



# ASSISTING DIVERSE SMALL FARMS AND NON-PROFITS UNDER KENTUCKY'S SOAR PROGRAM



## SUMMARY

In the summer of 2015, Kentucky Highlands Investment Corporation (KHIC), in partnership with the Kentucky Governor's Office of Agricultural Policy (GOAP), established the SOAR Small Farm Loan program. This revolving loan program, capitalized through a series of four grants to KHIC from GOAP using tobacco settlement funds, provides loans to farmers and growers throughout the 54-county Appalachian region of Kentucky. The loans are up to \$7,500 at a fixed interest rate of 1% for a term of five years. During the first year of the loan term, interest-only is due because it typically takes a year to produce revenue in agriculture. The loan is then amortized over the next four years. There are no fees with the loan and the borrower must provide collateral. The funds can and have been used for almost anything related to agriculture.

In October 2023, KHIC was awarded a \$50,000 grant from Appalachian Community Capital (ACC) to further support the SOAR Small Farm Loan Fund. The focus of the award is to increase our emphasis on providing resources to woman-owned and minority-owned farmers through dedicated technical assistance and financing to support their ventures. Of the grant amount, a total of \$45,000 was to be used for lending and \$5,000 was designated for KHIC to bring our technical assistance resources to agricultural borrowers.

## NUMBER OF BUSINESSES SERVED

KHIC considers each of the farmers/producers participating in the fund to be a small business venture. They are risk takers who create products to sell in the market through a value-added process. We feel this sector is overlooked in Appalachia and the SOAR Small Farm Loan program is one of the best ways to support small businesses. It requires only a limited investment, is relatively low risk, and has the potential to produce sizeable return. The size of the loans (\$7,500-\$10,000) is what is needed by most producers in our targeted counties and the repayment amount (\$159/month) is such that that the risk/burden for the farmer is manageable. The borrowers also report that the first year of interest-only is important because they do not have to make payments when they are not yet realizing revenue.

The ACC funds were designated for lending to businesses owned by persons of color and women in the ARC counties. From the \$45,000 in ACC funds available for lending, KHIC made seven loans. Six of these are to women-owned businesses/farmers and one is with a non-profit supporting persons of color heritage and programs. A detailed listing of each of the loans is on the following pages.

Each of the loans is in a different county, illustrating the widespread need for this type of financing. Additionally, almost 40% of all our 349 SOAR Small Farm Loans are with women producers which also shows there is a significant female business community which can benefit from access to smaller financing.

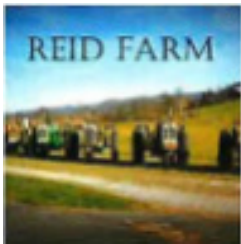
## SUCCESS STORIES



### Amanda Gumbert

Mount Olivet, Kentucky (Robertson County)

In 2016, Amanda Gumbert inherited her grandparents' 70-acre farm in Robertson County. Ms. Gumbert, who grew up in neighboring Carlisle County, would spend her summers on the farm helping with the cattle and corn. The farm, which lies along the Licking River, has been in the family for generations. Amanda has decided to improve the property with the goal of managing the farm in the style of her grandparents and according to the best farming conservation practices. To do this, she has established a series of steps, including brush management, timber stand improvement, riparian area protection, fencing upgrades, and runoff improvements to keep waste from entering the Licking River. The \$10,000 SOAR/ACC Small Farm Loan will help her accomplish this.



### Garnetta Reid

Flemingsburg, Kentucky (Fleming County)

Garnetta Reid is a cattle farmer in Fleming County who keeps between 20-40 head on the 88-acre farm she owns in the Poplar Grove community. She also grows hay and about 30-acres of corn. She grew up on a nearby farm and purchased this one in 2002. In March 2017, Fleming County was hit with a tornado and straight-line winds. Ms. Reid does not know whether the tornado or the winds hit her farm but whichever it was, it damaged the roof and siding on her barn. She has gotten by for the past few years but realizes that it is time to repair the damage. With her \$7,500 SOAR/ACC Farm Loan, Ms. Reid will undertake repairs to her damaged barn.



### Positive Attraction Soaps, LLC

Vickie and Sarah Crabtree • Beattyville, Kentucky (Lee County)

Positive Attraction Soaps in Beattyville has been a borrower from the SOAR Farm Loan fund on three occasions. The company is transitioning to an even larger operation. The winter months are when Positive Attraction Soaps stockpiles inventory. They assessed the possible risks to their continued growth and identified oils for their soaps, many of which come from overseas, as the highest risk. To address this, the company borrowed \$7,000 from the SOAR/ACC Small Farm Loan Fund to purchase oils and oil blocks which is between 6-9 months inventory of this crucial ingredient.



