

**Strategies for Developing Agricultural Opportunities in the Greater Lexington Area:  
A Special Report Prepared for the Fayette County Farm Bureau and the Fayette  
County Agribusiness Task Force**

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## Executive Summary

Fayette County, Kentucky leads agriculture sales in the state with \$263 million dollars in farm cash receipts for 2002. Fayette County was also the leading livestock producing county with \$247.6 million dollars in livestock sales. Horse and mule sales comprised an estimated \$240.7 million, or 86% of the total farm cash receipts for the county.

The four most important 2002 Fayette County farm enterprises in terms of farm cash receipts were:

1. Equine \$240.7 million dollars
2. Tobacco \$7.9 million
3. Cattle \$6.9 million
4. Greenhouse Nursery and Sod \$4.3 million

Agriculture is important to Fayette County's economy. Research conducted for this study found the following impacts. Production agriculture employs 3,219 full-time employees and 1,907 part-time employees, which is approximately 2% of the entire work force in the county. Total industry output of \$497.7 million accounted for 3% of the total Fayette county industry output. Adding the cost of agricultural inputs purchased increased agriculture's total output to 3.8% of the county total. Including agricultural processing increased the total output to \$803 million dollars or 4.8 % of the total industry output for Fayette County. The combined sectors employ 8,545 people, which is 4.1% of the County work force.

Fayette and Woodford Counties in the heart of the Bluegrass Region, account for 63% of the total equine sales dollars in Kentucky. The horse industry dominates agriculture within Fayette County with 86% of the farm cash receipts and pays 84% of the production expenses. Thoroughbred horses comprise the major breed raised in the County with estimates of 60 % or more of the total horse population. Horse farms require a large capital investment in land, labor and buildings. They also use a good deal of local service providers in terms of horse care, veterinary care, sales facilities, marketing and insurance, agriculture production inputs (feed, fertilizer, etc.) plus landscape and construction contractors for infrastructure improvements.

Fayette County is home to two of the largest Thoroughbred horse sales agencies in the world: Keeneland and Fasig-Tipton. These two auction companies, plus Tattersails (a third sales facility), had sales in 2002 of \$560 million dollars.<sup>1</sup> Some of the finest Thoroughbred horses in the world are sold through these facilities, attracting equine investors worldwide to Lexington. The high quality soils and forage base combined with the long history of equine expertise and available equine related services make Fayette County's claim of being "Horse Capital of the World" legitimate. Horsemen surveyed for this study were positive about their industries future with many expressing the opinion that more promotion of the area to equine investors would be productive and strengthen the industry.

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<sup>1</sup> The 2002 Economic and Fiscal Impact of the Kentucky Equine Industry" Commissioned by *The KY Horse Council*, prepared by Center for Business and Economic Research, Gatton College of Business and Economics, University of Kentucky

Tobacco is the second leading agriculture product in Fayette County worth \$7.9 million in farm sales in 2002. This made Fayette County fourteenth in the state for tobacco sales. In addition to tobacco production Fayette County has also been a long-standing marketing center for tobacco with the multi-state Burley Tobacco Cooperative and several large auction houses assisting growers to market their crops. Tobacco production has steadily declined in KY and Fayette County over the last ten years. Pounds of Burley produced in 2002 were 33% less than what was produced in 1992. Survey results for this study indicated a majority of the farmers expect tobacco acreage to continue to decline over the next five years. More small farms have quit growing tobacco than larger farms in the county. Contracting directly with tobacco companies to produce a crop according to their specifications is a new situation for tobacco growers. Many of the growers in 2005 have expressed a willingness to try contract production but will not make a firm commitment to future production until more is known about the market's operation. The outlook for tobacco production is pessimistic and uncertain.

Cattle are an important farm enterprise in Kentucky and in Fayette County. Cattle sales for the county in 2002 were \$6.9 million. Cattle numbers ranked the county number 61 in the state. The county's excellent soils and forage base make livestock grazing a good enterprise fit for area farms. Slightly more stocker cattle were on Fayette farms in 2002 than breeding stock. The location of the Bluegrass Stock yard with \$162.6 million in cattle sales (2003) is an important addition to the cattle economy in Fayette County and the Southeast in general. Survey results showed farmers in Fayette County expect to increase their cattle herds. Cattle production seems to be an enterprise general farms could expand to assist with the loss of tobacco income. More intensive grazing techniques could possibly increase stocking rates and increase income per acre. In addition to utilizing pasture, beef cattle can utilize lower quality hay while a farmer sells his higher quality hay to the horse industry. Cattle outlook for the County: Positive with moderate growth predicted.

The Green Industry, consisting of greenhouse, nursery and sod production, is strong in Fayette County with \$4.3 million in sales, making these enterprises the fourth largest farm commodities by sales in the County. Statistics are not available from years earlier than 2002 so growth rates cannot be measured. However it seems reasonable to predict continued growth in this sector due to Fayette County being a regional marketing center for all kinds of agriculture products and the strong growth of housing and retail development in Central Kentucky. These crops generate high value per acre. Considering the high land values in the county and the large population base of potential consumers, the outlook for this industry is positive and strong.

Other results discovered in this study show that Fayette County farms are operating on tight margins with \$198 million in revenue and \$194 million in expenses. General farms on average, lost money in 2002 and horse farms on average showed a modest profit. Both types of farms expressed concern that expenses were rising faster than revenues at that time.

When Fayette County farmers were surveyed on the impact of agriculture programs offered from the Agricultural Diversification Fund most farmers responded with “don’t know”. This maybe a lack of knowledge of the programs offered or more likely the result of surveying too early in the program’s operations for farmers to have participated or formed an opinion. The Purchase Development Rights (PDR) program was the most used by those surveyed at 20%. In addition the PDR program was the only program where the impact assessments were more high than low.

Farmers in Fayette County were surveyed on a number of possible initiatives or marketing programs, to ask their opinion on their prospects to help agriculture in the County. Results were separated by horse farm and non-horse farms. The top five ideas chosen from all the surveys of both groups included three horse related enterprises plus direct marketing to the public and hiring an Agriculture Commissioner. When the results were broken out, horse farms chose in order: boarding Thoroughbred brood mares, producing horses for sale, boarding horses, hiring an Agriculture Commissioner, and direct marketing to the public. General farms choose in order: direct marketing farm products to the public, hiring an Agriculture Commissioner, increasing stocking rates through more intensive grazing and management techniques, back grounding cattle, developing on farm processed products.

## **Strategies for Developing Agricultural Opportunities in the Greater Lexington Area: A Special Report Prepared for the Fayette County Farm Bureau and the Fayette County Agribusiness Task Force**

### **Introduction and Study Objectives**

The Fayette County Farm Bureau, the Fayette Ag Development County Council, and the Fayette County Ag Business Task Force requested that basic information be assembled to identify and further pursue opportunities for farmers and ag-based businesses in the greater Lexington area. Meetings on November 17 and December 15, 2003 convened leaders in the ag and business communities who have influence on how such opportunities may be pursued.

These groups commissioned this study that was designed to address four objectives:

1. Develop baseline economic data on the economic impact of agriculture to the greater Lexington area,
2. Provide an opportunities assessment for agriculture and new ag-based ventures in Lexington based on current resources and institutions,
3. Outline and evaluate the potential for regional opportunities with surrounding counties, and
4. Identify top projects that could be recommended to advance to a detailed feasibility study stage.

## Baseline Economic Data and the Impact of Agriculture

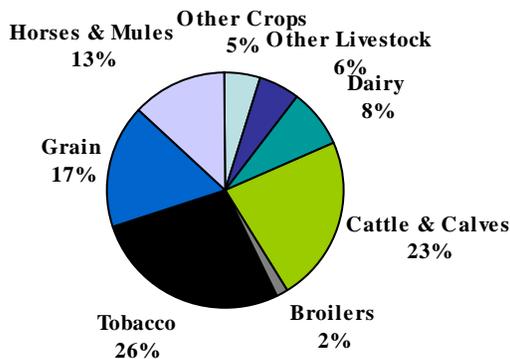
Tobacco and equine have dominated central Kentucky agriculture for many years. Today, these two enterprises still comprise about 38% of the total cash receipts of farm products marketed in Kentucky. Lexington, at the center of this area, has been a major marketing center for these enterprises.

The warehouse system and the Burley Tobacco Growers Cooperative have been major marketing institutions for burley tobacco in Kentucky. Many other support businesses and institutions have developed along with the burley tobacco industry, creating an entire tobacco industry value chain that has depended heavily on activities in Lexington.

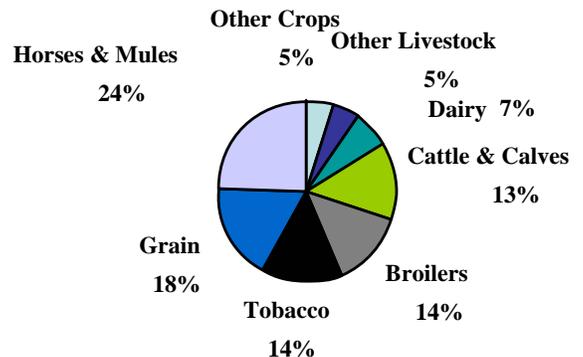
The equine industry, as well, has been a major value chain with significant linkages to Lexington. Keeneland Racetrack serves as both a tourism center and a major Thoroughbred Horse sales venue. The Fasig–Tipton sales facility also holds major equine sales in Fayette County. The Kentucky Horse Park, on the north side of Fayette County, also serves as a major tourist center. Revenue from the park for 2002 was about \$158 million with an estimated 850,000 visitors (CBER, 2004). The Red Mile Racetrack is an important enterprise supporting a variety of unique races. Many of the largest horse farms are located in and around Fayette County. These farms generate substantial sales, and also provide employment for many. Other support businesses and institutions have also developed along with the equine industry and contribute to the success of this sector, including veterinarians, feed and input suppliers, landscaping firms, and banks.

**Figure 1. Cash Receipts from Farm Marketing<sup>2</sup>**

**Cash Receipts From  
Farm Marketing in Kentucky, 1993  
\$3.41 billion**

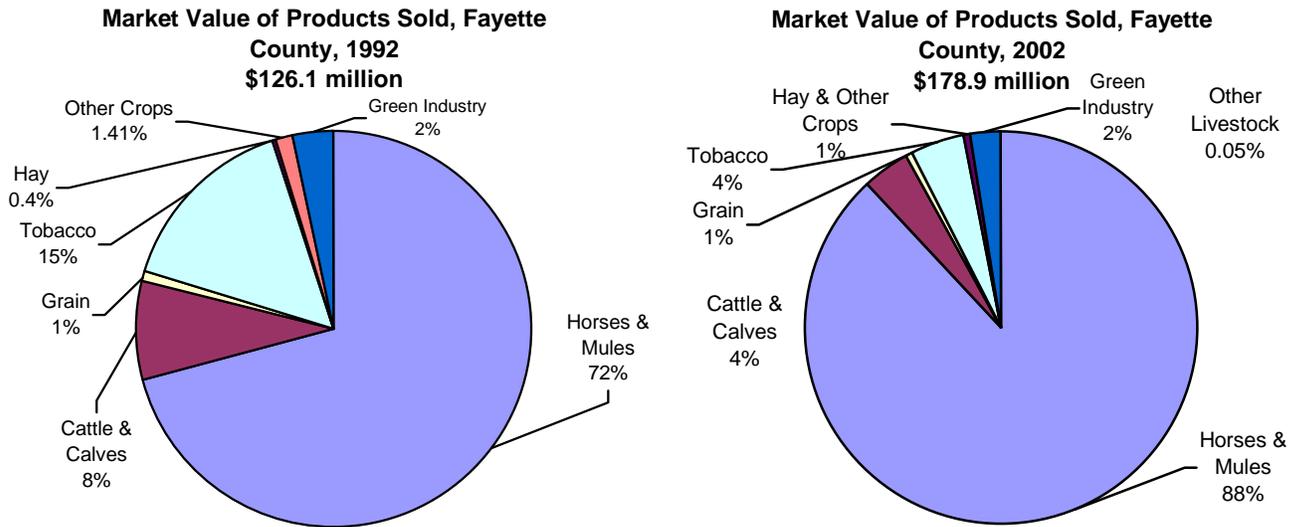


**Farm Marketing in Kentucky, 2002  
\$3.11 billion**



<sup>2</sup> Source: KY Ag Statistics

**Figure 2. Fayette County Cash Receipts from Farm Marketing, 1992 & 2002**



Source: US Census of Agriculture. Horses and mules derived from total livestock sales less cattle and calves.

Several statewide trends are worth noting. In the ten-year period for which the most recent census data is available cash receipts for horses & mules went up 11% while cash receipts for cattle and calves went down 10% between 1992 and 2002 (see figure 1). During the same time period in Fayette County showed similar trends with horses and mule sales as a percentage of total agriculture sales in the county, up 16%, cattle and calves down 4% during the ten-year period. In addition, new data collection on the green industry showed this sector to be a significant contributor to the county's agriculture economy (see figure 2).

The beef cattle sector is important to Fayette County and Central Kentucky. Cattle and calves in the 23 counties making up District 5, including Fayette, numbered 743,000 as of Jan 1, 2003, about 31% of the total in the state. Cattle numbers in Fayette County are comparatively modest at 15,037 in 2002. The Bluegrass Stockyard and the Paris Stockyard in Bourbon County, just north of Lexington, provide an important assembly point for cattle. These auctions serve as regional markets for cattle from Kentucky and the Southeast. The Bluegrass Stockyard is possibly largest volume cattle market east of the Mississippi River. The role of the region's stockyards in grouping, buying, selling and contracting cattle for later delivery is a significant asset to the agriculture infrastructure in Fayette County.

These three sectors—tobacco, equine, and cattle—will be examined in more detail throughout this report. The dynamics of each of these sectors has changed significantly over the last 10 years. The next 10 years will likely see even further changes in the make-up of the agricultural sector in both Kentucky and Fayette County.

# Fayette County Agriculture Statistics Summary for 2002

## Fayette County's Ranking Among KY Counties:<sup>3</sup>

- #1 in Total Agriculture Sales \$263.3 million (farm cash receipts)
- Livestock \$247.6 million (#1 in livestock sales)
- Crops \$15.7 million in crop sales (#22 in crop sales)

## Top Four Agriculture Enterprises in Fayette County (by farm cash receipts)

1. Equine \$240.7 million<sup>4</sup>
2. Tobacco \$7.9 million
3. Cattle & Calves \$6.9 million<sup>5</sup>
4. Greenhouse, nursery and sod \$4.3 million

## Tobacco

- Burley Tobacco Production 4,938,000 lbs.
- Farm cash receipts \$7.9 million (# 14 in sales)

## Equine

- Equine Sales \$240.7 million in 2002<sup>4</sup>
- 12,676 head of horses in county in 2002
- Our survey results indicate 93% Thoroughbred horses on the farms surveyed
- KY Thoroughbred Association estimated 60% of the horses in Fayette County are Thoroughbreds
- 206 Thoroughbred Farms in Fayette County<sup>6</sup>

## Cattle

- 15,037 head of cattle & calves in Fayette County
- State ranking for number of Cattle & Calves = #61
- 12,919 head of cattle sold by Fayette County farms in 2002
- Cash receipts \$6.9 million from Fayette County farms<sup>5</sup>
- Bluegrass Stockyard reported 329,864 head of cattle sold in 2003
- Bluegrass Stockyard Sales Volume in 2003 = \$162.6 million<sup>7</sup>
- Cattle come to the Bluegrass Stockyard from all over KY and many Southeastern States

## Greenhouse Nursery & Sod

- **\$4.3 million Fayette County sales in 2002**
- **152% increase from 1992**
- **Strong demand due to housing and development growth**

## **A Note Concerning Data Sources**

Many different statistical sources are used in this report to evaluate the economic impact of agriculture in Fayette and surrounding counties. The Kentucky Agricultural Statistics (KAS) publishes county-level annual sales, farm numbers, and inventory data for many commodities. These annual reports allow more statistical precision than may be reflected in the U.S. Census of Agriculture, conducted every ten years by the National Agriculture Statistics Service. Because KAS can do more in-depth analysis at the state level their results at times will vary from the US Census data. KAS data is presumed more accurate by the authors of this report. The U.S. Census of Agriculture provides detailed data on

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<sup>3</sup> Cash receipts estimate from the KY Agriculture Statistics Service (KAS)

<sup>4</sup> Derived from total livestock sales minus sales of cattle & calves

<sup>5</sup> KASS estimate based on Woodford County: avg. cattle value times number of head in Fayette County

