication: Edith S. Bingham, Edward and Nina Bonnie, Owsley and Christy Brown, S. Gordon Dabney, Sr., and Rowland and Eleanor Miller.

Our thanks to the following individuals and organizations for contributing to this guide: Brian Clark (Department of Fish and Wildlife Resources – DFWR), Steve Coleman (Division of Conservation), Tom Crawford (Department of Revenue), Mary Katherine Dickerson (Boone-Kenton County Conservation Districts), Jim Ellis (Shelby County Maintain Our Rural Environment), Dan Figert (DFWR), Brent Frazier (Department of Agriculture), Craig Givens (USDA Natural Resources Conservation Service – NRCS), Chris Grasch (DFWR), Kara Keeton (Governor's Office of Agricultural Policy), Teresa Lindsey (Gone Fishin' Catfish Farm), Joe Montgomery (NRCS), Ruthi Pike (NRCS), Ted Sloan (Department of Agriculture), Greta Steverson (NRCS), Billy Van Pelt (Lexington-Fayette Urban County Government) and Deena Wheby (NRCS).

Cover photograph courtesy of James Archambeault.

The following AFT staff assisted in the research, writing, editing and design of this publication: Don Buckloh, Gerry Cohn, Julia Freedgood, Robert McCracken, Doris Mittasch and Geraldine Unger.

I. Farmland Protection

Competition for land is a growing challenge to many Kentucky farmers. Economic changes from the declining tobacco industry, which once underpinned Kentucky agriculture, and land use changes from shifting demographics, sprawling development and rising land prices all threaten the viability of the state's farming enterprises and the productive soils that support them. From 1992–1997, the state lost 132 acres per day of rural land to non-agricultural uses.

Landowners can take advantage of the following public and private options that provide incentives to protect both their farming operations and the land that supports them so it will remain available to future generations of farmers.

PROGRAMS THAT PROTECT THE FARMING OPERATION

Agricultural Districts

Established in 1982, the state's Agricultural District program allows farmers to form special areas where commercial agriculture is encouraged and protected. The agricultural district designation notifies the local and regional planning agencies that farming is actively occurring in an area and indicates the landowner's wishes to stay in agriculture. As of July 2004, Kentucky had 325 agricultural districts covering 313,863 acres.

An individual landowner, or group of landowners, owning at least 250 contiguous acres in agricultural use can petition the local Soil and Water Conservation District (SWCD) to create an agricultural district. If the SWCD determines that the land is eligible and actively engaged in agricultural production, it can recommend to the Kentucky Soil and Water Conservation Commission that the area be declared an agricultural district.

Farms that are approved as agricultural districts by the Commission receive the following benefits:

- Protection from annexation;
- Mitigation from the impacts of state-funded projects on the conversion to non-farm use of nearby land;
- Deferred payments of assessed costs for the extension of water lines across the property as long as the land is not developed;
- Priority for participation in state conservation programs;
- Public hearings to protect landowners from eminent domain "takings" (except when the petitioner is a utility that has obtained a certificate of convenience and necessity).

For more information, contact your local Soil and Water Conservation District office or the Kentucky Division of Conservation.

AGRICULTURAL DISTRICTS

When farmer Robert Maurer of Burlington heard in 1999 that the local water district was planning to install a water line along the road that divides his farm, he knew he was in trouble. "We would have been assessed \$35,000 on the assumption that we were going to carve this place into housing lots, and all we wanted to do was farm." The project was eventually voted down, but Maurer knew that he needed to act quickly to maintain his 150-year-old family farm in rapidly growing Boone County.

Long enrolled in Kentucky's Agricultural District program, Maurer realized the importance of strengthening the protections for landowners participating in this program. He called his state Representative Paul Marcotte with the idea of amending state law to defer the assessment for the extension of water service lines until the land is removed from the district and developed for nonagricultural use.

Maurer, President of the Boone County Farm Bureau, also made the recommendation to include this amendment in the Kentucky Farm Bureau policy book. With Rep. Marcotte and the Farm Bureau lobbyist both solidly supporting the legislation, this amendment was added to state law in 2000.

"This has helped farmers all across Kentucky," said Maurer, who raises hay, cattle, and sheep. "I've gotten calls from landowners around the state thanking me for saving them a lot of money. I don't mind paying my share for infrastructure that I'm going to use, but they shouldn't make the assumption that I'm going to develop this land. Enrolling in the Agricultural District program is my proof that I'm here to farm."



Photo: Mary Katherine Dickerson

Right to Farm

Kentucky's Right to Farm Law, passed in 1980 and last amended in 1996, gives existing farms a degree of protection from nuisance complaints. It provides a more stable investment climate for agricultural infrastructure and a sense of security that farmers won't be overwhelmed with lawsuits as new neighbors move into agricultural areas.

According to the law, agricultural and forestry enterprises that have been in operation for at least one year and use normal and accepted practices cannot be restricted by new ordinances or nuisance complaints if they weren't considered a nuisance when the operation began. This protection applies even after a change of ownership, a break in the enterprise of no more than five years, or a change in crops or production methods, as long as the operation isn't substantially changed.

This protection does not extend to situations where the farm or forestry enterprise is being operated negligently. It also does not protect an individual from lawsuits as a result of pollution of streams or ground water.

For more information, contact the Kentucky Farm Bureau.