### Denise Weiss-Salinas

Waco, Kentucky (Madison County)

Denise Weiss-Salinas is a new farmer who began raising sheep a few years ago upon her retirement as an occupational therapist. She currently keeps between 3-5 hair sheep. Hair sheep are types of breeds which produce hair instead of wool. It is a long coarse hair with a layer of soft downy underneath. Hair sheep are prized for their meat and leather qualities. Ms. Weiss-Salinas' sheep are sold for meat. With her \$3,000 SOAR/ACC Farm Loan, Ms. Weiss-Salinas will complete installing high tensile perimeter fencing around a portion of her 22-acre farm and purchase rotational fencing to allow pastures to heal.



### **Laurel County African American Heritage Center**

Wayne Riley • London, Kentucky (Laurel County)

Established in 2004, Wayne Riley is the founder and director of the Laurel County African American Heritage Center. LCAAHC does many things. They operate an extensively outfitted community kitchen that is used by both commercial and private growers in the area. They are the sponsor of the Grow Appalachia program and workshops. They are a sizeable recipient of donated food items which they distribute free to families in need. Most recently, they collected and distributed numerous truckloads of items for flood victims in Letcher County. Earlier they did the same for tornado victims in Western Kentucky. Their work is particularly important because they have regular semi-trailers and a refrigerated trailer that can transport and store food. The sale of produce, rental income from the commercial kitchen, and a series of foundation grants and private donations make up the operating budget of LCAAHC. With the \$7,500 SOAR/ACC Farm Loan, the LCAAHC will purchase an additional tractor to increase vegetable production.



### **Moonlight Meats, LLC**

Anne Bays • Williamsburg, Kentucky (Whitley County)

In 2018, Anne Bays purchased the C&P Meats facility in Williamsburg and renamed it Moonlight Meats. Moonlight Meats is a custom processing and retail outlet. Anne owns a small 3-acre farm and leases another 325-acres in Whitley County. She primarily cuts hay and runs cattle on the leased property. She generally keeps between 10-15 cows. Moonlight Meats has been accepted into the Local Food for Schools Cooperative Agreement Program. Through the program, the Kentucky Department of Agriculture purchases local foods for schools to serve children through the National School Lunch and School Breakfast Programs. To take full advantage of this, Anne Bays borrowed \$7,500 from the SOAR/ACC Small Farm Loan program to purchase livestock, primarily cattle but also some pigs, to have product available for larger orders. Of the loan amount, \$2,500 was with ACC proceeds and \$5,000 was from the Kentucky Highlands SOAR Small Farm Loan Fund.



### **Stone Gully Farm, LLC**

Kate Stone • Booneville, Kentucky (Owsley County)

Kate Stone founded Stone Gully Farm in 2013 when she moved to Kentucky from Colorado. The farm is 180-acres in Owsley County, much of which is a reclaimed strip mine. Kate Stone and Stone Gully Farm undertake a variety of tasks. The largest is as a sheep/lamb operation. They currently have 60 head. The farm is also very active at the Red River Gorge Farmer's Market. At the market they sell vegetables, herbs, lotions/salves, and wool products such as scarves that Ms. Stone makes with wool from her sheep. Ms. Stone has also developed a large online business for wool products and crafts. With the \$7,500 SOAR/ACC Farm Loan, Stone Gully Farm is purchasing bulk supplies, such as fragrance oils soap bases, beeswax, and lavender, and buying mineral tubs for sheep. Kentucky Highlands also provided a \$14,000 loan to Stone Gully Farm to complete the financing for their solar energy system. The financing included a \$10,000 grant from Kentucky Agricultural Development Fund solar fund and a \$12,000 grant through the USDA REAP program.

## **BORROWER DEMOGRAPHIC BREAKDOWN**

There have been seven loans made using ACC funds. Six of these were to women-owned producers (86%) and one was with a BIPOC non-profit (14%). All loans were in rural areas.

As part of the loan application, KHIC collects annual income from the borrowers. Two of the seven borrowers would be classified as lower income. Three of the women are single. With four of the borrowers, this is a full-time occupation. Two of the borrowers have other employment, and one borrower is retired and undertakes farming for supplemental income.

During the project period, KHIC made five additional loans to women-owned enterprises/farmers. These are not included in this report because the funding was provided from the existing SOAR Small Farm Loan Fund as the ACC were fully committed. It does, however, further show the demand is there.