<sup>6</sup> 2004 Farm Managers Directory

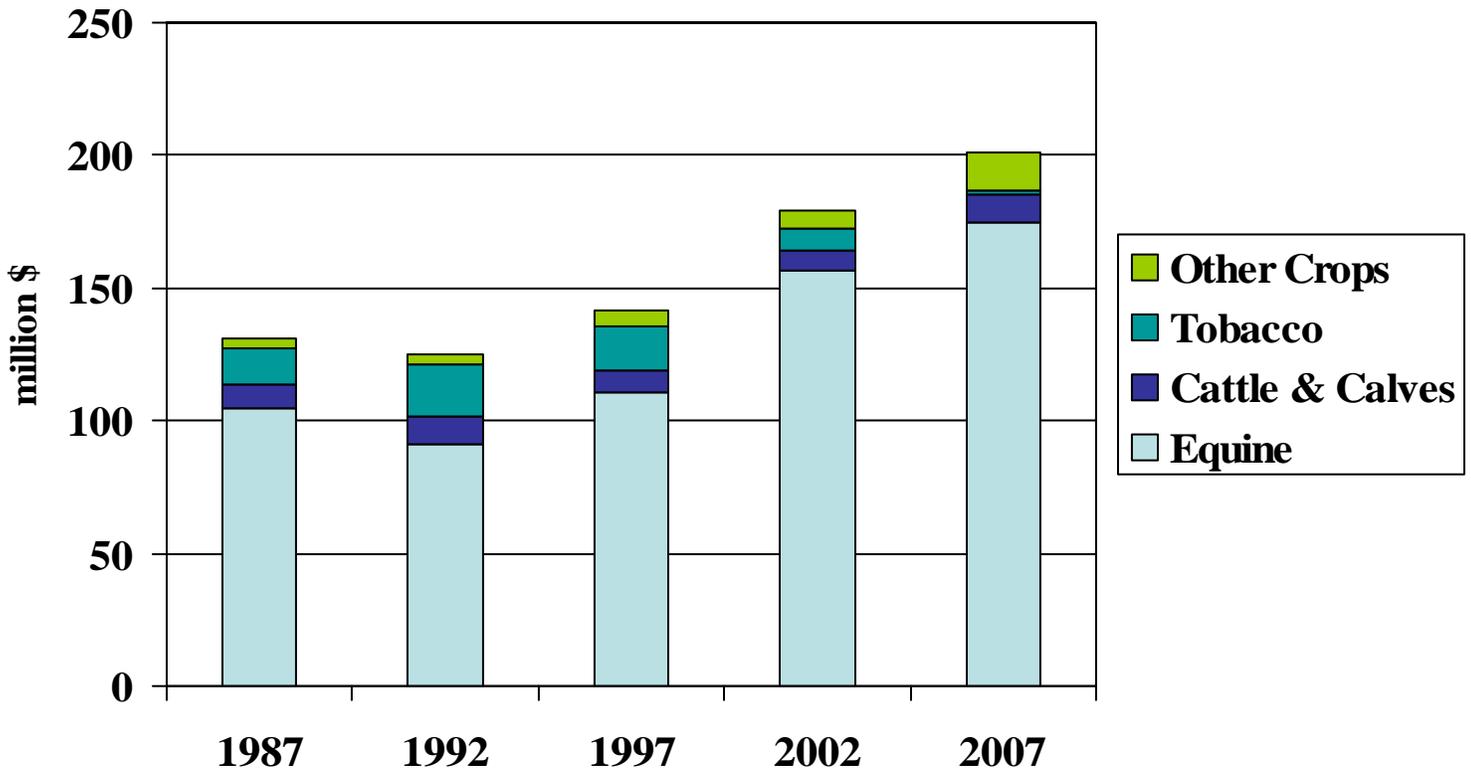
<sup>7</sup> Interview with Mr. Gene Barber, an owner of Bluegrass Stockyard

similar items, but also includes expenditures, employment, and more information on secondary enterprises.

An additional survey was completed during the summer and fall of 2004 of farmers based in Fayette County, the Fayette County Farming Futures Survey. This survey gathered data on production trends and expectations, employment, the impact of various programs, and farmer interest in various additional program areas they might use to either diversify or strengthen their farming operation.

Together, these data provide a clear picture of the present situation for agriculture in the Fayette County area and help provide some means for anticipating the future of agriculture.

**Figure 3. Value of Products Marketed From Farms in Fayette County**



## **Agricultural Trends in Central Kentucky – Looking at the Census of Agriculture**

Agriculture continues to be a major economic force in the central part of Kentucky. Total acres farmed in the 15 counties actually increased from 1992 to 2002 according to the Census of Agriculture, growing from 431,868 to 454,050 acres (Table 1). Growth in Madison, Lincoln, Scott, and Garrard counties contributed to most of the positive changes. Montgomery, Fayette, Woodford, Bourbon, and Jessamine counties each experienced declines. Urban development pressures around Fayette County have certainly contributed to some of this pattern.

Larger operations continue to control a significant amount of the total area farmed in Central Kentucky; the distribution of area controlled by size has changed little during the past 10 years. The proportion of smaller-sized farms has remained relatively constant, this despite the substantial reductions in tobacco production.

Total area dedicated to farming in Fayette County, according to the 2002 Census, was 199,098 acres with 738 farms. There were a little over 1.7 million acres dedicated to farming over the 15 county area with 11,906 farms (Table 2).

Fayette County continues to be an area leader in terms of the market value of farm products sold. This value is primarily driven by the horse industry. The market value for farm products for the 15 counties reached \$729 million in 2002 with 24.5% of those sales coming from farms in Fayette County (Table 2). Sales per farm in Fayette, Woodford, and Bourbon counties are considerably higher due to the large concentrations of horse farms there.

A significant amount of additional economic activity has been generated from these farm businesses. Farms in Central Kentucky paid out \$601 million in farm production expenses in 2002. Fayette County, again, accounted for a large proportion of that share, \$155 million or 25.8%.

Table 1. Harvested Crop Area by Size of Farm in Central Kentucky, 1992 and 2002<sup>8</sup>

County	1992 size of farm: Harvested Cropland by Size of Farm			2002 size of farm: Harvested Cropland by Size of Farm		
	0-49 acres	50-259 acres	260+ acres	0-49 acres	50-259 acres	260+ acres
Anderson	1253	11520	6687	1938	10813	7953
Bourbon	1863	14180	42474	1871	13840	39898
Boyle	1317	11539	16039	2302	9729	16836
Clark	1867	10660	21029	2157	12212	22257
Estill	531	4839	4085	645	5517	4338
Fayette	<b>1570</b>	<b>8261</b>	<b>20216</b>	<b>1383</b>	<b>6645</b>	<b>16348</b>
Franklin	1541	9111	6482	2033	9800	8838
Garrard	1459	13667	13240	1647	14568	16900
Jessamine	1620	9778	12582	1346	9253	11722
Lincoln	2975	19872	21197	3464	22089	26123
Madison	2813	15903	22897	3801	17362	32894
Montgomery	1394	10240	18520	1704	10846	11274
Powell	608	2748	2251	533	3148	5209
Scott	1928	10238	18637	1896	11487	23732
Woodford	1420	7960	20857	1646	7498	16555
Total Farming Acres	<b>24159</b>	<b>160516</b>	<b>247193</b>	<b>28366</b>	<b>164807</b>	<b>260877</b>
Percent by Farm Size	<b>5.6%</b>	<b>37.2%</b>	<b>57.2%</b>	<b>6.2%</b>	<b>36.3%</b>	<b>57.5%</b>

Table 2. Market Value of Agricultural Products Sold in Central Kentucky 2002<sup>9</sup>

County	Farms Number	Land in farms acres	Market value of agricultural products sold \$1,000	Average per farm Dollars	Total farm production expenses \$1,000
Anderson	748	83,857	8,949	11,964	10,650
Bourbon	913	184,580	97,809	107,129	102,964
Boyle	715	98,617	22,498	31,465	21,039
Clark	861	143,171	25,285	29,367	25,195
Estill	457	64,105	3,859	8,444	4,267
Fayette	<b>738</b>	<b>119,098</b>	<b>178,892</b>	<b>242,401</b>	<b>155,411</b>
Franklin	689	82,056	12,143	17,625	10,096
Garrard	873	120,022	21,197	24,281	18,443
Jessamine	770	82,328	49,737	64,594	35,251
Lincoln	1,275	171,276	35,077	27,512	30,512
Madison	1,396	218,304	35,640	25,530	28,066
Montgomery	676	90,951	15,647	23,146	12,372
Powell	239	37,516	2,484	10,394	2,420
Scott	848	137,356	48,536	57,236	41,526
Woodford	708	123,070	171,917	242,821	102,839
Total	<b>11,906</b>	<b>1,756,307</b>	<b>729,670</b>	<b>923,909</b>	<b>601,051</b>

<sup>8</sup> Source: Census of Agriculture, 1992, 2002

<sup>9</sup> Source: Census of Agriculture, 2002

Table 3. Crop Sales for Central Kentucky, 2002<sup>10</sup>

County	Value of sales by commodity or commodity group:									
	All Crops, including nursery & greenhouse		Grain		Tobacco		Fruit & Vegetables		Nursery & Sod	
	Farms	Sales \$1000	Farms	Sales \$1000	Farms	Sales \$1000	Farms	Sales \$1000	Farms	Sales \$1000
Anderson	326	2,831	12	170	170	1,952	25	177	4	260
Bourbon	490	17,566	62	852	365	9,649	17	191	16	1041
Boyle	351	4,427	19	169	230	3,673	18	85	5	325
Clark	397	7,164	32	319	262	5,918	24	91	19	361
Estill	228	1,612	30	153	151	1,068	14	131	4	3
Fayette	<b>318</b>	<b>14,439</b>	<b>44</b>	<b>900</b>	<b>194</b>	<b>7,965</b>	<b>27</b>	<b>373</b>	<b>34</b>	<b>4274</b>
Franklin	378	7,360	18	71	240	4,172	21	354	20	2087
Garrard	475	6,227	29	242	353	5,175	14	41	9	180
Jessamine	386	7,897	20	205	297	5,490	20	61	23	1559
Lincoln	764	11,468	90	1,600	576	6,656	26	1127	16	876
Madison	786	12,139	34	220	575	9,082	37	314	33	964
Montgomery	396	5,135	19	55	313	4,594	11	157	6	391
Powell	157	1,470	23	488	116	866	5	70	1	65
Scott	439	13,152	39	329	287	9,151	38	446	23	2408
Woodford	304	9,661	31	262	199	8,486	38	463	17	176
<b>Total</b>	<b>6195</b>	<b>122548</b>	<b>502</b>	<b>6035</b>	<b>4328</b>	<b>83897</b>	<b>335</b>	<b>4081</b>	<b>230</b>	<b>14971</b>

### Crop Sector

The 15 Central Kentucky counties realized approximately \$122 million in crop sales in 2002. Tobacco continued to dominate the picture for crops, both in terms of the number of farms growing tobacco (70%) and in the total value of the crops produced (68%).

Several large nursery and sod operations are based in Fayette County, as evidenced by the \$4.2 million in sales. Nursery and sod enterprises have thrived in central Kentucky along with the growing housing development. Fayette County sales may reflect plants grown elsewhere but sold at retail and wholesale outlets within the county. Grain (5%) and produce (3%) make up a relatively small share of the crop situation in the area, although grain is also grown for local cattle feed and produce farmers have developed new direct and cooperative marketing channels. Produce sales are likely quite a bit higher currently than the 2002 figure, based on the growth associated with the Central Kentucky Vegetable Cooperative and expansions in the Lexington Farmers Market.

<sup>10</sup> Source: Census of Agriculture, 2002

Table 4. Burley Tobacco Marketing in Central Kentucky, 1992, 1997, 2002<sup>11</sup>

County	Total Acres 1992	Total Quantity 1000#	# Of Tobacco Farms 1997	Total Acres 1997	Total Quantity 1000#	# Of Tobacco Farms 2002	Total Acres 2002	Total Quantity 1000#
Anderson	2,220	3958	323	1,707	3356	170	628	1028
Bourbon	7,769	17441	587	7,420	14702	365	2,831	5220
Boyle	2,826	5558	395	2,712	5311	18	926	1996
Clark	4,784	10086	461	4,311	8713	262	1,687	3318
Estill	1,107	1966	257	898	1526	151	382	641
Fayette	<b>6,285</b>	<b>13344</b>	<b>340</b>	<b>4,863</b>	<b>10550</b>	<b>194</b>	<b>2,113</b>	<b>4387</b>
Franklin	3,476	7035	418	2,962	6072	240	1,208	2260
Garrard	4,593	9431	610	4,304	8569	353	1,473	2885
Jessamine	4,462	9801	462	4,004	8175	297	1,559	3078
Lincoln	4,200	8421	843	4,007	8175	576	1,752	3773
Madison	6,800	14061	956	6,251	11710	575	2,593	5017
Montgomery	3,958	8437	541	4,146	7997	313	1,407	2594
Powell	692	1192	161	556	924	116	306	475
Scott	6,135	14110	488	6,031	13758	287	2,273	4997
Woodford	5,822	13095	391	5,817	12328	195	2,535	4644
<b>Total</b>	<b>65,129</b>	<b>137938</b>	<b>7,233</b>	<b>59,989</b>	<b>121867</b>	<b>4,112</b>	<b>23,673</b>	<b>46312</b>

Burley tobacco production has dropped off substantially over the past 10 years, even just over the past 5 years. Production in 2002 was just 1/3 of the quantity produced in 1992. Production in Fayette County has mirrored the tobacco production in the region. Farms producing tobacco and total acreage dedicated to tobacco production have similarly declined.

Substantial investments have been made by the state through the Agricultural Development Fund to help tobacco farmers explore other alternatives. Clearly a significant amount of economic activity has been eliminated or redirected. It's interesting to note that although tobacco production has declined substantially, harvested cropland in the region (see Table 1) has actually increased.

## Livestock Sector

### *Equine*

The horse industry is the largest contributor to value in Kentucky Agriculture contributing \$491 million dollars to the agriculture economy in 2002 (KAS estimates \$760 million dollars in 2002). In 2002 there were an estimated 20,054 farms with 149,465 horses in Kentucky a 21% increase in farms and a 28% increase in horse numbers compared to 1997. Equine sales in the 15 counties around Fayette (Table 6)

<sup>11</sup> Source: Census of Agriculture, 1992, 1997, 2002.

continue to be a major focus of economic activity. Fayette and Woodford Counties remain the top equine production areas in Kentucky, representing about 63% of the sales in the state by value.

Fayette County ranked first in farm livestock sales of any Kentucky county with \$164.5 million in sales in 2002.<sup>15</sup> Of this total \$156.8 million dollars was from sales of horses, ponies and mules.<sup>16</sup> The equine industry in Fayette County showed a similar growth trend as the statewide data showed for the ten-year period 1992 to 2002. During this time period Fayette county horse and pony inventory went up 10.5 % and sales went up 42%. It should be noted that equine sales figures can vary significantly from year to year.

The Kentucky Agriculture Statistics

*Table 5. Equine Numbers and Sales in Central Kentucky<sup>12</sup>, 2002*

County	Number of Animals <sup>13</sup>	Value, \$1,000
Anderson	1091	D <sup>14</sup>
Bath	1695	326
Bourbon	6270	55865
Boyle	1472	617
Clark	1445	1303
Fayette	<b>12676</b>	<b>156835</b>
Fleming	1540	3365
Franklin	981	400
Garrard	1355	357
Harrison	1634	523
Jessamine	3547	35388
Lincoln	1425	263
Madison	1998	510
Mason	1142	D
Mercer	2533	4164
Montgomery	993	D
Nicholas	1156	786
Robertson	325	40
Scott	4255	22743
Shelby	3312	3529
Spencer	728	175
Washington	1805	486
Woodford	7760	152026
<b>Kentucky</b>	<b>149465</b>	<b>491345</b>

(KAS) did their own research on Equine Cash receipts in Fayette County in 2002 and estimated a much greater amount of \$256 million dollars in horse sales from Fayette County farms. According to KAS, horse farm surveys for sales data are not particularly accurate as many of the horse farms do not own the horses that are sold and therefore don't track what they sold for. KAS includes estimates of horses from Fayette county farms that sold through the auction systems as well.

The 2002 Census of Agriculture reported 426 farms in Fayette County with 12,676 horses in inventory. 92 % of the horse farms surveyed for this study indicated they had Thoroughbred horses. The KY Thoroughbred Association estimated that 60% of the horses in Fayette County are Thoroughbreds. The 2004 Farm Managers Directory listed 206 Thoroughbred horse farms in Fayette County with an average acreage of 350 acres

<sup>12</sup> District 5 Counties

<sup>13</sup> Horses, ponies, mules, burros, donkeys, according to the U.S. Census of Agriculture, 2002

<sup>14</sup> Value too small to be reported in Census and omitted.

<sup>15</sup> 2002 U.S. Census of Agriculture

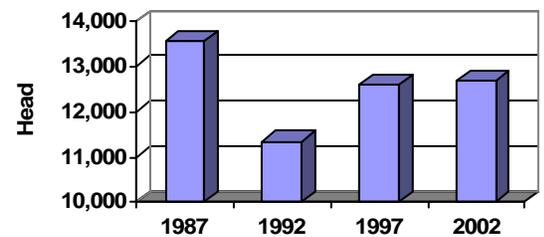
<sup>16</sup> 2002 U.S. Census of Agriculture

each. That directory listing implies 72,000 acres in Fayette County are in Thoroughbred horse farms, which would be 36% of the county farmland.

The horse industry is located in the Bluegrass Region of KY for many reasons including excellent soils and forages, expert horse care and veterinary services, large established horse sales auction houses and perhaps most importantly the location of world-class stallions available for breeding services. In 2004 there were 333 Thoroughbred stallions registered in the U.S. with the Thoroughbred Association. There were 135 Thoroughbred stallions standing at stud in Fayette County.