DAVID NEVILLE

David Neville raises Angus bulls in Shelby and Henry counties, and he was one of the first applicants to sell his development rights through the PACE program in Kentucky.



Photo: Brittany Edelson, U. Ky. Cooperative Extension

"When I first explained this program to my wife," he recalls, "she asked me what the catch was. The great thing about this program is that there is no catch, except that if you're only thinking about your land for the next year, it's probably not for you. But if you're thinking about what your land and your farming operation will be like 10 or 100 years from now, it's a great option. I had been talking about the hazards of losing our best land to development, and it was great to be able to put my money where my mouth was. I've done something for my family's financial security and the future of Shelby County."



USDA Photo: Bill Tarpenning

PROGRAMS THAT PROTECT THE LAND

Agricultural Conservation Easements

An agricultural conservation easement is a voluntary deed restriction that landowners willingly place on their land. It permanently limits subdivision and non-agricultural development. Landowners retain ownership of the property and the other rights that come with it and can continue to farm however they choose. Public access is not required, and the land can be sold or passed along to heirs. However, future owners must abide by the terms of the easement. This ensures that the land always will be available for agricultural use.

The landowner who chooses to place an agricultural conservation easement on his or her farm is known as the easement donor. Donors must find a government entity or a qualified organization, such as a land trust, to hold the easement and agree to monitor it to be sure that the terms of the easement are fulfilled in perpetuity. Easement donors may receive state and federal income tax charitable deductions, as well as a reduction in the value of the property for estate tax purposes.

Kentucky has several land trusts, as well as the state's Purchase of Agricultural Easements (PACE) program (see below), that accept easement donations.

For more information, contact Kentucky Department of Agriculture or the Land Trust Alliance for a list of Kentucky land trusts.

Purchase of Agricultural Conservation Easements

In 1994, the Kentucky General Assembly established a PACE program to keep land currently in agricultural use available for farming. The PACE program pays willing landowners to protect their farms. Landowners can use the proceeds however they choose.

Interested landowners (from all of Kentucky's counties other than Fayette, see below) can apply to the program, which is administered by a broadly representative board within the Kentucky Department of Agriculture. Applications are ranked and scored on a number of factors, including acreage, soil quality, location and conservation activities. Priority is given to farms facing high development pressures, located in tobacco dependent counties and adjacent to other active farms. Landowners request an amount to be paid for an easement, and depending on ranking and availability of funds, the PACE program negotiates a mutually agreeable price.

Funded by the General Assembly, the Agricultural Development Board and federal Farm and Ranch Lands Protection Program (FRPP) matching funds, as of

June 2004 the PACE program has purchased agricultural conservation easements on 78 farms totaling 17,531 acres for \$15.5 million. In addition, farmers have donated 19 easements on 3,069 acres, bringing the program's total inventory to 97 farms and 20,600 acres. Since the beginning of the program, the department has received 693 applications from 73 counties totaling more than 129,000 acres.

For more information, contact the Kentucky Department of Agriculture.

Purchase of Development Rights

Landowners in Fayette County interested in selling agricultural conservation easements can apply to their own local Purchase of Development Rights (PDR) program. Operated by the Lexington-Fayette Urban County Government (LFUCG), under the guidance of the Rural Land Management Board, the PDR program has a goal of protecting 50,000 acres to support farm families, the agricultural sector and the scenic beauty so important to quality of life and the tourism industry. Applications are ranked with a scoring system similar to the state PACE program, and an independent real estate appraiser determines the value of the development rights offered for sale. Funded by the LFUCG and state and federal matching funds, as of May 2004 the program has invested \$26.4 million to protect 78 farms and 10,430 acres and accepted five easement donations covering 272 acres.

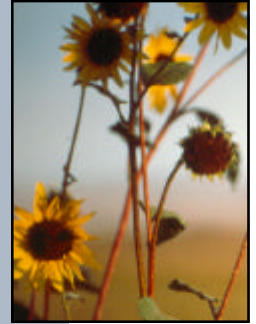
For more information, contact the Lexington-Fayette Urban County Government Purchase of Development Rights program.

Farm and Ranch Lands Protection Program

The Farm and Ranch Lands Protection Program (FRPP) is administered by the USDA Natural Resources Conservation Service (NRCS) to provide matching funds to help purchase agricultural conservation easements (also known as development rights) on productive farm and ranch lands. Originally authorized as the Farmland Protection Program in the 1996 Farm Bill, it became the Farm and Ranch Lands Protection Program in the 2002 Farm Bill. To qualify, landowners must work with state and local governments or non-governmental entities to secure a pending offer with funding at least equal to 50 percent of the land's fair market easement value. The FRPP can provide the remaining 50 percent for qualified applications. Only parcels large enough to sustain agricultural production are eligible. With NRCS assistance, participants develop a conservation plan that outlines the management strategies that

JASON CARR

“My wife and I raise tobacco, cattle, hay and sunflowers on a 24-acre farm owned by our family. When my parents sold the development rights through the Lexington-Fayette PDR program, it eased the burden on all of us. It has allowed us to build a shop so I can work on my equipment inside, and we were also able to put up a greenhouse to grow our own tobacco plants.



“I'm the fifth generation of my family to farm in this community, and being able to upgrade our facilities makes it more likely that there will be a sixth one to carry on the tradition.”