## **BORROWERS IN PERSISTENT POVERTY COUNTIES**

Of the seven loans, four are in ARC Distressed Counties (Robertson, Lee, Owsley and Whitley). Two loans are in ARC At-risk Counties (Laurel and Fleming). One loan is in an ARC Transitional County (Madison).

## **NUMBER OF BORROWERS STILL IN OPERATION**

All seven borrowers are still in operation and seem to be moving forward. KHIC staff stays in contact with each of the farm borrowers as part of their technical assistance protocol and for loan monitoring. Two of the borrowers (Positive Attraction Soaps and Stone Gully Farm) are expanding sales and borrowed the SOAR/ACC funds to increase inventory. One borrower (Moonlight Meats) closed her loan in March 2024 and is only now building her livestock inventory to take advantage of new sales opportunities. Three borrowers (Amanda Gumbert, Garnetta Reid and Denise Weiss-Salinas) are smaller operations that will grow incrementally. The non-profit borrower (Laurel County African American Heritage Center) is an increasing presence in the region. They have been successful in securing foundation support with KHIC assistance and have grown to where they recently leased additional office space in the KHIC business incubator.

Because of the one-year interest-only period for each loan, none of the borrowers have started to make their principal payments. The first year's interest was collected at loan closing so the earliest the principal and interest payments will begin is Fall 2024. KHIC does not anticipate any problems based on the business and the individuals' credit history.

## CAPITAL LEVERAGED

The total funds directly leveraged were modest and has been approximately \$12,000. The leveraged funds came from investments by the borrowers with their own funds to complete the projects (shown right).

The loan to Denise Weiss-Salinas did not include leveraged funds.

Borrower	Direct Leverage
Positive Attractions Soaps, LLC	\$3,000
Amanda Gumbert	\$2,500
Anne Bays	\$2,500
Garnetta Reid	\$4,000

The indirect leverage totals \$102,250. The amount includes funds that were invested with Stone Gully Farm, LLC and the Laurel County African American Heritage Center that did not come from the SOAR/ ACC Small Farm Loan program but were part of KHIC’s work with them.

K.HIC worked closely with Stone Gully Farm during the project period to help them finance their \$36,000 solar energy system. Funding for the system included \$22,000 in grant funds and a \$14,000 low-interest loan from the Kentucky Highlands Solar Energy Fund. In addition, the LCAAHC received a \$66,250 grant from the Chorus Foundation to support their many initiatives. KHIC worked with LCAAHC to secure this grant.

## NUMBER OF JOBS

Because the ACC project involves smaller loans and has only been in effect for six months, the number of jobs created/retained is small. For the three individual borrowers who have off-farm jobs or are retired (Amanda Gumbert, Denise Weiss-Salinas and Garnetta Reid), KHIC considers farming a 0.5 job, for a total of 1.5 new jobs. This is the method KHIC has used since it created the farm loan fund in 2015.

The four business entities (Positive Attraction Soaps, LCAAHC, Stone Gully Farm, LLC and Moonlight Meats, LLC) have created a total of five full-time jobs. While each is a very small entity, as the investment matures and the businesses grow, KHIC expects this figure to increase. As KHIC has done in the past, it will continue to support these businesses..

## PROVISION OF TECHNICAL EXPERIENCE

All borrowers from the SOAR/ ACC small farm initiative are micro-enterprises. These borrowers have limited experience operating a business and none has ever managed growth.

KHIC staff has met with each borrower on-site at least two times and frequently more often. Sometimes it has been to discuss business goals and a path to achieve them, and other times it has been to guide them on technical issues such as accounting, digital presence, and contract negotiations. As outlined earlier, for Stone Gully Farm, LLC, KHIC helped arrange the financing for their solar energy system. For LCAAHC, KHIC has provided them with technical assistance for more than ten years, including most recently with their foundation grant and providing them with office space in the Kentucky Highlands Small Business Incubator.

The \$5,000 from ACC has helped to offset the high administrative and technical assistance costs incurred by KHIC with its r farm loan program as the organization receives no other administration revenue other than the 1% interest generated by the loans. According to KHI, it C considers this program as part of its mission and the administration support from ACC has been important for KHIC to more intensively work with small business farm borrowers.

## **ACKNOWLEDGMENTS**

Appalachian Community Capital wishes to thank Jerry Rickett, Brenda Mc Daniel, Kelly Lowe, Brooklyn Hooker, and Michael Hayes for ensuring that the grant for this SOAR initiative was deployed quickly and administered effectively.

We also thank USBank, which provided the grant to ACC to pass on to Kentucky Highlands Investment Corporation.

Finally, we extend our deep gratitude to the seven individuals highlighted in this report. They exemplify the strength and resilience of so many Appalachian residents.