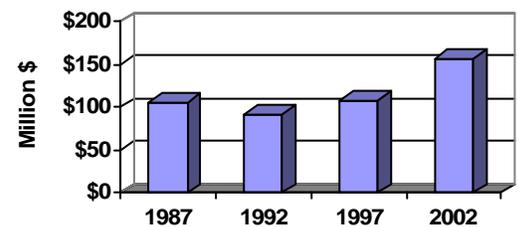
Horse sales in 2002 at Keeneland, Fasig-Tipton and Tattersails in Fayette County were approximately \$560 million dollars, after subtracting \$39 million dollars in auction house commission fees.<sup>17</sup> In 2003 the average sale price for a Thoroughbred brood mare sold at auction was \$92,258.<sup>18</sup> In addition to sales of horses the equine industry contributes a tremendous amount of additional economic activity through stud fees, equine services, farm maintenance and employment. The total economic impact of the KY horse industry was

**Fayette County Equine Inventory**



estimated to be \$1.77 billion dollars in 2002. The job and worker earnings associated with this impact were estimated at \$630 million and 31,800 jobs. Fayette County horse farms are major players in the international Thoroughbred horse industry. This benefits Fayette County by attracting capital investment in horses, farms and services from investors from KY, the U.S. and many foreign countries. The horse industry also attracts a large number of tourists into the region who spend money at hotels, restaurants, shops, racetracks, etc. Clearly the equine industry is tremendously important to the Fayette County economy. Survey results from this study indict horse farms in Fayette County plan to expand their horse enterprises in the next five years (Table 17).

**Fayette County Horse and Pony Sales**



*Cattle*

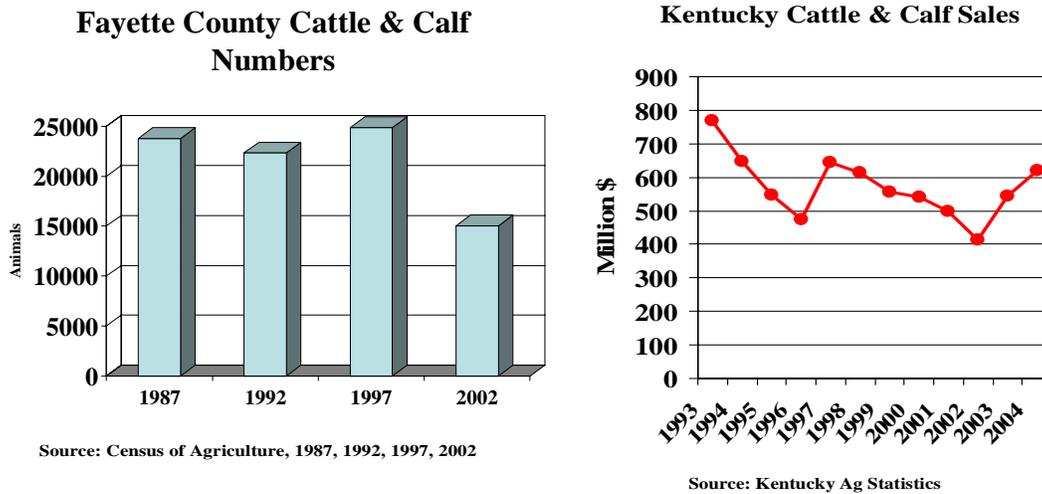
Cattle and calves have been an important part of Fayette County agriculture for many years. The substantial decline in cattle numbers reported in the Census of Agriculture (Table 6), however, shows again the structural changes taking place in the local agricultural industry. It should be noted that sales of cattle and calves statewide have been on a steady decline according to Kentucky Ag Statistics (KAS). The \$768 million

<sup>17</sup> The 2002 Economic and Fiscal Impact of the Kentucky Equine Industry" Commissioned by The KY Horse Council, prepared by Center for Business and Economic Research, Gatton College of Business and Economics, University of Kentucky

<sup>18</sup> KY Thoroughbred Association

in cattle and calve sales reported in 1993 had fallen to \$406 million in 2002 (Figure 2.).

Figure 2. Cattle and Calf Marketing in Fayette County and Kentucky



Cattle and calf inventories vary depending on the source, but both the KAS and the Census of Agriculture report a decline in animal numbers for Fayette County.

Still, Table 6 indicates the relative stability of cattle production in the counties around Fayette. There is every reason to believe that the Fayette County will continue to have the opportunity to serve as a major marketing center to this region. Cattle and calves in Fayette County fell by 33% between 1992 and 2002, while overall animal numbers in the 15 county area around Fayette County saw a decline of less than 8%. Survey results from this study indicate farmers in Fayette County plan to expand their cattle herds “some what” in the next five years (Table 17).

While Fayette County itself may not be a big production area for cattle relative to the surrounding counties, the fact remains that Lexington has continued to be an important marketing center. The Bluegrass Stockyards contribute significantly to the viability of cattle production in the surrounding counties, and as such, it has an important economic contributor to the area.

**Table 6. Cattle and Calves Inventory in the Fayette County Area<sup>19</sup>**

County	Cattle and calves: 1992				Cattle and calves: 2002			
	1-19 number	20-99 number	100+ number	Total	1-19 number	20-99 number	100+ number	Total
Anderson	422	11328	4948	16698	1573	7383	5095	14051
Bourbon	1404	16208	37142	54754	1208	10133	46491	57832
Boyle	1587	10762	23602	35951	1687	8114	28278	38079
Clark	2105	14932	26405	43442	1918	11724	34572	48214
Estill	1589	5540	D <sup>20</sup>	7129	1484	5263	1582	8329
Fayette	870	6316	15134	22320	456	4430	10151	15037
Franklin	1711	9276	5091	16078	1584	6188	5235	13007
Garrard	1810	19840	21940	43590	1696	13536	22470	37702
Jessamine	328	11716	10043	22087	1501	6846	10992	19339
Lincoln	3054	22431	28096	53581	3087	19333	31347	53767
Madison	3381	23184	44845	71410	3452	18766	40790	63008
Montgomery	1296	13025	17849	32170	1125	9607	16808	27540
Powell	602	1343	826	2771	323	1354	471	2148
Scott	1784	14084	18269	34137	1267	9922	18329	29518
Woodford	168	9934	17131	27233	885	7303	14866	23054
<b>Total</b>	<b>22111</b>	<b>189919</b>	<b>271321</b>	<b>483351</b>	<b>23246</b>	<b>139902</b>	<b>287477</b>	<b>450625</b>

**Fayette County Farm Futures Survey**

A survey of farms based in Fayette County was conducted during the summer and fall of 2004. The objective of the survey was to gather additional data that could be used to confirm the economic impact of these operations. The survey specifically sought to gather information on the following:

- Employment
- Land use, farm structure, and ownership
- Expected changes in crop and livestock enterprises over the next 5 years
- Recent changes in revenue and production expenses
- Impact of different County economic development programs, particularly those used by the Ag Development Fund and the Purchase of Development Rights programs
- Interest in various initiatives that might contribute to enhancing income possibilities for existing enterprises or aid in diversification
- Structure of the equine farms in Fayette County
- Assessment of various issues and/or opportunities facing the equine industry

The survey was mailed to 1,200 addresses included in the NRCS, Farm Services Administration records, and the Kentucky Thoroughbred Association. Addresses known to be non-farm were removed from the mailing list. A separate supplemental survey was included specifically oriented to farms with horses. Two mailings were distributed. A copy of the survey is provided in the appendix.

<sup>19</sup> Census of Agriculture, 1992, 2002.

<sup>20</sup> Value too small to be reported.

There were 171 usable surveys returned, including 91 farms that also completed the supplemental horse survey. Some of the addresses turned out to be duplicate for the same operation and were also discarded. It's difficult to place an exact value on the response rate, considering so many of the addresses in these lists were non-farm. It is worth noting here that the 2002 Census of Agriculture recorded 738 farms in Fayette County. This response would appear to represent at least 23% of those farms recorded in 2002.

### Employment

Farm owners were asked to provide estimates of full and part-time employment for their farms. As expected, horse farms employed substantially more full-time employees than conventional crop or livestock farms. Farm employment for farms based in Fayette County, using the 2002 farm numbers as a guide, would indicate around 3200 full time employees (including the operator) and another 1900 part time employees. Production agriculture is clearly a major employer in the area.

Table 7. *Employment by Operation*

Operation (number)	Full Time Employees Average	Part Time Employees Average
Farm (80)	1.67	2.84
Horse (91)	6.72	2.36
All Farms (171)	4.91	2.56
Estimated Total Farm Employment for Fayette County <sup>21</sup>	<b>Total</b>	<b>Total</b>
•Farm	576	979
•Horse Farm	2643	928
•Total	3219	1907

Exact employment numbers are difficult to estimate for farm operations. Much of the work is seasonal, a significant number of the farms have property outside of the county, and operator labor is often ignored. The 2002 Census of Agriculture estimated there to be 3, 925 hired workers (full and part time) on 423 farms that reported hired help. This implies that almost 40% of the farms recorded in the Census did not report hiring workers. They estimated the payroll for these workers to be **\$50,872,000**.

The 2002 Census estimate is fairly close to the 4,126 full and part time workers estimated to have been hired through this survey (Table 7), and probably offers a good approximation of the corresponding labor force working in the County.

It is important to note, however, that the \$50 million in wages paid underestimates the total value of farm labor. Farmer operators also take a wage themselves from their revenue. Additionally, they tend to reinvest their earnings into the equity of their farms.

<sup>21</sup> Estimated based on survey responses by farm type and farm numbers reported in the 2002 Census of Agriculture. Note that not all employment on these farms is necessarily in Fayette County, since farms were reporting for their entire operation.

### **Land Use/Value, Farm Structure and Ownership**

Tables 8-11 provide a summary of the structure of farms in Fayette County. The survey revealed that many farms use different strategies of leasing and owning property to carry out their necessary production activities, both within and beyond Fayette County. While average acreage owned within Fayette County was more likely to be committed to horses than other enterprises (Table 8), general farm operations actually tended to be slightly larger after accounting for all leasing and ownership in every location (Table 10).

Approximately 13% of the Fayette County farmers indicated they leased additional property within Fayette County. More general farms (22.3% versus 13.8%) indicated owning additional property outside Fayette County, and similarly more general farms leased outside of Fayette County (9.2% versus 3.4%), noted in Table 9.

Small farms (under 50 acres) continue to represent a significant fraction of operations, especially for general farms where over half of such farms fall in this category. The majority of the horse farms fall in the 100-500 acre range (Table 11). Horse farming, with its need for extensive pasture area, generally requires a larger area than the typical cattle and tobacco farm in Fayette County. Sixty-one percent of the horse farms surveyed were larger than 100 acres whereas only forty percent of the general farms were over 100 acres. It should also be noted that the largest farming operations tended to be general farms with 9% reporting 1,000 acres or more opposed to only 2% of horse farms reporting 1,000 acres or more.

Land prices in Fayette County have continued to climb in recent years. A significant number of farms are moving toward leasing nearby their current operation or buying additional farmland outside Fayette County.

*Table 8. Fayette County Acres Owned and Leased*

<b>Operation (number)</b>	<b>Average Acres Owned in Fayette County (Acres)</b>	<b>Percent leasing in Fayette County</b>	<b>Average lease size among those leasing (acres)</b>
Farm (76)	<b>100.6</b>	<b>13.2%</b>	<b>251.6</b>
Horse (87)	<b>150.6</b>	<b>13.8%</b>	<b>236.3</b>
All Farms (165)	<b>127.2</b>	<b>13.5%</b>	<b>243.3</b>

Table 9. Fayette County Farms Owning and Leasing Outside of Fayette County

Operation (number)	Percent owning outside Fayette	Average acreage owned outside Fayette <sup>22</sup> (Acres)	Percent leasing Outside Fayette	Average lease size among those leasing (acres)
Farm (76)	22.3%	259.2	9.2%	455.1
Horse (87)	13.8%	263.8	3.4%	138.3
All Farms (165)	17.8%	261.1	6.1%	360.1

Table 10. Overall Farm Structure and Size

Operation (Number)	Percent leasing in Fayette or owning or leasing outside of Fayette	Overall Average Size of Operation – All Acres
Farm (76)	28.9%	231.8
Horse (87)	27.6%	222.6
All Farms (165)	28.2%	226.9

Table 11. Distribution of Overall Operations by Size and Enterprise

Total Operation Acres	Farm		Horse		All Farms	
	Number	%	Number	%	Number	%
0-49	39	51.3	22	25.3	61	37.4
50-99	7	9.2	12	13.8	19	11.7
100-499	18	23.7	44	50.6	62	38.0
500-999	5	6.6	7	8.0	12	7.4
1000+	7	9.2	2	2.3	9	5.5
<b>Total</b>	<b>76</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>163</b>	<b>100.0</b>

Data from other sources have pointed to steady increases in land costs for farmers in Kentucky. Farmers, in light of this, are carefully evaluating the profitability of their various enterprises. Table 12 shows recent changes in land cash rental rates for the state and different regions. The differences across regions of the state reflect the relative differences in land productivity and the opportunity cost. Cropland, especially for grain, is in higher demand in the western part of the state compared to the east. Figure 3 illustrates the changes that have been taking place in farm property values for the U.S., Kentucky, and Fayette County. Land and buildings value per acre in Kentucky rose \$747 (70%) between 1992 and 2002 while the value in Fayette County increased \$1,150

<sup>22</sup> Average acreage owned by those noted in the previous column that actually own land outside Fayette County.

(34%). While the rate of increase is much less, the increasing difference in absolute value of land between Fayette and other counties is likely part of the strategy of farmers to lease and/or access land outside of the County to expand their operations.

Table 12. Typical Kentucky Crop and Pasture Land Cash Rental Rates, 1996-2002.<sup>23</sup>

	<b>Crop Land</b>	<b>Pasture Land</b>
<b>State of Kentucky:</b>		
1996	\$62.65	\$24.44
1997	\$60.24	\$23.88
1998	\$66.40	\$36.15
1999	\$57.54	\$25.11
2000	\$66.63	\$30.04
2001	\$65.48	\$29.68
2002	\$68.07	\$33.43
<b>East Kentucky:</b>		
1996	\$47.11	\$18.97
1997	\$40.75	\$19.43
1998	\$55.96	\$31.94
1999	\$53.33	\$24.54
2000	\$55.84	\$28.75
2001	\$58.81	\$26.45
2002	\$39.00	\$26.14
<b>Central Kentucky:</b>		
1996	\$51.82	\$23.66
1997	\$60.00	\$24.88
1998	\$64.41	\$35.88
1999	\$50.00	\$25.38
2000	\$65.24	\$29.60
2001	\$53.90	\$28.39
2002	\$62.65	\$33.00
<b>West Kentucky:</b>		
1996	\$84.25	\$27.41
1997	\$90.54	\$30.91
1998	\$88.21	\$44.62
1999	\$83.18	\$25.83
2000	\$81.25	\$32.33
2001	\$92.86	\$37.42
2002	\$90.59	\$38.53

Land rental rates have edged higher but it is unclear if this trend will continue upward. There remains substantial uncertainty about tobacco. With the end of the quota system and its price support, Kentucky growers are now facing more global competition for tobacco sales. Auction markets and production controls through quotas have given way to contract marketing arrangements directly with the tobacco companies. Many of the older and part-time farmers are expected to quit raising tobacco while those that remain in it will be cautious until the marketing situation and pricing structure is more understood. This may take the edge off rising land rental rates. Note in Table 4, over the last ten years the production of burley tobacco in Central Kentucky has declined substantially. It will be

shown later that farmers in the area expect this trend will continue over the next five years.

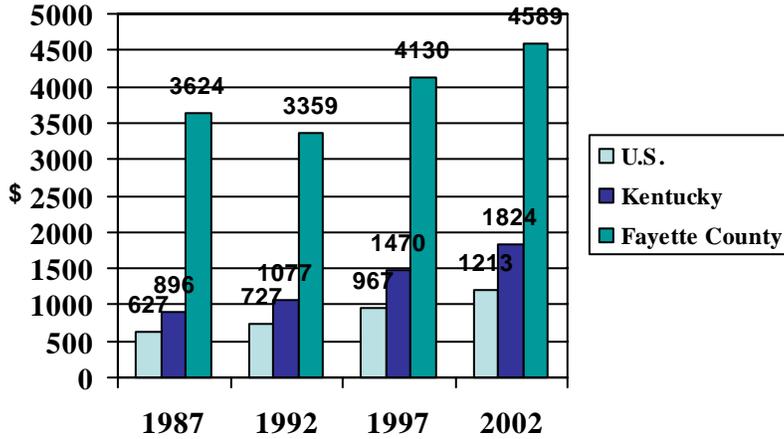
<sup>23</sup> Source: Survey of county extension agents in regional Economic Subject Matter Training Meetings, October, 1996-2002.