Photo: Walt Reichert, The Sentinel-News

they propose to use on the enrolled land. The Kentucky NRCS accepts applications from eligible entities during the annual application window.

For more information, contact the Kentucky USDA NRCS office or American Farmland Trust.

Forest Legacy Program

The USDA Forest Service and the Kentucky Division of Forestry jointly administer the Forest Legacy Program. The program was established in the 1990 Farm Bill to fund the purchase of conservation easements on working forestland threatened by conversion to non-forested uses. Participation in the Forest Legacy Program is limited to private forest landowners. To qualify, landowners must prepare a multiple resource management plan. The federal government may fund up to 75 percent of the cost of the easement acquisition, with the remaining percentage coming from private, state or local sources. Most Forest Legacy Program conservation easements restrict development, require sustainable forestry practices and protect other values. The Commonwealth of Kentucky holds all Forest Legacy easements. The Division of Forestry accepts landowner applications from February 1 through April 30 of each year.

For more information, contact the Kentucky Division of Forestry.



Photo: Kara K. Keeton, Governor's Office of Agricultural Policy

Grassland Reserve Program

The NRCS also administers the Grassland Reserve Program (GRP) to protect, enhance and restore grasslands under threat of conversion to cropland and other uses, and to help maintain the viability of grazing operations. The 2002 Farm Bill authorized the program. Private lands of 40 or more contiguous acres historically dominated by grasses or shrubs are eligible for the program.

Landowners with eligible property may receive compensation through permanent or 30-year easements, or enter into 10-, 15-, 20- or 30-year rental agreements. The program also enables the NRCS to enter into restoration agreements with landowners who have a GRP easement or rental agreement. All participants must develop conservation plans that outline strategies for enhancing forage vitality and preserving the viability of the grasslands. The Kentucky NRCS accepts applications for the GRP on a continuous basis, although it may identify one or more ranking and selection periods per fiscal year. The Kentucky NRCS evaluates and ranks applications based on selection criteria developed by the Kentucky State Technical Committee.

For more information, contact an NRCS representative at your local USDA Service Center.

Land Trusts

Landowners often work with land trusts to protect farmland in Kentucky. Land trusts also partner with state and local governments to ensure that agricultural conservation easements are followed in perpetuity. In addition to holding and monitoring easements, land trusts often play key roles in farmland protection projects and helping landowners receive funding from state and federal programs.

For more information, contact the Land Trust Alliance for a list of Kentucky land trusts.

II. Tax Reduction and Exemption

Tax incentives are widely used to support the economic vitality of local agriculture. As rural land comes under pressure for new residential, commercial and industrial development, property taxes rise—often beyond the reach of farmers. Competition for land at its “highest and best use” can drive land values up beyond their current or agricultural value, at the same time driving up state and local real property taxes. As business operators, farmers make major expenditures on equipment and inputs, so sales taxes also can take a significant bite out of their bottom line. Finally, as their land and other farm assets increase in value over time, farmers face estate planning concerns when passing on the farm to the next generation. Fortunately, farmers can take advantage of Kentucky’s tax relief programs and plan their estates to accomplish farm and family goals.



Photo: Brittany Edelson, U. Ky. Cooperative Extension

Property Taxes

Differential Assessment

A 1969 amendment to the Kentucky Constitution (Section 172A) provided for differential assessment of farmland. KRS 132.450 requires that agricultural or horticultural land be assessed at *use value* based on its income-producing ability and comparable sales of farmland, rather than its *fair market value* for development.

Agricultural land is defined as any tract of 10 acres or more used for the production of crops, livestock, tobacco or timber, any tract of five acres or more used for commercial aquaculture, or any tract meeting the requirements for payments for a participation in an agricultural program based on a contract with the state or federal government. *Horticultural* land is any tract of five or more acres used for the commercial cultivation of a garden or orchard, or for raising fruits, nuts, vegetables, flowers or ornamental plants.

To receive differential assessment, landowners of record as of January 1 can apply using Revenue Form 62A351 by March 1 to their local county property valuation administrator (PVA). The PVA then certifies that the land qualifies and determines the value of that land for agricultural or horticultural use.

Ad Valorem Taxes

In 2004, individuals pay state ad valorem taxes on personal property at the rate of 13.1 cents per \$100 in value. However, this rate is reduced to 1.5 cents for unmanufactured agricultural products, 0.1 cent for all farm implements and farm machinery owned by or leased to a person actually engaged in farming and used in his farm operations, and 0.1 cent per \$100 of value of all livestock. There is no local ad valorem tax on these items.

For more information, contact the Kentucky Revenue Cabinet or your local county property valuation administrator.

Sales and Use Tax

Kentucky law KRS 139.480 offers an exemption from the state *sales tax* rate of 6 percent for feed and inputs used in the production of food on the farm. Farmers claiming the sales tax exemption should complete and maintain a copy of Revenue Form 51A159, which also includes a full list of eligible items.

It is important to understand which expenses qualify and which do not. For example, sales related to raising tobacco and horses are not exempt, as they are not used for human food consumption. So if a farmer sells hay to someone to feed horses, state sales tax is due. However, if the farmer sells the same hay to another farmer to feed meat goats, no tax is charged.

Building materials also are exempt from sales tax if they are used to construct or repair on-farm grain storage or processing, or livestock production facilities. To claim this exemption, farmers must complete and keep on file Revenue Form 51A158 for the initial construction of these facilities and Revenue Form 51A159 for their repair or renovation.