### Expected Changes in Crop and Livestock Activities

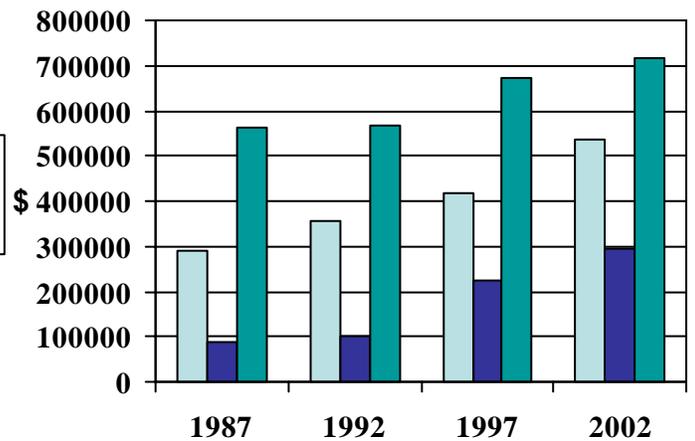
A significant amount of the acreage in Fayette County has been dedicated to cropland. It is difficult to distinguish land dedicated to crops versus livestock in the area, since such a large area is used for growing hay or pasture. About 83% of the land area is dedicated to hay or pasture according to the Farming Futures survey (Table 13). The survey estimated about 47% of the cropland acres was connected with farms that included horses as an important enterprise. The 1992 Census of Agriculture estimated about 30,000 acres of cropland harvested in Fayette County. This number fell to 24,376 acres by 2002.

**Figure 3. Land Values for Farming<sup>24</sup>**

**Land & Buildings Value per Acre**



**Land & Buildings Value per Farm**



<sup>24</sup> Source: Census of Agriculture 1987, 1992, 1997, 2002

Table 13. Acres Dedicated to Various Cropping Enterprises by Fayette County Farmers, 2004<sup>25</sup>

Operation	Alfalfa	Grass Hay	Corn	Soy Beans	Wheat	Tobacco	Pasture	Fruit	Vegetables	Other <sup>26</sup>
Farm (80)	432	2999	982	417	387	920	7691	9	29	551
Horse (91)	306	2889	150	160	55	164	10728	5	102	183
All Farms	738	5888	1132	577	442	1084	18419	14	131	734

Farmers were asked to provide their assessment of changes in crop activities for their operation over the next five years. The questionnaire simply asked for relative changes expected rather than specific acreage adjustments.

The results, summarized in Table 14, suggest relatively little change is expected for most crops with the distinct exception of tobacco. Of farmers that had tobacco in 2004, 26% expected to see this enterprise decline and another 43% expected to see tobacco decline substantially over the next 5 years on their farms. Tobacco revenue for Fayette County, which had already fallen substantially between 1997 and 2002, will probably continue to decline in the area through at least the next Census period.

The data were further evaluated by farm size, particularly looking at projections of tobacco production (Table 15). Both small and large farms were largely expecting to see a decline in tobacco production, but smaller farms seemed especially inclined to see substantial reductions.

General farms expect to increase alfalfa and pasture while horse farms expect to stay the same on their crops with the exception of a decrease in tobacco production. Farmers with produce and greenhouse operations seem to expect a slight increase overall, as well. Most other crop enterprises are expected to change little.

Many farmers, particularly those growing tobacco, continue to look for new enterprises. Enterprises, such as produce, nursery and greenhouse, and other niche ventures are being introduced on many farms on a small scale initially. Marketing infrastructure is steadily developing for most of these ventures, but marketing remains the most important barrier to further development.

<sup>25</sup> This represents all acres being employed by the Fayette County farmers surveyed, owned and leased both within Fayette County and in other counties.

<sup>26</sup> Primarily nursery and greenhouse acreage.

**Table 14. Expected Changes in Various Cropping Enterprises During the Next 5 Years**

	Response	Alfalfa	Grass Hay	Corn	Soy Beans	Wheat	Tobacco	Pasture	Fruit	Vegetables	Other
<b>Farm</b>	Decline Substantially	2	2	1	0	0	19	2	0	1	2
	Decline Somewhat	3	8	1	0	2	14	1	1	2	0
	Stay the Same	8	28	14	11	11	14	25	10	9	7
	Increase Somewhat	8	2	1	2	2	3	7	3	6	4
	Increase Substantially	1	1	1	1	0	0	1	0	3	3
<b>Horse Farm</b>	Decline Substantially	1	0	1	0	0	12	1	0	0	0
	Decline Somewhat	0	3	1	1	2	5	2	1	1	0
	Stay the Same	15	26	9	8	8	5	49	11	8	8
	Increase Somewhat	3	6	1	1	0	0	4	3	3	0
	Increase Substantially	0	0	0	0	0	0	0	0	0	2
<b>All Farms</b>	Decline Substantially	3	2	2	0	0	31	3	0	1	2
	Decline Somewhat	3	11	2	1	4	19	4	2	3	0
	Stay the Same	23	54	23	19	19	19	74	21	17	15
	Increase Somewhat	11	8	2	3	2	3	11	6	9	4
	Increase Substantially	1	1	1	1	0	0	1	0	3	5

**Table 15. Projected Changes in Cropping by Size of Operation**

Farm Size	Response	Enterprise			
		Tobacco (Responses)	Fruit (Responses)	Vegetables (Responses)	Other (Responses)
Under 100 Acres	Decline Substantially	16	0	1	1
	Decline Somewhat	9	0	2	0
	Stay the Same	4	5	2	3
	Increase Somewhat	0	1	2	3
	Increase Substantially	0	0	3	3
Over 100 Acres	Decline Substantially	15	0	0	1
	Decline Somewhat	8	2	1	0
	Stay the Same	15	14	15	12
	Increase Somewhat	3	3	5	0
	Increase Substantially	0	0	0	2

Note: Not all farms reporting in Table 14 reported acres of production and were omitted from this table.

Farmers were also asked to give their assessment of their livestock operations. Farmers reported animal numbers by livestock type (Table 16). A fair number of horse farms also had cows and stocker cattle. Conventional farms, to a lesser extent, had some horses, but the vast majority of horses (95%) were located on farms specializing in horses. Only a very small number of specialty livestock (sheep, ponies, llamas, and others) were reported.

**Table 16. Head of Livestock Reported by Fayette County Farmers in All Operations**

	Cows	Bulls	Stocker Cattle	Sheep	Goats	Horses	Ponies	Llamas	Other
<b>Farm (80)</b>	1660	79	2228	72	26	215	3	46	11
<b>Horse Farm (91)</b>	384	44	527	160	8	4168	133	0	30
<b>All Farms</b>	2044	123	2755	232	34	4383	136	46	41

**Table 17. Expected Changes in Various Livestock Enterprises During the Next 5 Years<sup>27</sup>**

		<i>Enterprise</i>								
	<i>Response</i>	Cows	Bulls	Stocker Cattle	Sheep	Goats	Horses	Ponies	Llamas	Other
<b>Farm</b>	Decline Substantially	3	3	1	1	1	1	0	1	1
	Decline Somewhat	3	2	2	1	0	4	2	0	0
	Stay the Same	11	13	2	5	4	9	4	3	2
	Increase Somewhat	11	5	8	0	4	9	1	1	1
	Increase Substantially	1	0	2	0	0	2	0	0	0
	<b>Horse Farm</b>	Decline Substantially	0	0	0	0	0	6	1	0
	Decline Somewhat	0	0	1	0	1	11	1	0	0
	Stay the Same	7	9	9	8	7	41	14	7	3
	Increase Somewhat	4	3	1	1	1	18	0	0	1
	Increase Substantially	0	0	2	0	0	5	0	0	0
<b>All Farms</b>	Decline Substantially	3	3	1	1	1	7	1	1	1
	Decline Somewhat	3	2	3	1	1	15	3	0	0
	Stay the Same	18	22	11	13	11	50	18	10	5
	Increase Somewhat	15	8	9	1	5	27	1	1	2
	Increase Substantially	1	0	4	0	0	7	0	0	0

<sup>27</sup> A similar cross tabulation was conducted for smaller and larger farms. No real differences were observed by farm size across the different livestock enterprises.

Farmers provided their assessment of expected changes in various livestock operations over the next 5 years (Table 17). There was no evidence of inclination among farmers to substantially alter their livestock operations from this data. Cattle and horses appear to be poised for slight expansion, but very few farmers expected substantial changes. The survey data shows more stocker cattle than breeding stock in Fayette County. Stocker cattle enterprises depend on access to light weight cattle to be put on pasture and then markets for heavy feeder stock at the end of the grazing season. The large livestock markets located in Fayette and Bourbon County are a substantial asset for these types of enterprises.

### **Revenue and Production Expenses**

Revenue and expenses were estimated through the Farming Futures Survey. It is evident from this data that many farmers saw tight margins in 2003 (Table 18). Average expenses per farm for general operations exceeded average revenues in Fayette County operations by over \$10,000. Horse farms seemed to fare slightly better, but on average, margins above expenses reported are quite small.

Total revenue from horse and other kinds of farms was estimated for 2003 from the survey data to be about \$198 million and expenses to be about \$194 million. Total revenue from horse farms contributed about 86% of the total revenue in Fayette County farm sales in 2003 and incurred about 84% of the production expenses.

Tables 19 and 20 summarize estimates of trends in sales and expenses for the various kinds of farms. There was a fairly even distribution of farmers indicating perceptions of changes in recent sales expenses. No real difference was observed between kinds of farms. A slightly larger number of farmers indicated “substantial decline” in sales, although the total number was relatively small.

Operating expenses recently observed, however, were decidedly higher for all types of farms. There were 51% indicating an increase in expenses, 14% indicating “substantial” increases.

### **Getting “Squeezed”**

Further analysis of this data indicates that a significant number of farmers are currently feeling “squeezed”. That is, many farmers reported recent changes in their expenses as being more significant than their changes in revenue. Revenue can stay the same, for example, but if same period expenses are regarded as increasing, this adversely affects profitability. Revenue can even be reported as increasing slightly, but if expenses are reported as increasing substantially, one can infer again that this represents a more difficult financial position.

For general farms reporting on changes in revenue and expenses, 29/66 (44%) indicated recent revenues and expenses were adverse compared to the previous five years, while 40/77 horse farms (52%) indicated a negative economic situation.

**Table 18. Average and Estimated Revenues and Expenses for Fayette County Farms, 2003<sup>28</sup>**

Operation	Average Revenue per Farm (\$)	Average Expenses per Farm (\$)	Estimated 2003 Total Revenue (\$)	Estimated 2003 Total Expenses (\$)
Farm	79,254	89,883	27,342,630	31,009,635
Horse Farm	435,076	416,514	170,984,870	163,690,000
Total	282,581	266,585	198,327,500	194,699,635

**Table 19. Sales Trends for Fayette County Operations in 2003 Compared to Average Sales During 1998-2002**

Sales	Farms		Horse Farms		All Farms	
	Number	Percent	Number	Percent	Number	Percent
<b>Decline Substantially</b>	6	9.7%	9	13.4%	15	11.6%
<b>Decline Somewhat</b>	17	27.4%	19	28.4%	36	27.9%
<b>Stay the Same</b>	20	32.3%	17	25.4%	37	28.7%
<b>Increase Somewhat</b>	16	25.8%	19	28.4%	35	27.1%
<b>Increase Substantially</b>	3	4.8%	3	4.5%	6	4.7%

<sup>28</sup> Total sales and expenses are estimated based on the proportion of horse and conventional farms in the survey and using the 2002 Census of Agriculture estimate of 738 farms. The gross sales of \$198 million is slightly higher than the \$178 million reported in the Census of Ag estimate for 2002 (see Table 2). Production expenses estimated for 2004 are also somewhat higher. Note that these estimates are based on revenues and expenses reported for all activities for the Fayette County-based farms surveyed, regardless of the county in which production took place. These revenue and expense values, of course, fluctuate considerably year to year depending on production and prices, but this survey confirms the approximate magnitude of economic activity.

**Table 20. Operating Expense Trends for Fayette County Operations in 2003 Compared to Average Expenditures During 1998-2002**

Operating Expenses	Farms		Horse Farms		All Farms	
	Number	Percent	Number	Percent	Number	Percent
Decline Substantially	1	1.6%	1	1.4%	2	1.5%
Decline Somewhat	8	13.1%	7	9.6%	15	11.2%
Stay the Same	21	34.4%	21	28.8%	42	31.3%
Increase Somewhat	23	37.7%	33	45.2%	56	41.8%
Increase Substantially	8	13.1%	11	15.1%	19	14.2%

### **Fayette County Economic Development Programs**

Several questions in the Farming Futures Survey related to the various economic development programs targeted to farms in Fayette County. Significant funds have been designated for on-farm financial assistance to Fayette County through the Agricultural Diversification Fund. This fund established in 2001 and appropriated funds to the county level in 2002. The Diversification Fund was designed to particularly help counties adversely affected by the losses in tobacco income. Fayette County is among the larger recipients in the state for these funds.

The Ag Development Board developed a series of standard on-farm investment programs that counties, through County Ag Development Councils, could choose to direct their monies. Fayette County has participated in the Forage Improvement, Cattle Genetics Improvement, Diversification, Cattle Handling Facilities, Hay Storage Facilities, Goat, and On-Farm Water programs. Fayette County also committed funds to an equipment rental program, making specialized forage equipment available to farmers. The Fayette County Conservation District administers the following programs and reported the corresponding level of participation in each program as of January 2005:

*Forage Improvement: 76*

*Equipment Rental: 104*

*Diversification: 18*

*On Farm Water Enhancement: 12 Applied*

The other on-farm production programs have been administered through the County Extension Service. The programs are fairly new and by the end of the 2003 production season, most Fayette County farmers were just beginning to learn about these programs and/or assess the impact on their farms.

All of the Agricultural Diversification Model Program funds allocated to Fayette County as of May 2005 are as follows:

Agricultural Diversification Program	\$210,000
Cattle Genetics Program	\$150,000
Cattle Handling facilities	\$250,000
Forage Improvement & Utilization	\$212,463
Goat Diversification	\$ 2,613
Hay, Straw and Commodity Storage	\$150,000
On-Farm Water Enhancement	\$118,000
Shared-use Equipment	\$ 78,390
<b>Total for All Model Programs</b>	<b>\$1,171,465</b>

The Purchase of Development Rights (PDR), while supported in part by the Agricultural Development Fund, is a separate program with its own administration. Correspondence with PDR program officials reported the following level of participation in the program as of January 2005<sup>29</sup>:

98 farms including 6 Donated Easements of 305 acres with a total of over 12,899 acres.  
49 farms are Equine - 6,477 acres  
44 farms are General Agriculture - 5,824 acres  
5 farms are 'Other' (sod, trees, etc) - 598 acres

A summary of farmer participation in the various county programs as observed through the survey is presented in Table 21. Participation rates in the programs were quite small, although 63/171 (37%) farmers surveyed participated in at least 1 program. Figure 3 presents a summary of the farmers' expectation of the impact of these programs on their farm. Farmers responded whether they participated in the program or not.

Several points seem evident from the responses. (1) The majority of farmers in Fayette County don't really have a good sense of what these programs are or how they might impact their operations. This includes the PDR program (2) Program awareness and sense of impact is lacking whether the farm has tobacco or not. The Ag Development Programs, specifically targeting tobacco farms, do not seem to be regarded by farmers as having a substantial impact on their operations at this point. It should be noted, however, that twenty percent of the farms surveyed have participated in the PDR program. This is the program most used by surveyed farms at the time. The PDR program is also the only program where survey respondents indicated the program had more of a high impact than a low impact.