Many items of farm machinery and implements used exclusively for the production of crops and livestock also are exempt from sales tax, but containers, hand tools and other miscellaneous farm supplies are not. Farmers must provide the retailer a Farm Machinery Exemption Certificate, Revenue Form 51A148, to be exempt from sales tax on both replacement parts and the purchase of capital equipment.

MERCER COUNTY

Located on the Southern edge of the rapidly growing Bluegrass region, Mercer County's farmland faces great threat from the changing tobacco economy and encroaching development. Local farmers and landowners, with the assistance of the Mercer County Conservation District, are utilizing the range of federal and state programs to strengthen the agricultural sector and maintain the productivity of the land.

"The Agricultural District program has been very popular amongst landowners, as it raises the ranking of the farm for agricultural cost-share funds and the PACE program," says Joe Montgomery, NRCS District Conservationist for the county. "It has also increased awareness about development threats to farmland, as the application goes before the Conservation District Board, Planning and Zoning, the Fiscal Court, and the Property Valuation Administrator's office, as well as being published in the newspaper."

Tobacco settlement programs and the 2002 Farm Bill have brought great opportunities to the county, and landowners have taken advantage of them. Over 100 landowners have applied to the state PACE program, with 23 farms currently enrolled.

Montgomery describes how these programs are fitting together in Mercer County. "The county has received several rounds of funding for the forage improvement and hay storage model programs from the Agricultural Development Fund, and many landowners are participating in so many state and federal conservation programs that they have a hard time keeping them straight. We're not a very diversified county in our agricultural income, focusing mostly on beef cattle and tobacco. But these conservation programs have helped farmers make their land work economically as they look for new opportunities."



Photo: Joe Montgomery

In general, Kentucky residents must pay a 6 percent *use tax* on items purchased outside the state, if those items would have been taxed if purchased in Kentucky. However, most farm inputs and equipment that would be exempt from Kentucky sales tax are also exempt from this use tax. Certain farm purchases from out-of-state, such as magazine subscriptions, oils, veterinary supplies and medications do not receive this general agricultural use tax exemption.

Forms can be downloaded at: <http://revenue.state.ky.us/needforms.htm>. For more information, contact the Sales and Use Tax Section of the Kentucky Revenue Cabinet.



Photo: Walt Reichert, The Sentinel-News

Estate Planning

Many farmers and their heirs are challenged by farm transition and planning. Passing on the farm takes more than transferring the land from one generation to another. They need good estate planning to accommodate the needs of all family members, even those who leave the farm, and that addresses issues such as retirement and disability. It also can include conservation options, such as agricultural conservation easements.

A will is an important part of an estate plan but does not secure the future of the family's land and farm business. A good estate plan accomplishes at least four goals:

- Transferring ownership and management of the agricultural operation, land and other assets;
- Avoiding unnecessary income, gift and estate taxes;
- Ensuring financial security and peace of mind for all generations; and
- Developing the next generation's management capacity.

III. Farm Enterprise Development

Kentucky farm families face falling commodity prices, changes in federal farm policy and a declining market for domestic tobacco. To consider long-term conservation options, they need to believe there is potential for profitability. The state has responded with a coordinated effort to support on-farm innovations and new enterprise development. This effort is directed by the Governor's Office of Agricultural Policy (GOAP), which administers a range of programs to support the continued development of the agricultural sector.

In 2000, the Kentucky Legislature made a historic effort to diversify away from tobacco production while revitalizing the farm economy by investing 50 percent of Kentucky's Master Settlement Agreement into the Kentucky Agricultural Development Fund (ADF). The Agricultural Development Board (ADB), with staff assistance from the GOAP, oversees the investment of these funds into the farm economy through business development and technical feasibility assistance, building entrepreneurial capacity and distributing grants to advance farm diversification, cooperative development, marketing and new product development.

The following programs outline the options available through the ADB for landowners and communities to support the business of agriculture.

NEW ENTERPRISE GRANT PROGRAMS

The ADB invests in innovative proposals to increase net farm income and assist tobacco farmers, their communities and agriculture by stimulating markets for Kentucky farm products, finding new ways to add value to raw commodities and exploring new opportunities for Kentucky farms. As of September 2004, the ADB had invested \$165 million in 1,850 projects.

Sixty-five percent of the ADF is set aside for regional and statewide agricultural projects, while 35 percent is earmarked for individual county projects on the basis



Photo: Kara K. Keeton, GOAP

FREE-RANGE OPPORTUNITY FOR KENTUCKY FARMERS

When Matt John, owner-operator of Shady Lane Poultry Farm, opened his small Clark County hatchery, he had a vision of developing a complete alternative poultry production chain starting with his Kentucky-hatched chicks all the way to a Kentucky-processed finished product. The 2004 opening of S.S. Enterprises, an independent USDA-inspected poultry processor near Bowling Green, brought that vision one step closer to reality. Now, specialty poultry producers have an opportunity to sell a product bred, hatched, grown and processed in Kentucky.

Owned by Tim and Barbara Mracek, S.S. Enterprises is intended to benefit the small farmer looking for new ventures that can provide extra farm income. The “free-range” poultry Tim processes are raised without antibiotics or growth hormones. “We process the highest quality poultry in the United States, and there is definitely a niche for that,” Tim Mracek said. Producers are marketing their processed birds in local farmers’ markets and to chefs in major restaurants throughout

the state. In the future, the Mraceks are looking to purchase farm-raised birds from local producers to process and market on a larger scale. “This is a great opportunity for small farm operators,” Tim Mracek said. “Even kids who attend school can raise birds during the summer.”

John and the Mraceks received funding from both the state and county funding categories of the Agricultural Development Fund. “Opportunity now exists for farmers to sell a completely Kentucky poultry product,” John said. Kentucky-raised broiler chicks are readily available, farmers now have a legal and convenient way to process their birds, demand is strong and the enterprise shows the potential for profit.

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USDA Photo: Joe Valbuena

of a county’s tobacco dependence. All of the projects require a 50 percent match for funding.

Regional and Statewide Projects

Proposals must have an impact on producers in a multi-county area. Examples of funded projects include a collaborative marketing effort of local beef, pork and vegetables by the Kentucky Cattlemen’s Association, a bass and paddlefish production and processing facility by Aquaculture of Kentucky and a regional marketing center by the Bath County Agricultural Extension Foundation. Interested individuals apply directly to the ADB.

County Projects

Each county established a council to evaluate the needs of the local agricultural economy, devise a plan that would identify programs best suited to support the county’s agriculture and assist local applicants in preparing proposals to be submitted to the ADB. The county projects category is divided into model and non-model programs.

The eight *model programs* are designed to provide farmers with cost-share funding to allow them to improve and diversify their current production practices. They include:

- Agricultural Diversification
- Cattle Genetics
- Fencing Improvement
- Handling
- Goat Diversification
- Forage Improvement & Utilization
- Hay, Straw, and Commodity Storage
- On-Farm Water Enhancement

The *non-model* program includes all other project ideas that would benefit producers within a single county yet do not fall into a model program. Examples include shared-use equipment for vegetable producers in Owsley County, a certified kitchen in Woodford County and a greenhouse at Nicholas County High School.

For either of these county projects categories, local organizations can apply to their county agricultural development council. The county rates and prioritizes the proposal, then sends it along to the state ADB to request funding. The ADB makes the final decision on which projects to support as part of each county’s overall ADF allocation.

For more information on new enterprise grant programs, contact the Governor’s Office of Agricultural Policy.



Photo: James Archambeault, courtesy of LCVB

CAPITAL ACCESS PROGRAMS

The Kentucky Agricultural Finance Corporation (KAFC) was created in 1984 and awarded Agricultural Development Funds in July 2003 to provide capital access for agricultural diversification and infrastructure projects. During the 2004 General Session, House Bill 146 was approved, moving the administration of KAFC to the GOAP. This legislation also moved the administration of the Linked Deposit Investment Program into the KAFC.

The KAFC is working to develop and market new loan opportunities to producers to purchase their first farm or provide access to capital for an existing operation. A key philosophy of all KAFC programs is that they will work in concert with local lenders, continuing the emphasis on community involvement and community investment in diversifying Kentucky's agricultural economy. Currently, KAFC has four capital access programs available to producers and processors in Kentucky:

- Agricultural Endeavors Lease Program
- Investment Fund for Agriculture
- Linked Deposit Investment Program
- Young Farmer Loan Program

For information on the capital access programs offered by the Kentucky Agricultural Finance Corporation, contact the Governor's Office of Agricultural Policy.

GRANT OPPORTUNITIES

The GOAP maintains a list of grant and funding opportunities that may be of interest to Kentucky farmers. This list can be found at: www.kyagpolicy.com/kcade/grant.shtml, or individuals can subscribe to its GRANT BULLETIN at: http://govkyagpolicy@ky.gov to get monthly updates by e-mail.

IV. Land Conservation and Stewardship

Kentuckians take great pride in their natural heritage. For generations, they have enjoyed their land for its physical beauty, economic productivity, recreational opportunities, wildlife habitat and protection of water quality. They believe strongly that private land ownership is the most efficient and effective way to achieve these multiple benefits on the land. In combination with local and federal agencies, the Commonwealth of Kentucky delivers services through a variety of programs to help landowners achieve their conservation goals.

The Agriculture Water Quality Act

Established by the Kentucky General Assembly in 1994, the Agriculture Water Quality Act requires all agriculture and silviculture operations with 10 or more acres to develop individual agriculture water quality plans for their operations. The primary objective is to protect surface water and groundwater resources from pollution that may be a result of activities carried out by these operations.



USDA Photo by Ken Hammond

A 15-member Agriculture Water Quality Authority is charged with the development and support of a statewide agriculture water quality plan that provides standards used by individual producers to develop site-specific plans for their operations.

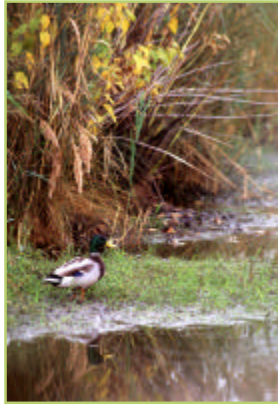
Landowners are responsible for preparing and implementing an agriculture water quality plan that best meets the needs of their particular operation. With assistance from NRCS, Cooperative Extension and others, conservation districts provide technical assistance and cost-share funding to landowners who want to develop and implement site-specific plans. Nearly 59,000 landowners have developed plans and filed voluntary certifications with their conservation district

offices. The Agriculture Water Quality Authority continues to evaluate agriculture water quality needs and concerns. A corrective measures protocol and corrective measures funding also are being implemented to address identified water quality concerns.