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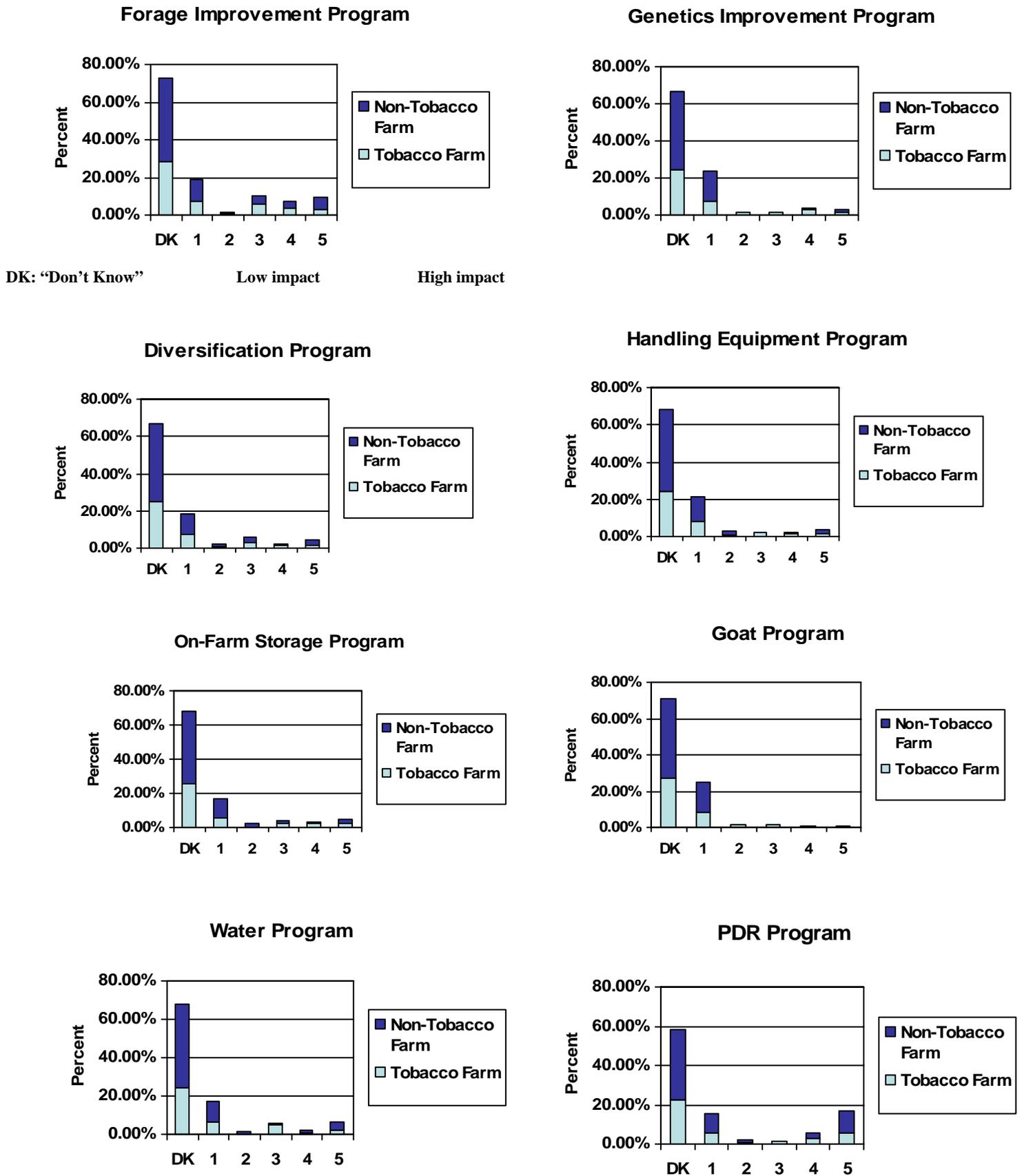
<sup>29</sup> Recent updates of the total numbers indicate 104 farms totaling 13, 182 acres permanently protected by conservation easements. The most recent development of this program can be followed at [www.lfucg.com/pdr](http://www.lfucg.com/pdr)

**Table 21. Participation in Selected Development Programs by Type of Operation<sup>30</sup>**

Operation (n)	Program (Participation rate)							
	Forage	Genetics	Diversification	Cattle Handling	Hay Storage	Goat	Water	PDR
<b>Farm</b>	12	10	7	11	7	2	6	14
(80)	15.0%	12.5%	8.8%	13.8%	8.8%	2.5%	7.5%	17.5%
<b>Horse</b>	11	3	2	4	1	0	3	20
(91)	12.1%	3.3%	2.2%	4.4%	1.1%	0.0%	3.3%	22.0%
<b>All Farms</b>	23	13	9	15	8	2	9	34
(171)	13.5%	7.6%	5.3%	8.8%	4.7%	1.2%	5.3%	19.9%

<sup>30</sup> This represents participation in programs as of the survey date, summer 2004.

Figure 4. Farmer Evaluation of Program Impact for Various County Programs



### Farmer Interest in Various County Development Concepts

Farmers were asked to respond to their interest in a series of possible concepts around which future programs might be developed for Fayette County. The list of concepts was developed through the direction of various agricultural leaders. Farmer responses to these programs are presented in Table 22.

**Table 22. Farmer Interest in Various Program or Marketing Concepts<sup>31</sup>**

	Farm (80)			Horse (91)			All farms (171)		
	Somewhat interested	Very interested	Percent interested	Somewhat interested	Very interested	Percent interested	Somewhat interested	Very interested	Percent interested
Boarding Thoroughbred brood mares	12	8	25.0%	14	39	58.2%	26	47	42.7%
Producing Thoroughbred, Standard bred or Quarter horses for sale	6	9	18.8%	10	41	56.0%	16	50	38.6%
Hiring a commissioner to develop Fayette County agriculture	16	14	37.5%	22	12	37.4%	38	26	37.4%
Direct marketing of farm products to consumers	17	15	40.0%	21	7	30.8%	38	22	35.1%
Boarding other types of horses	13	8	26.3%	12	26	41.8%	25	34	34.5%
Producing high quality hay for the horse industry	15	9	30.0%	13	11	26.4%	28	20	28.1%
Increasing your stocking rate by adopting more intensive grazing and management techniques	15	11	32.5%	11	11	24.2%	26	22	28.1%
Back grounding cattle	13	9	27.5%	10	3	14.3%	23	12	20.5%
Developing on-farm processed products	14	8	27.5%	7	3	11.0%	21	11	18.7%
Starting a vineyard and or a winery	12	1	16.3%	11	2	14.3%	23	3	15.2%
Selling at a large Regional Farmer's Market	8	6	17.5%	10	0	11.0%	18	6	14.0%
Adding an Agri-tourism enterprise to the farm	5	5	12.5%	8	5	14.3%	13	10	13.5%
Expanding CPH cattle sales	11	5	20.0%	5	1	6.6%	16	6	12.9%
Forward contracting cattle	10	3	16.3%	6	2	8.8%	16	5	12.3%
Selling at the Lexington Farmers Market	7	4	13.8%	8	0	8.8%	15	4	11.1%

As will be noted later, many in the horse industry see opportunity for further expansion of this sector in Fayette County. When general farm and horse farm survey results are combined four of the top six opportunities related to expanding operations for the horse industry. This survey result came from the horse farms voting mostly to concentrate on horse related enterprises. The top five program interests expressed by horse farms included three horse enterprises, an agriculture commissioner and direct marketing to consumers. The general farms top five interests were not horse related. General farms

<sup>31</sup> Farmers indicated their interest in the list of opportunities with either “not at all interested”, “somewhat interested”, or “very interested”. All non-responses were regarded here as “not at all interested”.

choose in order: direct marketing farm products to the public, hiring an Agriculture Commissioner, increasing stocking rates through more intensive grazing and management techniques, back grounding cattle, developing on farm processed products. Both general farms and horse farms however, included direct marketing to consumers and an agriculture commissioner among their top five interests. Boarding horses and producing hay appear to be logical activities for general farmers wanting to participate in the horse industry.

There was relatively high interest in establishing a Commissioner of Agriculture for Fayette County. This would be a novel office and the scope of duties would have to be thought through more carefully. Potentially an Agriculture Commissioner could serve as an “ambassador” for agriculture in Fayette County. Promoting the county as the horse capital of the world with world-class resources should be able to attract capital into the area in terms of more horses, horse farms and services. Both the horse farms and the general farms in the county could benefit from increased demand for horses, feed, boarding, breeding, training and other services. In addition to promoting the areas to horse related investors, the area could equally be promoted as a tourism destination in which case agriculture direct marketing businesses would be the beneficiary. There may be additional opportunities such a leader could help by rallying support for including developing new or increased regional marketing opportunities. There was approximately equal interest in having an Agriculture Commissioner among both horse farms and general farms.

Direct marketing of farm products was another category that gathered interest. This was the category with the highest interest among general farms. Both horse farms and general farms included this activity in their top five marketing interests. At presently thirty-one percent of the horse farms and twenty-five percent of the general farms surveyed indicated they were involved with direct marketing at some level.

Farmers were asked to indicate the level of direct marketing activity on their farm. These results are summarized for horse and general farms in Table 23.

**Table 23. Direct Marketing Activity by Operation<sup>32</sup>**

Operation	Involvement	Number of Farms (percent)
<b>Farm</b>	No	<b>55 (74.3)</b>
	Yes, but a minor amount	<b>16 (21.6)</b>
	Yes, actively	<b>3 (4.1)</b>
<b>Horse Farm</b>	No	<b>53 (68.8)</b>
	Yes, but a minor amount	<b>7 (9.1)</b>
	Yes, actively	<b>17 (22.1)</b>
<b>All Farms</b>	No	<b>108 (71.5)</b>
	Yes, but a minor amount	<b>23 (15.2)</b>
	Yes, actively	<b>20 (13.2)</b>

Farmers are interested in direct marketing but need additional infrastructure or assistance to do more retailing from their farm. Currently, the direct marketing of products by Fayette County farmers is

fairly limited. A direct marketing initiative would appear to be a good possibility, but several intermediate steps would seem to be necessary. Farmers become focused on different niches when it comes to direct marketing (selling produce or processed products through a regional market or on the Lexington Farmers Market, starting a winery, developing on-farm agri-tourism, or selling other farm products directly such as beef or lamb. This makes one size fits all type of assistance difficult.

Distribution systems and trends in income, population, and tourism in the Lexington area suggest there are strong possibilities for expanding the direct marketing activities for farmers. Education, feasibility study, planning and promotion seem to be areas of particular need.

### **The Equine Sector**

The horse industry dominates agriculture within Fayette County with 86% of the farm cash receipts and pays 84% of the production expenses. Thoroughbred horses comprise the major breed raised in the County with estimates of 60 % or more of the total horse population. Horse farms require a large capital investment in land, labor and buildings. They also use a good deal of local service providers in terms of horse care, veterinary care, sales facilities, marketing and insurance, agriculture production inputs (feed, fertilizer, etc.) plus landscape and construction contractors for infrastructure improvements.

Fayette County is home to two of the largest Thoroughbred horse sales agencies in the world, Keeneland and Fasig-Tipton. These two auction companies plus Tattersails (a third sales facility) had sales in 2002 of \$560 million dollars. Some of the finest Thoroughbred horses in the world are sold through these facilities, attracting equine investors worldwide to Lexington. The high quality soils and forage base combined with

<sup>32</sup> Farmers responded to the question: “Are you marketing any farm products directly to the public?”.

the long history of equine expertise and available equine related services make Fayette County's claim of being "Horse Capital of the World" legitimate.

Horsemen surveyed for this study were positive about their industries future with many expressing the opinion that more promotion of the area to equine investors would be productive and strengthen the industry. Additional land that could be put into horse farms is available and the PDR program seems to be contributing to keeping some of the good productive land available for agriculture. It is estimated that there are 426 farms in Fayette County with horses. At least 211 of these are Thoroughbred horse farms. On average Fayette County horse farms tend to be larger and employ more people than general farms.

World class Thoroughbred Stallions anchor the horse industry to Central KY. Because only natural breeding is allowed in Thoroughbred production, the mares are shipped in to the stallions standing at stud. Breeder's awards for horses bred in a particular state have been less generous in Kentucky (see bar charts in the appendix). This is of concern to KY horsemen who believe they are losing business to farms with stallions standing in other states with larger breeding incentives. KY horsemen see other state's breeder's awards as a serious threat.

A February 29, 2004 Op-Ed article by Mr. John R. Gaines, a prominent equine industry leader and visionary, is included in the appendix. The article frames the importance of the Horse industry in Kentucky and the potential threat from out-of-state breeder's incentive programs. Three bar charts also prepared by Mr. Gaines (in Appendix 2) illustrate this concern well. The first chart shows the number of registered foals with Kentucky having more than twice the number of any other state. The second chart shows the total amount of incentives, awards and purses awarded by state with Kentucky about in the middle between the high and low states. The third bar chart shows the total incentives, awards and purses divided by the number of foals. This chart shows Kentucky at the very bottom of the list with the least amount of incentive money offered per foal. Breeding is, of course, directly related to where the stallions are standing at stud. It has been suggested that if quality stallions leave Fayette and surrounding counties, the horse industry here would be over.

One suggestion from this study is to hire an Agriculture Commissioner to promote the "Horse Capital of the World" to equine investors and tourism. In addition, increasing breeder's awards should be considered, as should the tax disadvantages to KY horse production. Despite these problems, the outlook for horse production in Fayette County is positive and strong.

**Opportunity Assessment**

Other studies have identified regional opportunities for the various regions of Kentucky. Central Kentucky, by virtue of its climate, soils, topography, and access to markets, has different advantages compared to other parts of Kentucky. The Ag Development Board, in developing a long-term plan for their programs, identified particular products and markets of focus. These are summarized in Table 24.

**GOAP Long Term Plan, Cultivating Rural Prosperity**

**Table 24. Ag Development Board Long Term Priorities for Development<sup>33</sup>**

Western Kentucky	Central Kentucky	Eastern Kentucky
Value-added grain Biofuel production Horticulture	Horses Tobacco Forages and hay Feeder cattle Meat for local markets Vegetables Agritourism	Timber Livestock Vegetables Agritourism

**Agricultural Leaders Survey<sup>34</sup>**

In addition to surveying Fayette County farms a series of personnel interviews were conducted with twenty-three Fayette County agribusiness leaders, farmers from various agriculture sectors, elected representatives, bankers, government officials and farm organization leaders (see interviewee list in the addendum). The purpose of the interviews was to gather opinions about the strengths, weaknesses and opportunities facing agriculture businesses in Fayette County. The hope was that some common themes would become evident.

When asked, “What are the greatest strengths of the agriculture industry in Kentucky and Fayette County in particular?” Several themes became apparent in regard to the strengths of Fayette County agriculture.

- The quality of the soils and forage base here
- The strength of the horse industry and the infrastructure in place to serve it.
- The quality of the Thoroughbred stallions at stud here means brood mares from around the world are sent here for care and service. In turn equine investors and buyers come to Lexington in pursuit of top-notch horses, horse care and horse farms.
- Lexington has a long tradition as being a regional marketing center for horses, tobacco, hay, cattle and produce. Nursery and greenhouse plants as well. This gives farmers access to markets and businesses additional patrons.
- Fayette County’s large population within in the urban boundaries and it’s proximity to two major interstate highways provides opportunities for local farms to service niche

<sup>33</sup> Agricultural Development Board, Cultivating Rural Prosperity – 2002 Annual Report for the Ag Development Fund, p.16.

<sup>34</sup> A complete listing of all comments are presented in the Appendix

markets such as direct on farm marketing and also easily access volume markets for interstate shipments as well.

- The historic and beautifully maintained agriculture land in Fayette County provides opportunities to attract equine investors, tourists and people of means, who choose to come here to spend and invest. Agriculture in Fayette County is a clean industry offering beauty, serenity, and green space while at the same time attracting large outside investment dollars into the area.
- The PDR program was seen by many to be positive for the area.

As far as weaknesses perceived in Fayette County Agriculture, comments were generally concerning:

- Many farmers said they could not afford to buy land in Fayette County due the high prices.
- Urban sprawl and housing development pressure keeps encroaching on farm land
- Local citizens and politicians don't appreciate the importance of agriculture in the County
- Threats from out-of-state breeders incentives and unfavorable tax treatment of horse production (sales tax on horses and horse related production expenses) threaten the competitiveness of the horse industry in KY
- Lack of breeder's awards for KY bred horses. (This situation may now be changing -2005)
- Several leaders thought that agriculture in the area could be more diversified than it is. Few grain or vegetable farms are in existence for instance.

What could Fayette County do to strengthen agriculture?

- Institute cluster zoning to limit sprawl and housing development impacts
- Promote economic development by attracting more horse farms and equine investors. This will keep the land in agriculture; provide employment, scenic beauty and economic activity.
- "The horse industry is the brand that makes Central KY unique". Every decision should be measured against – "what does this do to the brand?"
- A new modern stockyard is needed to advance cattle marketing and profitability. The Blue Grass Stockyard needs to stay in Fayette County.
- Support agri-tourism development with uniform signage, self-guided direct marketing brochures and promotional materials
- Fayette county could support a regional farmers market on one of the interstates
- Support the PDR program

What are the best income and growth opportunities for Fayette County farms?

- There is room to expand the horse industry, the infrastructure is in place and quality land is available
- There are opportunities for 100 –150 acre farms to board brood mares
- There are opportunities in Thoroughbred horse production

- Tobacco is still the best income producing crop
- Cattle enterprises could be expanded and improved. Our excellent forage base could be better utilized with more intensive grazing and management techniques
- Hay and straw production for horse farms
- Agri-tourism, direct marketing and niche markets could be developed
- Today's farm enterprises need to be value-added and market driven
- Landscape tree production

Do you have specific program ideas or incentive ideas where tobacco settlement funds from the county could be used to open up more opportunities for farms in Fayette County?

- Form a permanent Agriculture Commission to continually promote Fayette county agriculture as an economic development engine.
- The Lexington Chamber of Commerce and the State Economic development cabinet should work harder at promoting our agriculture businesses. They need to go out and sell agriculture.
- "Think outside the box, \$800,000 is not enough to do something for every farmer in the county".
- Attract new horse farms
- Attract food processors to the Blue Grass Depot.
- Need broadband Internet access for the rural areas of the county.
- KY needs a 150,00 head per year, USDA inspected, cow kill plant so KY farms can background and sell finish weight cattle.

### **Economic Impact Estimates**

The agricultural sector makes an important contribution to the overall economy in Central Kentucky and Fayette County in particular. Some of the impacts can be observed by direct measurement, other impacts are more indirect. Farm gate sales, input purchases, and employment, as discussed earlier, can be measured directly.

Farm gate sales reported by the 2002 Census of Agriculture, summarized in Table 2, indicates \$178.8 million in sales for Fayette County and \$729.7 million in sales for the 15 county area. Employment impact can also be observed. Table 7 summarized the direct employment impacts for Fayette County production agriculture, with 3,219 full time employees and 1, 907 part time employees with a total payroll of \$50.8 million<sup>35</sup>.

The direct effects are significant by themselves, but only reflect part of the economic impact. Many other related businesses are contributing to the local economy, including ag input suppliers, veterinary services, credit institutions, and many other businesses that depend directly on the activity of the farm businesses.

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<sup>35</sup> Based on the Fayette County Farming Futures study. This would be the most recent estimate, based on the 2003 production season. The 2002 Census of Agriculture are at very similar levels.