For information, contact the Division of Conservation or your local conservation district.

Backyard Wildlife Habitat Program

The Backyard Wildlife Habitat program offers assistance in outdoor wildlife enhancement to schools and to individuals who own less than 5 acres. The Backyard Wildlife Habitat Kit includes fact sheets on providing food, water and shelter for a variety of backyard wildlife. It also includes educational materials, sample plans and information on having backyards certified as providing a friendly habitat for multiple species.



USDA ARS Photo: Scott Bauer

To purchase the Backyard Wildlife Habitat Kit, contact the Salato Wildlife Education Center.

Business Conservation Partnership

For other groups looking to improve wildlife habitat on their properties, the Department of Fish and Wildlife Resources offers help through the Business Conservation Partnership program. This program provides technical assistance for any businesses, municipalities, churches or other groups interested in improving habitat, reducing maintenance and improving human relations through enhancement of natural areas.

For information, contact the Department of Fish and Wildlife Resources.



USDA Photo: Tim McCabe

JAMIE FACKLER

When Jamie Fackler and three old friends bought 193 acres from a retiring Trimble County farmer, they knew they wanted to make some changes. The farm had been row cropped for many years, and it had some problem areas. “I had been hunting other people’s land and reading about providing better wildlife habitat,” said Fackler, a Middletown firefighter. “I was ready to try out some new ideas, but I needed some help.”

Fackler found that help from USDA District Conservationist Greta Steverson and Kentucky Department of Fish and Wildlife (DFW) Biologist Chris Grash, who led him to a whole range of financial and technical assistance programs on the state and federal level.

First, they converted areas from fescue to warm and cool season native grasses, with seed, spray, technical assistance, and the loan of a specialized seed drill from DFW through the Equipment Loan Program and Soil Erosion and Water Quality Cost-Share Program.

The farm is also participating in the Conservation Reserve Program, which is providing matching funds to improve wildlife habitat. “There were several low-lying wet areas, and we’ve gotten funding to install water control devices to restore wetlands, reduce erosion and attract all sorts of birds,” said Fackler. Grash also connected Fackler with the McLean County Future Farmers of America chapter, which built 30 wood duck boxes to install on his property.

“We’ve just bought another 61 acres and are working on riparian buffers, native grass filter strips and new shrubbery,” Fackler added. “Being able to do this work ourselves, with technical and financial help from the state and federal side, has made this farm work for us economically, as well as the recreation part. Greta and Chris have been super at helping us through the paperwork on all these different programs. It can be hard to figure out how these pieces can work together, when all the different deadlines are, and the right timing to put the cost-share requirements together. We couldn’t have done it without them.”



USDA Photo: Anson Eaglin

Conservation Reserve Program

The Conservation Reserve Program (CRP) is administered by the Farm Services Agency (FSA) to encourage farmers to convert highly erodible cropland and other environmentally sensitive land to vegetative cover such as wildlife friendly cool season grasses or native grasses, wildlife plantings, trees, filter strips, habitat buffers or riparian buffers. Authorized by the 1985 Farm Bill, the CRP is one of the nation's oldest conservation programs. Participating landowners receive annual rental payments for the term of their 10- to 15- year contracts. The CRP provides cost-share funding for the installation of approved vegetative practices on eligible cropland. Landowners also may receive funding to fence streams that exclude livestock and to build grass waterways. Eligible land must have a weighted average erosion index of eight or higher and been planted to an agricultural commodity four of the six previous years. Land also can be classified as marginal pastureland for riparian buffer enrollment. Sign-ups for environmentally sensitive land devoted to certain conservation practices occur on a continuous basis. Producers may enroll all other eligible land during designated sign-up periods. The FSA ranks applications according to the Environmental Benefits Index (EBI) and extends offers based on an application's ranking.

For more information about the Conservation Reserve Program, contact a Farm Services Agency representative at your local USDA Service Center.

Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program (CREP) is a variation of the CRP implemented in 1997 that helps agricultural producers protect environmentally sensitive land, decrease erosion, restore wildlife habitat and safeguard ground and surface water. Also administered by FSA, the program requires landowners to make a 10- to 15-year commitment to keep their land out of agricultural production. In addition to an annual rental rate, the CREP provides

cost-share assistance of up to 50 percent for the installation of certain conservation practices.

The program currently is limited to landowners in portions of an eight-county area of Kentucky's Green River Watershed. Eligible land must have a weighted average erosion index of eight or higher and been planted to an agricultural commodity four of the six previous years (1996-2001). Land can also be classified as marginal pastureland for riparian buffer enrollment only. The Kentucky FSA accepts applications for the CREP on a continuous basis.

For more information about the Conservation Reserve Enhancement Program, contact the Kentucky Farm Services Agency office.

Conservation Security Program

The Conservation Security Program (CSP) is a new program established in the 2002 Farm Bill to provide financial and technical assistance to support conservation efforts on private agricultural land. Currently available in select areas of the country, the NRCS hopes to implement the CSP as a nationwide program over the next several years. The program helps producers maintain existing conservation practices and encourages them to implement new practices that will provide additional levels of conservation benefits. All participants must develop a conservation stewardship plan that outlines the conservation and environmental benefits that the land will provide while enrolled in the program. Producers choose to participate at one of three tiers. Higher tiers require a greater commitment to conservation but also offer higher payment rates. All privately owned land that meets established soil and water quality criteria is eligible. There is an annual sign-up period for the program.