The business activity of the farms (direct) and related businesses (indirect) also stimulates growth in other area businesses outside of the agricultural sector. These induced effects are also an important component of the overall economic impact measure. The induced effects can help provide a sense of the contribution changes in one sector may have on the other sectors of a local economy.

The total value of the goods and services generated locally is maintained by federal government annual surveys.<sup>36</sup> The IMPLAN model, an input-output model developed by economists from the University of Minnesota, was used to estimate the impact of agriculture on Fayette County and on the Greater Lexington Area. The IMPLAN model allows estimates to be generated sector by sector for direct, indirect, and induced economic impacts for a defined geographic area. Impacts can be estimated by dollar value of industry output, jobs, and total value added to inputs received by that sector.

The measure of value-added generated by this model is essentially the gross sales for the sector net the cost of intermediate inputs. This measure can provide some insight into the value of the marginal added by the local economic activity.

### **Fayette County**

The total value of **all** goods and services generated in Fayette County in 2000, according to the latest federal data available, was \$16.7 billion.<sup>37</sup> Total employment was 208,462 jobs. These figures are summarized in Table 25.

The impact of agriculture is broken down here by production agriculture only, and then includes the additional impacts of agricultural inputs and agricultural processing. The economic importance of farming and related industries can therefore be observed at several levels of aggregation within Fayette County.

Ag production and processing account for an estimated \$803 million of the gross product (4.8% of total) and 8,542 jobs (4.1% of total) in Fayette County. Input purchases represent an additional \$132 million above the contribution of production ag in the county. Of the \$803 million gross product contributed by agriculture, \$671 million is direct ag production and processing while the remaining portion represents the impact of ag on other sectors of the local economy such as real estate, banking, retail trade, transportation, etc. More than 5,344 of the 8,545 jobs are directly related to production and processing; the remaining 3,201 jobs are due to the impact of Ag on the local economy.

The value added to the economy locally above the cost of intermediate inputs was \$290 million for all business related to the ag and ag processing sector.

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<sup>36</sup> Employment data is maintained by the U.S. Department of Labor, Bureau of Labor Statistics and the value of goods and services by county by the U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>37</sup> A special note of appreciation needs to be stated for Dr. Larry Jones from the University of Kentucky for helping develop the IMPLAN estimates.

**Greater Fayette County Area**

The total value of all goods and services generated in Fayette and the immediate surrounding six counties in 2000, \$32.45 billion. Total employment was 208, 462 jobs. These figures are summarized in Table 26.

Ag production and processing account for an estimated \$2.37 billion of the gross product (7.3% of total) and 28,479 jobs (8.4% of the total) in the Fayette County area. Input purchases represent an additional \$132 million above the contribution of production ag in the county. Of the \$2.37 billion contributed by agriculture, \$2.12 billion is direct ag production and processing while the remaining portion represents the impact of ag on other sectors of the local economy such as real estate, banking, retail trade, transportation, etc. More than 22,985 of the 28,479 jobs are directly related to production and processing; the remaining 5,494 jobs are due to the impact of Ag on the local economy.

The value added to the economy in the 7 county area above the cost of intermediate inputs was \$913 million for all business related to the ag and ag processing sector.

**Table 25. IMPLAN Agricultural Impact for Fayette County**

**FAYETTE COUNTY, KENTUCKY  
ECONOMIC IMPORTANCE OF FARMING AND RELATED INDUSTRIES  
(Based on 2000 Data\*)**

	<i>Total Industry Output (\$000's)</i>	<i>Jobs</i>	<i>Total Value Added (\$000's)</i>
Fayette County Base Totals	\$16,655,590	208,462	\$9,562,959
----- <i>Measures of Economic Impact</i> ----- (Includes direct, indirect and induced effects)			
Production Agriculture As % Co. Total	\$497,728 3.0%	4287 2.0%	\$158,311 1.7%
Prod. Ag + Ag. Inputs As % Co. Total	\$629,734 3.8%	7488 3.6%	\$235,281 2.5%
Prod. Ag + Ag. Inputs + Processing As % Co. Total	\$803,055 4.8%	8545 4.1%	\$290,713 3.0%

\*Estimates Based on Implan Economic Input-Output Model

**Table 26. IMPLAN Agricultural Impact for Fayette County and Metro Area**

**LEXINGTON, KENTUCKY METRO AREA\***  
**ECONOMIC IMPORTANCE OF FARMING AND RELATED INDUSTRIES**  
**(Based on 2000 Data)**

	<i>Total Industry Output (\$000's)</i>	<i>Jobs</i>	<i>Total Value Added (\$000's)</i>
Lexington Metro Base Totals	\$32,452,813	339,306	\$16,040,091
----- <i>Measures of Economic Impact</i> ----- <i>(Includes direct, indirect and induced effects)</i>			
Production Agriculture As % Co. Total	\$1,680,440 5.1%	19,804 6.0%	\$630,694 3.9%
Prod. Ag + Ag. Inputs As % Co. Total	\$1,934,170 5.9%	25,298 7.4%	\$763,906 4.7%
Prod. Ag + Ag. Inputs + Processing As % Co. Total	\$2,371,477 7.3%	28,479 8.4%	\$913,746 5.7%

\*Includes Bourbon, Clark, Fayette, Jessamine, Madison, Scott and Woodford Counties. Estimates based on Implan Economic Input-Output Model

The economic impact measures estimated by the IMPLAN model help provide some sense of the magnitude of the annual contribution of agriculture in the area in and around Fayette County. This value, of course, can vary from year to year based on differences in production and prices, but the measure provides a current estimate. The agricultural activity around Fayette County frequently crosses county lines. Lexington, as noted above, is a major marketing center for horses, livestock, and tobacco and also is home to many of the agribusinesses that serve farms in the surrounding counties. The interdependency of the economic actors across county lines in this sector would suggest the model based on the 7 county area presents a more accurate picture of the local ag economy.

**Growth in Input Suppliers**

Recent data for selected support industries for production agriculture were compiled from the U.S. Census Bureau, examining enterprises, employment and payroll in farm supply stores, animal production services, and veterinary services. Annual summaries for Fayette and the 7 surrounding counties are presented in tables 27-29. Employment and payroll have grown substantially in each of these service areas during the five most recent years available. Some of the growth is

attributable to home owner demand for these services. It should still be understood that these kinds of services to farm and non-farm patrons are complementary.

**Table 27. Recent Growth for Farm Supply Stores**

	<b>Enterprises</b>	<b>Employees</b>	<b>Payroll (\$ 000)</b>
<b>1998</b>			
Fayette	12	150	3,664
Surrounding Counties	17	100	2,000
<b>1999</b>			
Fayette	12	207	4,144
Surrounding Counties	23	150	2,500
<b>2000</b>			
Fayette	15	216	4,553
Surrounding Counties	23	200	3,500
<b>2001</b>			
Fayette	17	222	5,434
Surrounding Counties	28	220	5,500
<b>2002</b>			
Fayette	19	222	5,376
Surrounding Counties	28	300	6,000

Source: Taken or estimated from the County Business Patterns, U.S. Census Bureau, annual reports 1998-2002.

Note: Represents farm supply, feed stores, garden centers, lawn supply, and nursery & garden.

**Table 28. Recent Growth for Animal Production Services**

	<b>Enterprises</b>	<b>Employees</b>	<b>Payroll (\$ 000)</b>
<b>1998</b>			
Fayette	29	361	8,329
Surrounding Counties	23	75	1,875
<b>1999</b>			
Fayette	28	382	8,692
Surrounding Counties	30	90	2,225
<b>2000</b>			
Fayette	32	354	9,611
Surrounding Counties	25	275	6,000
<b>2001</b>			
Fayette	31	427	10,940
Surrounding Counties	30	275	6,875
<b>2002</b>			
Fayette	30	451	11,815
Surrounding Counties	34	500	12,500

Source: Taken or estimated from the County Business Patterns, U.S. Census Bureau, annual reports 1998-2002.

Note: Represents breeding services, pedigree records, boarding, farrier, showing and other animal production services.

**Table 29. Recent Growth for Veterinary Services**

	<b>Enterprises</b>	<b>Employees</b>	<b>Payroll (\$ 000)</b>
<b>1998</b>			
Fayette	51	556	17,089
Surrounding Counties	45	180	3,600
<b>1999</b>			
Fayette	49	586	19,702
Surrounding Counties	43	180	3,700
<b>2000</b>			
Fayette	54	629	23,595
Surrounding Counties	43	240	4,500
<b>2001</b>			
Fayette	55	668	26,054
Surrounding Counties	39	270	6,000
<b>2002</b>			
Fayette	55	703	27,110
Surrounding Counties	45	284	8,571

Source: Taken or estimated from the County Business Patterns, U.S. Census Bureau, annual reports 1998-2002.

Note: Represents all veterinary services, small and large animals.

### **Marketing Institutions and Programs**

Fayette County has a long history of serving as a regional marketing center including markets for agricultural products. That tradition continues today with marketing facilities and institutions facilitating the sales of burley tobacco, horses, cattle, other types of livestock, and produce. Fayette County as a whole benefits in several ways by these facilities being located within the county. Farmers can market a wide variety for agriculture commodities locally thereby avoiding costly transportation charges. Area merchant's benefit from the markets proximity through increased patronage from visiting farmers buying supplies and household goods in Lexington. Central Kentucky as a whole benefits by keeping a competitive and viable agriculture industry operating and maintaining the highly attractive open green space which the Bluegrass is renowned for, because of this tourism is a strong contributor to the economy as well. Fayette County Agriculture marketing institutions include:

#### **The Kentucky Horse Park**

The Kentucky Horse Park, on the north side of Fayette County serves as a major tourist center. The park encompasses 1,200 acres and is the home of over 200 horses of all breeds. The park is open year-round with daily horse shows such as the "Parade of Breeds" and guided and self-guided tours. The park grounds also include the International Museum of the Horse and the American Saddle bred Museum. Several national horse breed associations have their offices located in the Horse Park as well. Revenue from the park for 2002 was approximately \$158 million with an estimated 850,000 visitors (CBER, 2004) Kentucky State Government has recently begun seeking bids for a large new lodging and conference center for the Horse Park. Plans are to expand the parks prominence in the area and increase its capacity to entertain and lodge more visitors.

**The Keeneland Association**, with both a racetrack and a world famous thoroughbred horse sales facility, helps anchor the horse industry in Central KY. The Association auctions some of the finest Thoroughbred horses in the world. Because of the long tradition of quality horse sales, Keeneland is able to attract equine investors from all over the world. These investors purchase horses, stud services; equines services of all sort and make multimillion-dollar investments in

horse farms through out the Bluegrass. Keeneland holds four sales per year in January, April, September and November. Sales volumes fluctuate year-to-year depending on the economic conditions. Total horse auction sales for the following years are: 2002 \$494.5 million, 2003 \$562.8 million, 2004 \$678 million. Obviously the Keeneland sales are a tremendous asset and source of revenue for horse owners and breeders throughout the Bluegrass.

Equine-based attractions in Fayette County have continued to grow in their attraction to tourists. Over 1.4 million visitors registered at the Horse Park, Keeneland, or Red Mile Harness Track in 2004 (Table 29).

**Table 29. Visitors to Equine Attractions in Fayette County**

Year	Kentucky Horse Park	Keeneland	Red Mile	Total
1999	769000	393025	47905	1209930
2000	841200	412441	55328	1308969
2001	830881	427882	51006	1309769
2002	855731	439206	71679	1366616
2003	913523	444560	42256	1400339
2004	902875	460446	42256	1405577

Source: Lexington Convention and Visitors Bureau

**Fasig- Tipton** Another large horse auction company located in Fayette County is Fasig-Tipton, located on Newtown Pike. The auction market holds five sales per year and sells only Thoroughbred horses, as does Keeneland. Total annual sales for the past few years are: 2002 \$63.7 million, 2003 \$60.4 million, 2004 \$89.9 million dollars. Here again the sales facility is a tremendous asset for the area by providing market access for Thoroughbreds and attracting equine investors worldwide.

**Bluegrass Stockyards** The Bluegrass Stockyard has been in Fayette County since 1945. The pens and market structure are in need of replacement and upgrading. The market claims to be the third largest stockyard in the U.S. In 2003 bluegrass Stockyard sold 329,864 head of cattle, 3561 hogs, and 3407 sheep with sales of \$162.6 million dollars. Cattle are brought to the market from Kentucky and states through out the southeast. Bluegrass Stockyard employs 70 full-time employees and 20 party-time employees. The stockyard is an asset to the agriculture community by serving as a collection point for like sizes and grades of cattle to be assembled and marketed to feed yards and cattle back grounding operations. The market provides Kentucky cattlemen with marketing services including risk management through forward contracting and access to uniform lots of stocker cattle for back grounding on Kentucky’s abundant forage base. The stockyard is seeking approval to build a new modern facility in Fayette County off I-75. A new facility will allow BGSY to potentially become the largest livestock auction in the U.S.

**Lexington Farmers Market** - Lexington has had a downtown seasonal open-air farmers market for many, many years. Currently the Lexington Farmers Market operates three days per week with members setting up their own product sales booths, Saturdays on Vine and Tuesdays and Thursdays on a gravel lot at the corner of Broadway and Maxwell Street. In 2004 the market had

90 members. Due to varied products and seasonality, not all the members would be selling at the market at any one time. Members collectively reported sales of \$587,000 in 2004 with a market operational budget of approximately \$82,000. The Lexington Farmers Market is organized as a Chapter 272 Cooperative Corporation under KY Statutes. The markets strengths seem to be in its volume and diversity of products offered. Almost any agriculture product that can be grown in KY and put into a consumable form is offered for sale at the market. Items sold include: fruits, vegetables, meats and fish, wines, baked goods, plants, cut flowers, herbs, honey, painted gourds and eggs to name most but not all offerings. The markets weakness is its exposure to bad weather. Without covered selling space, inclement weather or even the threat of inclement weather will keep customers away and thereby reduce sales.

## **Recommendations**

A series of recommendations are offered to the various committees involved with furthering agriculture in the Fayette County area – The Fayette County Agribusiness Task Force, Fayette County Farm Bureau, and the Fayette County Ag Development Board. Other groups, such as the leading commodity groups with statewide headquarters in Lexington may also play a major role in implementing these recommendations. It will be most effective for these groups to work together where possible to develop the particulars of an action plan.

This list is derived from data collected from the farm surveys, interviews with area agricultural leaders, and interactions with various agribusinesses. The committees sponsoring the study should prioritize these according to their sense of interest and develop a corresponding work or action plan. Partnerships with grower organizations and other agricultural organizations to develop these various ideas would be necessary.

1. ***Promote the Horse Industry infrastructure to attract more horse farm investors.***  
The horse industry is particularly important to the future of agriculture, agri-tourism, and the attractiveness of Lexington as a community to live and work in general. A concerted effort to keep the horse farms competitive with horse farms in other states will be critical for the local agricultural economy. More horse farms means more opportunities to sell horse farm feed & bedding, supplies and services, more brood mare boarding and commercial breeding operations plus strengthen the tourism appeal of the area.
  - ***Create an Agriculture Commissioner (or Ambassador) position to promote Lexington & Fayette County as the Horse Capital of the World. Objectives:***
    - ✓ ***Attract horse industry investments into Central KY***
    - ✓ ***Attract tourists and tourism investments***
    - ✓ ***Develop and promote an agri-tourism industry***
  - ***Explore the feasibility of establishing a permanent Agricultural Commission and Commissioner for Fayette County.*** This office work on a number of issues for farmers and others interested in agriculture, tourism and agri-tourism. The scope of activities still would need to be determined, but they could include activities related to promoting the “Horse Capital of the World” and horse related investments, agri-tourism, direct marketing, land development, agribusiness recruitment, marketing infrastructure development, and local promotion of agriculture.
  - ***Support new funding mechanisms to increase Kentucky bred horse awards.*** Move toward developing a plan for sponsoring a breeder’s cup award in Lexington.
  - ***Explore legislation that would provide more favorable tax treatment for the equine industry similar to other agricultural enterprises.***
  - ***Consider more Ag Development Fund programs that could be designed to help the local horse industry.***

2. ***Keep and expand the Bluegrass Stockyard in Fayette County. The stockyard is a huge resource for the local and regional cattle industry.*** The cattle sector will be the second most important sector after horses within the next five years for Fayette and surrounding counties. Many cattle farms in Fayette County indicated they expected to see their cattle operations expand over the next 5 years. Forage and land resources in surrounding counties will continue to give the area a national competitive advantage for backgrounding of stocker cattle. Fayette County remains uniquely positioned to be an important marketing center for assembling and selling cattle.
  - ***The Bluegrass Stockyard provides KY farmers with ready access to national markets for all types, sizes and grades of cattle.*** This project has the potential to move forward and make a national impact on the beef cattle supply chain. A new more modern livestock facility will allow the Bluegrass Stockyard to expand the demand for KY cattle by improving the quality of animals through easier handling, innovative marketing programs and the implementation of trace back and source verification systems.
  - ***Live, real-time, Internet auctions (where buyers and sometimes even the cattle are not physically present at the sale facility)*** offer opportunities to help Central KY become a regional leader in the U.S. with possibly the largest cattle distribution center east of the Mississippi River equipped with the most modern marketing tools.
  - ***There are additional opportunities to develop innovative marketing programs for KY cattle.*** The Bluegrass Stockyard is a leader in forward contracting of cattle, which allows farmers to reduce risk. CPH sales continue to offer value-added opportunities for farmers in the area willing to conduct health management practices. In addition the stockyard allows market access to cattle producers that cannot put together tractor-trailer loads of like cattle for direct delivery to feedlots.
  - ***The Ag Development County programs for cattle farmers need to be examined.*** At the time of the survey, most farmers were not aware of the standard programs that have been developed or feel like they will have little impact on their operations. As the programs have more time to operate a follow-up survey may yield better information on farmers use and opinions of the programs.
  