For more information about the Conservation Security Program, contact an NRCS representative at your local USDA Service Center.



USDA Photo: Bill Tarpenning

Debt for Nature

The Debt for Nature program is available to landowners with FSA loans secured by real estate. The program reduces a borrower's debt in exchange for a conservation contract with a term of 10, 30 or 50 years. Participants may not develop land placed in the Debt for Nature program, use it to raise livestock or for agricultural production. Eligible lands include wetlands, highly erodible lands and areas of high water quality or scenic value.

For more information on land eligibility and application procedures, contact your local Farm Services Agency office or USDA Service Center.

Emergency Watershed Protection

Created by the 1996 Farm Bill, the Emergency Watershed Protection program (EWP) responds to emergencies caused by natural disasters. The program has two components. Under the cost-share component, the NRCS provides communities or local sponsors with up to 75 percent of the funds needed to restore the natural functions of the watersheds. Projects on private land require a local sponsor from state, county or city government. Under EWP's floodplain easement component, landowners sell the NRCS a permanent conservation easement that allows the NRCS to restore the natural functions of the floodplain. To be eligible for an EWP easement, land must have been impaired from flooding during the past 12 months or have a history of repeated flooding. Landowners, with permission from NRCS, may continue to use the land for haying, grazing and managed timber harvests.

For more information about the Emergency Watershed Protection program, contact an NRCS representative at your local USDA Service Center.

Environmental Quality Incentives Program

The NRCS Environmental Quality Incentives Program (EQIP) pays up to 75 percent of the cost for producers to implement structural and management practices on eligible agricultural land. Higher cost-share percentages may be available to Limited Resource Producers and Beginning Farmers. Authorized by the 1996 Farm Bill, EQIP is open to any producer engaged in livestock or crop production.

EQIP provides technical and financial assistance to producers to plan, design and install conservation practices that have been approved for use in the local area. Examples of such practices include animal waste storage facilities, grassed waterways, grade stabilization

structures, livestock watering facilities and stream bank stabilization.

The Kentucky NRCS has divided the state into 14 pooling regions for allocating EQIP funds and ranking applications. Each pooling region has identified a set of natural resource concerns that landowners can use EQIP funds to address. Available practices may vary between regions. While the Kentucky NRCS accepts applications on a continuous basis, it evaluates applications and awards contracts during established ranking periods.

For more information, contact an NRCS representative at your local USDA Service Center.



Photo: Brittany Edelson, U. Ky. Cooperative Extension

Equipment Revolving Fund Program

Established in 1948, the Equipment Revolving Fund Program provides loans to Kentucky's conservation districts for heavy and specialized conservation equipment used to install conservation and best management practices. Through loan/lease agreements with local contractors and farmers, the districts make this equipment available to perform conservation work. Loans must be paid off within a specified period, depending on their size. Also, several conservation districts purchase and manage specialized pieces of equipment and make them available to individuals through rental agreements.

Over the years, equipment made available through this program has included bulldozers, crawler tractors, front end loaders, excavators, backhoes, tile machines, draglines, no-till pasture renovators, no-till drills, animal waste pumping and application systems, specialized spray applicators, grass seeders, straw blowers, heavy duty bush and bog harrows, root rakes, tree planters, ditches and clearing blades. The majority of this



Photo: Kara K. Keeton, GOAP

equipment is needed on a limited basis by most farmers and used to install annual or even one-time conservation practices. Most of these practices produce no additional revenues for the farmer, therefore, it is not economically feasible for an individual to purchase or own the equipment.

For information, contact your local conservation district office or the Division of Conservation.

Farm Pond Management Program

Since the 1950s the Kentucky Department of Fish and Wildlife Resources (KDFWR) has provided technical assistance for landowners with new or recently renovated farm ponds through the Farm Pond Management Program. This program provides a fisheries biologist to make recommendations on improving conditions for fish populations. The KDFWR also operates a stocking service to provide pond owners with fingerlings of recommended species for a nominal cost.

For more information, contact the Kentucky Department of Fish and Wildlife Resources Fisheries Division.



Photo: Kara K. Keeton, GOAP

Forest Stewardship Program

Established by the U.S. Forest Service in 1991, the Forest Stewardship Program provides technical assistance to any private landowner with at least 10 acres of woodlands. The Kentucky Division of Forestry is the lead organization in this multi-agency partnership, which will arrange for a forester, wildlife biologist and other natural resource professionals to meet with a woodland owner, examine the property and help prepare a Forest Stewardship Plan. The plan is based on the owner's personal goals and objectives, and is designed to help the landowner manage his or her property for the future using a stewardship ethic. The program can also help seek cost-share assistance to implement aspects of the plan.

For information, contact the Kentucky Division of Forestry.

Habitat Improvement Program

Established in 1989, the Habitat Improvement Program provides technical assistance and cost-share funding for landowners to develop wildlife management plans. This program helps create suitable habitats to benefit local wildlife and demonstrate to others the value of such improvements. Wildlife biologists work with interested individuals or groups on properties of five acres or more that they own or have management rights on. They provide technical assistance to help participants meet their individual goals. The program also can provide a link to available funds and other assistance offered by state, federal and private agencies. There is no charge or obligation for participating in this program, and landowners are not required to allow hunting or other public uses of private land.

For information, contact the Department of Fish and Wildlife Resources.

Soil Erosion and Water Quality Cost-Share Program

Established by the Kentucky General Assembly in 1994, the Soil Erosion and Water Quality Cost Share Program provides funding to help landowners address soil erosion, water quality and other environmental problems associated with their farming or woodland operation.

Local conservation districts and the Kentucky Soil and Water Conservation Commission administer this program. Priority is given to animal waste related problems, agricultural district participants, and producers who have Agriculture Water Quality plans on file with their local conservation districts. Practices eligible for cost share are animal waste control facilities, animal waste utilization, vegetative filter strips, sinkhole protection, heavy use area protection, rotational grazing system establishment, livestock stream crossing and riparian area protection. Cost-share rates are a maximum of 60 to 75 percent of the actual installation cost of the practice, not to exceed \$7,500 per year for agronomic practices or \$20,000 per year for animal waste practices.

To participate, landowners apply to their local conservation district, and the Kentucky Soil and Water Conservation Commission ranks applications on the state level. Approval of applications is based on a statewide ranking criteria and the availability of funds.

For sign-up information, contact your local conservation district office or the Division of Conservation.

Wetlands Reserve Program

Authorized by the 1996 Farm Bill, the Wetlands Reserve Program (WRP) provides landowners with technical and financial assistance to protect, restore and enhance wetlands on their property.

Landowners can receive as much as 100 percent of the appraised agricultural market value of the property for permanent conservation easements or 75 percent for 30-year

easements. They also can participate in a restoration cost-share agreement. These 10-year agreements pay for 75 percent of the cost of restoration activities and do not place an easement on the property. Eligible land includes wetlands cleared or drained for farming or



USDA Photo: Bill Tarpenning

pasture and must be restorable and suitable for wildlife. The Kentucky NRCS accepts applications for the WRP on a continuous basis.

For more information about the Wetlands Reserve Program, contact an NRCS representative at your local USDA Service Center.

Wildlife Habitat Incentives Program

Authorized by the 1996 Farm Bill, the Wildlife Habitat Incentives Program (WHIP) provides cost share assistance and technical assistance to develop and improve habitat for fish and wildlife on private land. Landowners work with the NRCS to create wildlife habitat development plans that list the goals and practices needed to improve wildlife habitat. As part of their habitat development plans, landowners agree to implement habitat practices and maintain the enrolled acreage for a period of five to 10 years. In exchange, the NRCS provides up to 75 percent in cost-share assistance to implement the plans. Interested producers may file an application at any time with the Kentucky NRCS. In Kentucky, the WHIP is a competitively ranked program in which applications with the highest wildlife benefits receive priority for funding.

For more information about the Wildlife Habitat Incentives Program, contact an NRCS representative at your local USDA Service Center.



Photo: Jeff Rogers, courtesy LCVB

V. Resources

American Farmland Trust

(336) 221-0707
www.farmland.org

Kentucky Agricultural Development Fund

Governor's Office of Agricultural Policy
(502) 564-4627
<http://agpolicy.ky.gov>

Kentucky Agricultural Finance Corporation

Governor's Office of Agricultural Policy
(502) 564-4627
<http://agpolicy.ky.gov>

Kentucky Department of Agriculture

(502) 564-4696
www.kyagr.com

Kentucky Department of Fish and Wildlife Resources

(800) 858-1549
www.kdfwr.state.ky.us

KDFWR Fisheries Division

(800) 858-1549
www.kdfwr.state.ky.us/Navigation.asp?cid=101

Kentucky Division of Conservation

(502) 564-3080
<http://www.conservation.ky.gov>

Kentucky Division of Forestry

(800) 866-0555 / (502) 564-4496
www.forestry.ky.gov

Kentucky Farm Bureau

(502) 495-5000
www.kyfb.com

Kentucky PACE Corporation

Kentucky Department of Agriculture
(502) 564-4696
www.kyagr.com/enviro_out/pace/index.htm

Kentucky Revenue Cabinet

(502) 564-8338
<http://revenue.state.ky.us>

Property Valuation Administrators

(502) 564-4581
<http://revenue.ky.gov.pvaweb.htm>

Sales and Use Tax Section

(502) 564-5170
<http://revenue.state.ky.us/needforms.htm>

Kentucky Soil and Water Conservation Districts

<http://www.conservation.ky.gov/condistricts>

Kentucky State University Cooperative Extension

(502) 597-6000
www.kysu.edu/land_grant/coop_extension_program

Land Trust Alliance

(202) 638-4703
www.lta.org
www.lta.org/findlandtrust/KY2.htm

Lexington-Fayette Urban County Government

Purchase of Development Rights Program
(859) 425-2226
www.lfucg.com/pdr/index.asp

Salato Wildlife Education Center

(800) 858-1549
www.kdfwr.state.ky.us/Navigation.asp?cid=130

University of Kentucky Cooperative Extension

(859) 257-4302
<http://ces.ca.uky.edu/ces/>

USDA Farm Service Agency

(859) 224-7601
www.fsa.usda.gov/ky

USDA Natural Resources Conservation Service

(859) 224-7403
www.ky.nrcs.usda.gov

USDA Service Centers

<http://offices.usda.gov>