3. ***Improve beef cattle production through intensive grazing, better management and improved genetics.*** Intensive grazing and management techniques to increase cattle stocking rates were the number three-interest choice among general farms surveyed. The counties large area planted to pasture and forage crops could be more intensively managed to produce greater income with minimal additional investment. Education and demonstration projects focusing on intensive grazing management and economics should be offered to county farmers. In addition a strong genetics program is a key component to producing and marketing cattle that fit buyers specific needs and therefore command a premium in the market place. The proximity of the University of Kentucky Animal Sciences program, new tagging programs, and marketing programs create a unique opportunity for the area to provide model cattle marketing and genetics improvement programs for the state.

4. ***Assist the Lexington Farmers Market (FM) to expand and become a fixed and perpetual asset for farmers and consumers.*** More and more farmers are growing produce for direct marketing and looking for opportunities to market in Lexington. A lot can be done to raise the quality of the selling environment for this community market for both vendors and consumers. The Center for Cooperative Development is working closely with these leaders and may be a logical group to help them develop a long-range business plan.

- The market's current customer base seems to live from Main Street to the south, therefore the downtown location works well for their customers. Relocating the FM to a site on the Interstate may not serve their current customers.
- FM needs a sheltered space downtown to weather proof market days
- FM needs a permanent site, a site that won't be revoked during special events downtown
- The FM may want to expand the number days they are open to include sales on Sundays
- An increased marketing budget with targeted ads could potentially reach out to additional Lexington consumer segments not currently being served by the FM
- Downtown locations that have been mentioned include:
  - The Maxwell Street site for a permanent structure
  - Over the top of the bus station or in a parking garage downtown?
  - Around the new Courthouse Plaza
  - Start a satellite market at Hamburg Place

5. ***Explore the creation of a larger Regional Farmers Market.*** Such a market located off a close interstate exit has the opportunity to complement the agri-tourism focus in the county and fit with the marketing center function of the area. Several studies have shown that tourists are major patrons of such markets in Pennsylvania, Tennessee (Nashville), and North Carolina (Greensboro, Asheville). Such a market need not compete at all with the community markets. Vendors can sell successfully in both locations. These markets are expensive to establish, but also do a lot to promote agriculture.

- ***Possible locations have been suggested***
  - Regional FM on I-75 across from the Horse Park and with the Bluegrass Stockyard
  - On UK's Main Chance Farm at the Corner of Newton Pike and I-75 / I-64
- Lexington has much to commend itself in terms of location over other regional markets, having the key success ingredients of an affluent population, natural tourism attractions, easy access for producers and consumers, and a large numbers

of potential producers that could provide an ample volume of product during the growing season.

**6. *Seek to recruit new food or ag processors to the Lexington area that would use local agricultural products***

- Several under-utilized facilities exist, including the Blue Grass Station facility
- Encourage some local farmer entrepreneurs that are interested in small-scale processing to expand their operations by adding facilities in Fayette County.
- A number of “new economy” agribusiness are developing either as spin-off ventures from existing area agribusinesses, from commercial ideas being developed at the University of Kentucky, or as new ventures seeking to locate in the area. Leaders in Fayette County should keep in close contact with the Office of the New Economy, The Entrepreneurship Center at the University of Kentucky, and the Lexington Venture Club. A follow up survey of regional “new economy” agribusinesses would also likely reveal some interesting possibilities.

**7. *Develop an Agritourism Plan for Fayette County.*** This can include helping individual farms find and develop niche markets including boutique wineries. There may be an opportunity to integrate winery and bourbon distillery development into part of an agritourism plan for Fayette County, along with the horse industry. Other counties in the area have explored an agricultural heritage museum concept. Lexington would be an ideal location for such a concept.

**8. *Develop more commercial greenhouse and landscape plant production.*** Some very large, high-tech nursery and greenhouse operations have located in the Lexington area within the last 2-3 years. This sector is growing very quickly. Lexington is well positioned to be a major distribution center and production area for these kinds of enterprises. Supply and demand analysis may clarify opportunities for the green industry in Fayette County.

## Appendix 1 Fayette County Agricultural Leaders

Detailed responses of Fayette County agricultural leaders to the strengths, weaknesses, growth opportunities, and program or investment ideas for the Ag Development Fund toward helping Fayette County particularly. Duplicate responses are not deleted; rather all responses to these open-ended questions are recorded in order to present the full data set.

The list of leaders interviewed is not, of course, a comprehensive list of the most influential persons in Fayette County agriculture. This list emerged partly through an effort to capture representative voices and also through a series of referrals from the Fayette County Ag Development Council, Fayette County Farm Bureau, and the Fayette County Agribusiness Task Force.

### *Fayette County Agricultural Leaders*

- ❖ **Mr. Park Carter:** *Mr. Carter has been a farm manager for Bank One in Lexington since 1978. He manages farm properties for bank clients and trusts. He told me Bank One has the second largest farm management operations in the US. He manages farms involved with all aspect on agriculture in the Eastern US some of which include: tobacco, cattle, hay, grains and equine.*
- ❖ **Mr. Tim White:** *Farmer; Feeder cattle and Cow/Calf herd, Alfalfa Hay: 36-37,000 square bales for stockyards, freezer beef sold directly to consumers, pumpkins*
- ❖ **Mr. Bill Thomason** *Mill Ridge Farm is an 1100-acre Thoroughbred Horse farm. They have on average 300 horses including 150 brood mares and 4 stallions. The mares stay at the farm year round. Most of the horses are owned by a small group of clientele from around the world*
- ❖ **Mr. Bob Hall,** *Owner of Farmers Feed Mill, involved with Fayette County Agriculture since 1958. 25 full-time at Farmers Feed mill and 30-40 at Integrated Pet. Farmer's Feed Mill is a specialty feed manufacturer that services primarily Central KY but also does some business throughout the US and some export as well. They cater to the horse industry.*
- ❖ **Mr. David Switzer,** *Kentucky Thoroughbred Association*
- ❖ **Ms. Gloria Martin,** *12<sup>th</sup> District Council Person Ms. Martin represents the 12<sup>th</sup> District on the Fayette Urban/County Government. She represents an area with includes a large part of the agricultural land in the county.*
- ❖ **Mr. Mark Southworth** *Mr. Southworth is the Manager of the Southern States agriculture supply store in Fayette County. He has managed the Southern States facility since 1977.*
- ❖ **Mr. Paul Huber** *Owner and founder of Central Equipment Co. They sell John Deere and Kubota tractors and many other name brands of mowers and power equipment. About half of their business is in agriculture equipment and half is in mowers and power equipment for homeowners and commercial lawn care companies. They had about \$14 million dollars in sales last year, and involved with agriculture in Fayette County since 1972. They have 38 full-time employees.*
- ❖ **Mr. Todd Clark, farmer;** *Tobacco, Commercial beef cattle cow/calf enterprise, Hay production for horses (small square bales) which are 75% of total with the remaining 25% for his cattle.*
- ❖ **Mr. Gene Barber,** *Blue Grass Stockyard since 1946*
- ❖ **Mr. Chad Lauer** *Mr. Lauer is a full-time farmer with 90% vegetable enterprises and 10% tobacco. His vegetables are all sold to a local fresh produce wholesaler. Involved with Fayette County agriculture since 1995 and employs 2 full-time and 6 seasonal workers*
- ❖ **Mr. Jim Mahan,** *Mr. Mahan has been involved in agriculture in Fayette County all his life. His two sons who farm with him are the 4<sup>th</sup> generation to farm in Fayette County. He owns a lot of farmland and has been good at trading land wanted by developers for larger tracts that they can continue to farm. They grow tobacco, wheat, corn, alfalfa hay and sod. Their livestock enterprises include a commercial cow-calf herd and boarding pleasure horses.*
- ❖ **Mr. John Fritz Jr.** *2,000 acres farmed mostly on rented land in Jessimine County. They do own a farm in Fayette County as well. They produce wheat for straw, corn, soybeans, and cattle, hay for horses, tobacco and have a mulch and topsoil business. They have had vegetable production enterprises in past years.*

- ❖ **Mr. Leo Keene** *Mr. Keene is the current president of the Lexington Farmers Market. He farms in Madison County. They specialize in organically grown garlic and garlic based products. The Lexington Farmers Market is probably the largest outlet for his farm products, although they also sell at farmers markets in Louisville and have a mail order business as well.*
- ❖ **Mr. Nick Carter** – *Fayette County Ag. Ext. Agent*
- ❖ **Mr. Walter Hillenmeyer**, *farmer, Thoroughbred horse Farm with brood mares*
- ❖ **Mr. Bob Barton** *General farming: tobacco, cattle and grain in Fayette County for 30 years*
- ❖ **Mr. David DeMarcus**, *farmer, Beef cattle – cow/calf, tobacco, hay for horses and cattle, CPH 45 sales and direct to an order buyer. Involved with Fayette County Agriculture since 1982.*
- ❖ **Mr. Frank Penn**, *2<sup>nd</sup> generation farmer in Fayette County. He grew up in the tobacco business as his family farmed and owned the largest tobacco auction in Fayette County at one time. He owns and operates 2 farms; an 80-acre horse farm for boarding Thoroughbred brood mares and a 200-acre crop farm growing tobacco, hay and grain.*
- ❖ **Mr. Jim Shropshire**, *Fayette County Farm Bureau President and a full-time farmer since 1975. His farm produces beef cattle in a cow/calf operation, hay and tobacco.*
- ❖ **Mr. John R. Gaines**, *founder of Gainesway Farm & The Breeders Cup Races, involved with Fayette County agriculture since 1948.*
- ❖ **Mr. Maner Ferguson**, *Former Fayette County Agriculture Extension Agent, currently Manager of the Purchase development Rights Program for Fayette County. Involved with Fayette County agriculture for 31 years.*
- ❖ **Mr. Merritt Wade**, *farmer since 1984, tobacco, Commercial Angus beef cattle cow/calf enterprise, Elite heifers sales, CPH 45 sales and Hay production for horses (small square bales) and round bales for his cattle.*

1. **What are the greatest strengths of the agriculture industry in Kentucky and in Fayette County in particular?**

- ❖ *The horse industry “by far”*
- ❖ *Good soils*
- ❖ *The stallions that are at stud here*
- ❖ *Fayette County has a strategic location in regard to transportation and markets*
- ❖ *There is a good selection of banks to work with in the area and agriculture has the support from the Land-grant University*
- ❖ *The PDR program is a plus*
- ❖ *Good soils*
- ❖ *We have markets for cattle, hay and tobacco*
- ❖ *We have the best grass in the USA.*
- ❖ *Our central location provides market access*
- ❖ *#1 Soils and forage quality*
- ❖ *#2 the concentration of stallions and support infrastructure i.e. vets, feed, farriers, etc.*
- ❖ *Excellent quality soils*
- ❖ *Location being 12 hours drive from 60% of the US population and our road infrastructure*
- ❖ *The stallions located here and the number of people employed in the horse industry*
- ❖ *The strength of the Keeneland Association, both racing and sales*
- ❖ *The availability of services and supplies for the horse industry*
- ❖ *The location of many of the horse industry National Associations in Lexington and the KY Horse Park*
- ❖ *Agriculture creates tourism and all it’s associated jobs. Tourism is a clean industry and so is agriculture.*
- ❖ *Agriculture contributes to a better environment and adds to the quality of life.*
- ❖ *Fayette County has*
- i. *Scenic beauty*
- ii. *Historic resources*
- ❖ *Scenic byways*
- ❖ *High quality soils*
- ❖ *The Horse Industry*
- ❖ *The county’s central location makes it a regional marketing center.*
- ❖ *The PDR program, is a strength, provided it continues to function (needs \$).*

- ❖ *Good household income*
- ❖ *Diversification in agriculture, things have changes a lot in the last 5 years.*
- ❖ *The horse industry in important for Fayette County. Horse farms buy his hay and straw.*
- ❖ *Major markets for tobacco and livestock located within the county are a positive factor and help his business.*
- ❖ *He also feels like he has other opportunities besides tobacco due to niche markets serving horse farms or direct to consumers.*
- ❖ *Fayette County is the hub for marketing and shopping. Livestock, horses and tobacco markets bring in a lot of people to the area on business. Their customers come sell livestock and then spend some of that money shopping and dining in Fayette County before going home.*
- ❖ *KY has the grass for livestock.*
- ❖ *Good Soils*
- ❖ *Proximity to customers*
- ❖ *Horses*
- ❖ *Beef cattle*
- ❖ *Hay*
- ❖ *Tobacco*
- ❖ *Tourism and the attractiveness of area farms*
- ❖ *The close proximity of markets and consumers*
- ❖ *Agritourism potential*
- ❖ *The diversity of the terrain and the diversity of the farm operations in the area*
- ❖ *The availability of niche markets*
- ❖ *Soils*
- ❖ *Central location*
- ❖ *Lexington is a marketing center. There are markets for cattle, tobacco, horses and vegetables.*
- ❖ *Horses, Tobacco, Beef Cattle, Horticulture: (1) Lex. Farmers Market and (2) Landscape/Nursery industry*
- ❖ *Fertile land*
- ❖ *The longevity and tradition of the Central KY Horse Industry*
- ❖ *The agriculture community in Fayette County is tight-knit*
- ❖ *Tobacco, no other crop comes close as far as net income is concerned.*
- ❖ *Tobacco is marketed and produced in volume here*
- ❖ *There is a strong market for quality horse hay*
- ❖ *Market for sod*
- ❖ *Bluegrass Stockyards is a positive for agriculture here*
- ❖ *Vegetable production for retail and wholesale markets*
- ❖ *Fayette County is and should remain a regional marketing center*
- ❖ *Excellent forage base and limestone soils*
- ❖ *There are 128,000 acres outside the urban county boundary*
- ❖ *Availability of labor (H2A program)*
- ❖ *The close proximity of markets and consumers*
- ❖ *Agriculture in Fayette County creates wealth by improving the quality of life for all through it's beauty and productivity. Iit attracts investors, tourists and people who choose to live here. Example: a neighboring 1,000-acre farm was recently purchased for \$11 million by an Irish businessman. Since purchase he has spent another \$13 million dollars on farm renovations and improvements including homes, barns and other building renovations, extensive landscape plantings, stonewalls and entrances, fence and water system improvements and pasture renovations. Most if not all of these expenditures have been with local tradesmen and suppliers. The farm employs over 100 people.*
- ❖ *Good soils*
- ❖ *Central location with good roads*
- ❖ *PDR program is a plus*
- ❖ *The Horse Industry is the number 1 cash crop and the greatest strength of agriculture in Kentucky and in Fayette County.*
- ❖ *The juncture of I-75 and I-64 in Fayette County is today the equivalent of what the Mississippi River and the Missouri River junction were 150 years ago (St. Louis). Millions of people are traveling through this area and the economic potential for commerce is here.*
- ❖ *The Horse Park needs to be promoted!*

- ❖ *High quality soils – high phosphates and limestone soils will grow anything*
- ❖ *Tobacco*
- ❖ *Lexington as a marketing center for horses, cattle and tobacco*
- ❖ *The Horse Industry*
- i. *Stallions at stud here*
- ii. *Quality of the bloodstock*
- ❖ *Pure Bred cattle*
- ❖ *Fayette County Tourism at \$600 million dollars annually*
- ❖ *Outstanding soils, high quality forages, the PDR program and the Urban Service boundary are keeping the land open for agriculture. The beauty of the area attracts tourism, which is good for the economy.*

**2. What are the greatest weaknesses of the agriculture industry in Kentucky and in Fayette County in particular?**

- ❖ *Fayette County agriculture has limited experience to go away from the norm. There are very few vegetable or grain farms here for instance.*
- ❖ *An economic factor that makes agriculture difficult in Fayette County is you need a high rate of return in order to afford the expensive land.*
- ❖ *Another weakness is the declining tobacco bases and the loss of the auction markets. Contracting may not be as favorable for farmers.*
- ❖ *Citizens are unaware of the importance of agriculture.*
- ❖ *Urban sprawl and housing development pressure*
- ❖ *A farmer can't afford to own the land it's too expensive.*
- ❖ *The horse industry is not in touch with the local government or business community.*
- ❖ *There is a lack of citizen awareness of the importance of the horse industry to the area.*
- ❖ *The horse industry is not doing a good job of communicating to the local citizens.*
- ❖ *The Standardbred horse industry in KY in the 1980's was self-destructive. They were over bought, over bred and over invested in. In the end there was not enough payoff in the racing to be sustainable. Breeders award programs lured the remnant industry away from KY but at a much smaller scale. It would take increased purse money and breeder's awards to get them back.*
- ❖ *Development pressure and small roads having too much traffic on them.*
- ❖ *Planning and zoning needs to be tougher and not allow the breaking up of farmland into housing lots.*
- ❖ *Lack of a Breeders award program*
- ❖ *Local citizens lack of awareness of the impact of the horse industry on the area's economy*
- ❖ *Sales tax on the purchase of horses by instate residents that is not charged to out of state buyers.*
- ❖ *Agriculture is under appreciated in Fayette County. We don't have good statistics on what agriculture contributes.*
- ❖ *We have not promoted our farms and scenic beauty as well as other areas have. Look at Napa Valley and Bucks county Pennsylvania as examples.*
- ❖ *The PDR program is not understood.*
- ❖ *A Bank One study for American farmland Trusts showed that the people who lived outside of the urban service area paid more in taxes than they received back in services from the City/County Government. Rural taxpayers are subsidizing urban services is a common complaint heard. .*
- ❖ *Lexington Farmers Market is still a small town organization (not progressive in their outlook). There have been complaints about the produce not being locally grown and that the membership fees are prohibitive for locals to participate on a short-term basis.*
- ❖ *Urbanization.*
- ❖ *The uncertainty in the Burley industry, they are presently not competitive on the world market.*
- ❖ *Reliance on 2 major products: horses and tobacco*
- ❖ *In town people are not aware of the importance of agriculture to Lexington and Fayette County*
- ❖ *Hard to purchase land as horse farms can pay so much more than he could*
- ❖ *Also housing development pressure drives up land prices*
- ❖ *Land costs are high and lease arrangements for produce growing are hard to find.*
- ❖ *Niche markets can be tricky, everybody can't be in them or you will have over production*
- ❖ *Weakness in marketing, farmers aren't use to finding and developing markets*
- ❖ *Urban sprawl*

- ❖ *Land prices are too high. A farmer can't compete with the horse farms and subdivisions.*
- ❖ *The agriculture industry is possible not proactive enough*
- ❖ *KY lost the Standard Bred industry due to out-of-state breeders awards*
- ❖ *At one time KY had 200 plus Standard Bred stallions at stud*
- ❖ *Land price is too high for farming*
- ❖ *Blue mold on tobacco*
- ❖ *Labor costs and availability are a problem*
- ❖ *Citizens don't realize how important agriculture is to Fayette County.*
- ❖ *Local citizens and politicians take agriculture for granted*
- ❖ *Lack of citizen awareness of the importance of agriculture in Fayette County.*
- ❖ *Farmers have a lack of knowledge about alternative crops and livestock.*
- ❖ *Farmers have a lack of market access for non-traditional enterprises.*
- ❖ *People don't understand the importance of the horse industry and the fact that we are losing stallions and mares to other states. We lost the Standard bred industry which 20-30 years ago had 230 stallions in KY, now there are 9.*
- ❖ *Breeders Award programs in other states are drawing KY stallions away.*
- ❖ *8 years ago 600 stallions in KY, today 230 stallions at stud in KY*
- ❖ *Video Lottery terminals (VLT's) are generating millions of tax dollars in other states that they are plowing into breeders awards programs that are providing incentives for stallions to be relocated to other states. The stallions are the anchors to the Thoroughbred business. If you have the stallions the mares will be brought to them to be bred and have there foals here as well.*
- ❖ *Marketing is the weakest link for general farming in the county. Farmers as individual have difficulty finding and developing markets by themselves.*
- ❖ *The rolling topography is a challenge in regard to tillage.*
- ❖ *Farms are being encroached by housing and development.*
- ❖ *Agriculture parts and supplies as getting harder to purchase in the county. However industrial supplies have become easier to purchase locally.*

### **3. What could Fayette County do to strengthen the agriculture industry within the county?**

- ❖ *Farmers need steady profits with base prices in order to manage risk. Supplying processors of food products may fit that bill better than say fresh market vegetables.*
- ❖ *Help is needed to identify and develop markets for food products.*
- ❖ *PDR and 40 acre lots are not doing the job. Fayette County needs cluster zoning.*
- ❖ *County Government needs to have a farmer friendly, open door policy.*
- ❖ *The Horse industry is the "brand" that makes Central KY unique. All decisions should be weighed by the question: "What does this do to the brand?"*
- ❖ *The horse should be defined as an agricultural animal.*
- ❖ *Fayette County should lobby for the state to develop Breeders Awards programs. NY, PA, WV, LA, FL, and CA all have Breeds Awards programs. Some horses have been bred in KY and then foaled in other states in order to qualify for Breeders Awards.*
- ❖ *If the stallions leave KY, the horse industry here is over.*
- ❖ *Internet gambling is draining money away from racetracks. So are riverboats casinos. KY residences are spending large amounts of money at out-of-state gambling establishments. KY should legalize gaming only at Para Mutual betting places (race tracks?)*
- ❖ *KY should allow gaming at its racetracks and then earmark some of the revenue for Breeders Awards to keep the horse industry in KY.*
- ❖ *This is an issue about supporting the core of the KY horse business.*
- ❖ *They should institute cluster zoning laws to keep housing concentrated and therefore the infrastructure needs will be concentrated as well. Housing should not spread across the landscape.*
- ❖ *Let people know the importance of horse farms to the area.*
- ❖ *Lobby the state for the removal of sales tax on horses and horse production supplies*
- ❖ *Lobby the state for a Breeder's Incentive program*
- ❖ *Support the PDR program to stabilize the agriculture base so that the land is available for future horse farms*
- ❖ *Promote our scenic beauty and historic resources with:*
- ❖ *Better signage of the area's historic resources and self-guided tours featuring history and agriculture*

- ❖ *Need tourism promotions of hiking, biking, driving and bus tours*
- ❖ *Standardized signs to identify farms that offer products for sale to the public*
- ❖ *The public takes agriculture for granted. Agriculture makes Lexington unique. Take agriculture out and what do you have left?*
- ❖ *State is pushing the equine industry out of KY.*
- ❖ *Sales tax on horse production is not fair.*
- ❖ *Keep the horse industry in Fayette County.*
- ❖ *Lobby for breeders incentive programs and sales tax exemption for horse industry same as other agriculture enterprises.*
- ❖ *He saw some promotional videos of New Zealand when he visited there and suggests a promotional video of Fayette County agriculture would be useful to get local urban residents informed of the importance of agriculture in Fayette County. A promotional video could also be used as a recruitment tool to attract horse farm investors as well.*
- ❖ *PDR is a good program but he won't sign-up his farm as he believes the land values are and will continue to be higher than PRD payments.*
- ❖ *Neighbors farm sold for \$9,000 per acre, he has had two inquiries this week about selling his farm as well.*
- ❖ *Fayette County needs a new, modern livestock facility in order to meet the challenges of marketing in the 21 century.*
- ❖ *Currently their plans for building a new facility on I-75 are on hold until they can get the County to grant them a Variance for Conditional Use Permit from Planning & Zoning. In order to locate the facility towards the back of the property (away from the horse park) they will need to be closer to the back boundary than is currently permitted.*
- ❖ *Hay marketing? Can we do value-added such as cubed alfalfa?*
- ❖ *Need to keep the large livestock markets in Fayette County*
- ❖ *PDR program is a plus.*
- ❖ *Lexington could support a first-class Farmers Market, maybe at corner of I-75 and Newtown Pike.*
- ❖ *Educate the public about the importance of the horse industry in KY*
- ❖ *Eliminate the sales tax on horse farm inputs and horse sales*
- ❖ *Support a breeders awards program*
- ❖ *PDR Program has benefited Fayette County Farmers – keep funding it.*
- ❖ *Make sure the Stockyard stays in Fayette County (many buyers keeps the market competitive)*
- ❖ *Keep the horse industry here with competitive purses and breeders awards*
- ❖ *Regional Farmers Market at Hamburg Place?*
- ❖ *Support PDR program*
- ❖ *Keep land available for farming.*
- ❖ *Keep the PDR program*
- ❖ *Keep/protect the urban service area boundary.*
- ❖ *Keep the Bluegrass stockyards in Kentucky.*
- ❖ *Promote economic development by attracting more horse farms. This will keep land in agriculture, provide employment and economic activity and keep the farmland price up for farmers that want to sell out and retire.*
- ❖ *PDR is a waste of money. It contributes nothing to the gross domestic product. Not helpful to the horse industry. It is like throwing a bucket in the ocean, too little to be effective. It would be better to spend that money attracting new horse farms to the area*
- ❖ *We should implement an aggressive economic development program to provide incentives for locating new horse farms in the Commonwealth.*
- ❖ *Bring in companies that are users of agriculture commodities*
- ❖ *The Farmers Market needs to be enhanced and made year-round*
- ❖ *A Horse Breeders incentive program is needed to keep the horse industry from losing business to other states.*
- ❖ *The PDR program plays a role in keeping agriculture in Fayette County*
- ❖ *Keep the Bluegrass Stockyards in Fayette County.*
- ❖ *Maintain the PDR program.*
- ❖ *Keep the Thoroughbred industry in Fayette County. The horse farms make Fayette county one of "worlds largest privately maintained parks". Lobby for the horse industry to receive a sales tax exemption, same as other agriculture enterprises.*

**4. Looking forward, as a leader who is familiar with agriculture within Fayette County, what in your opinion are the best income and growth opportunities for farms within the county?**

- ❖ *There are opportunities in the horse industry but only for the well-established horseman.*
- ❖ *Need to utilize our forages more. Use more intensive grazing techniques.*
- ❖ *Keep the Bluegrass Stockyard in Fayette County.*
- ❖ *Need to add value to our products.*
- ❖ *Tobacco is not profitable.*
- ❖ *Areas with good land can expand into horse farms. There are opportunities for 100-150 acre farms to board mares. The stallion business is highly competitive and therefore difficult to get a start in.*
- ❖ *Niche markets for produce and sod*
- ❖ *Need a permanent Farmers market facility*
- ❖ *Improved forage management and beef genetics can re-place tobacco income. He has a farm where he backgrounds cattle. He has been using rotational grazing techniques to great effect. He told me he has been able to graze 65 head of cattle per acre per day and achieve an average of 2 lbs. per head of daily gain. He grazes stockers from April to December.*
- ❖ *Commercial breeding for Thoroughbred horse production*
- ❖ *There are opportunities in u-pick produce.*
- ❖ *We lost the Standard bred Horse business by other areas being friendlier than ours.*
- ❖ *There needs to be an Agriculture Commission organized that would meet on a regular basis to continually promote agriculture as an economic development engine. This should be a community wide commission made up of both rural and urban representative with lawyers, bankers, farmers and school system people as well.*
- ❖ *Outstanding enterprises:*
- ❖ *#1 The Horse Industry*
- ❖ *#2 Burley Tobacco – once the farmers have a level playing field.*
- ❖ *Beef cattle*
- ❖ *Landscape tree production*
- ❖ *Maybe some vegetables*
- ❖ *Grapes will never be a big thing here as you can purchase grape juice from other areas cheaper than you can grow grapes.*
- ❖ *He will grow tobacco as long as it is around, makes the best money*
- ❖ *Hay and straw for horse farms, this is his second choice after tobacco. Todd says he could expand these if he wanted too.*
- ❖ *Other support roles for horse farms he could get into include: fencing, pasture renovation, construction and building renovation work*
- ❖ *Cattle will become the leading agriculture enterprise in KY. This can be accomplished through better management, better marketing and better cattle genetics.*
- ❖ *Horses*
- ❖ *Hay*
- ❖ *Beef*
- ❖ *Tobacco*
- ❖ *Better utilize our forage through rotation and better management we can increase our cattle markets*
- ❖ *Opportunities are in niche markets, farmers have to think outside of the box to find them*
- ❖ *Produce could be an opportunity if there was a market developed.*
- ❖ *Farmers can grow high value crops if there is a market to sell them.*
- ❖ *Strengthen the Lexington farmers market (make it bigger)*
- ❖ *Expand the local landscape/nursery industry to include production of plant stock as well as sales of plants and landscape services.*
- ❖ *Strengthen the beef cattle industry*
- ❖ *Keeping the horse industry in Fayette county*
- ❖ *Agritourism*
- ❖ *Need to control development growth and keep farmland open*
- ❖ *PDR program is a positive*
- ❖ *Keep the stallions here! They anchor the business.*
- ❖ *Support the Development of International marketing opportunities for Thoroughbred horses*

- ❖ *“Boarding horses will not pay the mortgage”. He raises and sells yearling horses.*
- ❖ *Tobacco & Horses will remain # 1. Vegetables, hay, cattle etc. are good for part-time.*
- ❖ *Tobacco is the main income generator and per acre it can't be beat*
- ❖ *Cattle have really jumped in value, good money in it now*
- ❖ *May be possibilities in the vegetable markets*
- ❖ *What crop can we create a market for? Needs to be value-added and market driven.*
- ❖ *Our forage base is under utilized. There is room for more horse farms and cattle. Maybe also goats and sheep.*
- ❖ *Cattle enterprises could be improved and expanded.*
- ❖ *International sales? In his opinion no help is needed there as the Irish, English and Middle East horse owners are the big players and they know how and where to buy already.*
- ❖ *There's room for expansion in the horse industry and thousands of acres of land available for new horse farms. We have the infrastructure in place already.*
- ❖ *Incentive programs could be designed for the economic breeds (Thoroughbreds, Standardbreds & Quarter horses) as well as the non-economic breeds.*
- ❖ *Produce crops for local market sales*
- ❖ *Horse Industry has room for growth*
- ❖ *More beef, sheep and goats to utilize our forage base*
- ❖ *Wineries would fit in well with the tourism industry*
- ❖ *Hay and forage improvements – there is a market for good quality horse hay and horse bedding, also cattle work well with hay production to utilize the lower quality hay from untimely rains.*
- ❖ *Intensive grazing has potential in increase livestock production per acre.*
- ❖ *Opportunities in direct marketing to city folks: sod, vegetables at farmer's markets, greenhouse and nursery products. Niche markets are where the opportunities are.*
- ❖ *Farmers have to expand their volume or get into more management intensive enterprises.*

**5. Do you have any specific program or incentive ideas where tobacco settlement funds from the county could be used to open up more opportunities for farms in Fayette County?**

- ❖ *Most farmers do a poor job of marketing. Farmers need to develop better marketing skills.*
- ❖ *More education is needed for farmers on cattle marketing and values.*
- ❖ *Water development and handling facilities for cattle are good investments for phase I programs.*
- ❖ *Maybe a cost-share program could be developed to help farmers expand their herds to a more profitable size.*
- ❖ *KY needs a USDA inspected cow kill plant on the 150,000 head per year scale. If there was one then KY farms could background and feed out cattle to finish weights.*
- ❖ *PDR is a positive program but only one of many that should be in our toolbox. Conservation easements should also be promoted. PDR should not be pitted against funding for public services such as police and fire protection. PDR is a long-term investment that will eventually pay-off.*
- ❖ *He has researched hay cubes and says horse people are traditionalists and will not use cubed hay. They want the long cut baled hay for the scratch factor as well as the nutritional content.*
- ❖ *Use the county phase I to leverage state phase I dollars for the development of international sales of Thoroughbred horses*
- ❖ *Lexington Chamber of Commerce and the state Economic development Cabinet need to work harder at keeping our agriculture businesses.*
- ❖ *Economic development should go out and sell agriculture. Currently no effort is being made to attract farm investors.*
- ❖ *Need for Internet, broadband access in the rural areas.*
- ❖ *He sold the County Committee their cost-share no-till drills and hay wrapper. He researched hay cube making equipment and concluded they were too expensive for farm level use. Also KY weather would not permit proper drying in preparation for cubing.*
- ❖ *He has participated in the county phase I programs and they have been beneficial.*
- ❖ *The County needs a permanent Farmers Market facility. If it was easy for customers to get to and park, it might draw a whole new set of clientele.*
- ❖ *A permanent Farmers Market facility could sell all sorts of products besides produce such as beef, fish, plants, etc.*
- ❖ *Maybe a clearing house for tobacco plants and hay?*

- ❖ *Maybe county tobacco dollars could be used to pay 25% of the farmers share of conservation practices, cost-share programs from NRCS. Examples of these programs are CRP and Equip.*
- ❖ *How many tons of hay are sold in Fayette County?*
- ❖ *How can Central KY farms package hay for the horse industry?*
- ❖ *Would Alfalfa hay cubes work?*
- ❖ *Need to develop other high value crops besides tobacco.*
- ❖ *Improvement in cattle and water facilities. Help in the disposal of old tires and garbage dumps.*
- ❖ *State Farmers Markets on the interstates*
- ❖ *There needs to be a negotiation group to help farmers deal with the tobacco companies in a contracting situation.*
- ❖ *Think outside the box. \$800,000 in county tobacco settlement money is not enough to do something for every farmer.*
- ❖ *Could we attract food processors to locate at the Bluegrass station? Bluegrass station is or will be owned by the County. They have building and infrastructure that might be suitable?*
- ❖ *Attracting new horse farms will keep the land in farms and farm values up. A retiring farmers will be able to sell for a good price should they decide to retire.*
- ❖ *County Committee is doing a good job.*
- ❖ *He is on the County Council Phase I committee. Their philosophy has been to “try to help farmers jump to a higher management level by taking away barriers”. Examples are hay and forage programs to improve quality such as intensive grazing fencing cost-share, hay wrappers and no-till drills. Also bull genetics program and the diversification program.*

## **Appendix 2 Fayette County Farm Futures Survey**