



Kentucky Cooperator

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Dairying to Dream Chaney's Dairy Barn

Carl and Debra Chaney spent the first twenty years of their lives together focusing on raising children, milking cows, and running the family farm, but as their kids began moving away Debra and Carl began talking about their dreams.

“We were so tired of taking what we were given for milk prices, we were struggling and just worn out,” explained Debra. “We decided to have an Internet sale and sell half the herd to see what would happen.”

The sale was a huge success! Suddenly, for the first time in their lives the Chaney's had a sense of financial security that gave them the courage to begin seriously doing research into what they could do different on their farming operation.

“We were really interested in bottling our own milk on the farm, and began

looking seriously at this option,” explained Debra. “Once we started the research it was as if God gave us the guidance to help us realize what our first step would be as we recreated the focus of our family farm.”

The Dairy Barn is Born

After visiting a farm that sold ice cream, the Chaney's realized this might be a niche for their dairy. Carl took an intensive course in ice cream production at Penn State, and the pieces began to fall in place for their new endeavor, Chaney's Dairy Barn.

“We took the leap in June of 2003 and started building the barn, based on a picture we found in an old farm journal,” explained Carl. “Once it began to take shape everything else came together.”

The Barn was finished in early fall, and the



photo courtesy of KDA
Debra Chaney shows Commissioner Farmer the Kentucky Proud corn maze trivia sheet as Carl Chaney looks on.

Chaney's opened the doors on September 30, 2003. They offered their customers a selection of sandwiches and soups, along with their homemade ice cream. Plus they had a gift shop in the building that focused on Kentucky products.

This first year was successful for the Chaney's, but they never imagined how quickly their small operation would grow.

“In our first year, 2004, we made 6500 gallons of ice cream, and this past year we made 11,000 gallons of ice cream,” said Carl. “Since we also cook all the meals in the kitchen, we now have someone there at

SAVE THE DATE

**KCARD Spring
Board Meeting
April 24, 2008**

Newsletter designed by
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Executive Director's Report

Importance of Time Management

Time management for the manager of a Kentucky business is an area of business management that is often overlooked by owners, board members and patrons of the business.

Time management involves planning time in each day when the manager can devote to performing important management functions.

The time is usually devoted to analyzing business records, dealing with personnel matters, budgeting, making

important business contacts and planning for other business activities. It is best done in a private office away from daily business that is being done out on the sales floor, in the plant or in the warehouse.

This may be the reason that some managers do not devote adequate time to important management functions. They often feel that time spent in the office, away from the ordinary daily activities of the business, is viewed by others as "not working."

Sometimes they may

drive the truck to deliver products, saving the \$50 that a hired driver might be paid, and lose \$500 back at the business on a management decision that was not made in a timely manner.

Performing management functions on a consistent and timely basis is critical to business success.

A manager that manages his/her time in a way that allows them the time to perform these functions well is usually the manager of a successful business.

KCARD Says Thank You!

The staff of KCARD would like to say thank you to the clients, development organizations, government agencies, and others that have written letters of support for KCARD's 2008 Rural Cooperative Development Grant application.

KCARD Board Member Change

Thank you Michael and Welcome Mac

KCARD says thank you and goodbye to a friend and supporter of Kentucky agriculture, Michael Judge.

Judge resigned from his position at KDA in February. He had served on the KCARD Board since May 2004, when he accepted the position as Executive Director of the KDA's Office of Agriculture Marketing and Product Promotion.

Under Judge's leadership, Kentucky Proud grew into a major statewide

movement that generated an estimated \$80 million in retail sales of Kentucky-raised and produced agricultural products in 2007. Judge also led development of MarketMaker: Kentucky, an interactive Web site that connects food producers and buyers.

"Michael Judge has been a great asset to the KCARD Board and he will be missed," said Larry Snell. "We welcome Mac Stone to the Board and look forward to a long

and productive relationship."

Mac Stone, a longtime educator and sustainable agriculture leader in Kentucky, assumed the role of Executive Director of the KDA's marketing office on March 1, 2008.

Stone has been active in the Kentucky Sustainable Agriculture Community, Partners for Family Farms, the Organic Farming Research Foundation and the American Pastured



*Photo courtesy of KDA
Commissioner Farmer and Michael Judge*

Poultry Producers Association.

He and his wife, Ann Bell Stone, produce vegetables, tobacco, organic beef, lamb and organically raised pastured poultry at Elmwood Stock Farm in Scott County.

Dairying to Dream...continued from front

4:00 am—usually Debra—making the ice cream until the kitchen help arrives to begin cooking for the day.”

Just last year the Chaney's estimate that over 150,000 people visited the Dairy Barn. Along with the daily visitors, the Chaney's also gives educational tours on the farm to groups, showing kids where milk comes from and giving them a taste of farm life. The small ice cream parlor and shop has grown into one of Kentucky's most successful Agritourism destinations.

Facing the Challenges

After four years of nurturing and growing the Dairy Barn, Carl and Debra realized that it might be in their best interest to take a hard look at the growth in the business and evaluate several of the challenges they were facing. That is when they turned to KCARD.

“We thought we could make some better decisions with some outside help,” explained Debra. “We felt we were just too close to our business and needed the knowledge and outside

point of view that KCARD could provide.”

In October of 2007, KCARD staff began meeting with the Chaney's to evaluate the business structure and to gain an understanding of how the Chaney's wanted to see their business grow.

“We quickly realized how much time and energy Carl and Debra put into the business,” stated Larry Snell, KCARD Executive Director. “We wanted to provide them with the ability to understand their business better and figure out how they can work smarter with all of their efforts.”

KCARD began with an intensive analysis of the Chaney's operation. The staff focused on a financial analysis of the 2007 year, which has given the Chaney's a great management tool that shows where they are making money, where they are losing.

It was not just a financial analysis; it was also an efficiency analysis. KCARD interviewed customers, employees and family to help gain a



photo courtesy of Sandra Gardner

better understanding of the day to day operations and market potential for the operation.

“Rich (Laing) actually came to the Barn at 4:00 in the morning to video us making ice cream,” said Debra. “We then reviewed the tape to look at inefficiencies in our process and he made suggestions on ways we can improve production.”

The Chaney's are now working with KCARD, utilizing all the information to do strategic planning for their operation. Their focus is on structured growth in the business along with their goal of having more personal time and time to spend with our family.

“We always did a plan every year,” explained Carl, “but I think with the analysis and continuing assistance from KCARD we will do a better job in the future to meet our business and personal goals.”

USDA Energy Grants

USDA's Renewable Energy Systems and Energy Efficiency Improvements Program will offer loan guarantees and grants to agricultural producers and rural small businesses to purchase and install renewable energy systems or to make energy efficiency improvements.

Eligible applicants may seek loan guarantees to cover up to 50% of a project's cost, not to exceed \$10 million. Grants are available for up to 25% of a project's cost, not to exceed \$250,000 for energy efficiency improvements and \$500,000 for renewable energy systems.

The first competitive window, grant-only applications must be submitted no later than April 15, 2008. The second competitive window, grant-only applications must be submitted no earlier than April 16, 2008, and no later than June 16, 2008. Applications for loan guarantees, as well as those for loan/grant combinations must be completed and submitted to the appropriate no later than June 16, 2008.

Further information on rural programs is available at a local USDA Rural Development office or by visiting USDA's web site at www.rurdev.usda.gov.

www.chaneysdairybarn.com

Lake Cumberland Milling

The Business Merger Challenge

The idea for Lake Cumberland Milling began around 2001 when a group of Wayne County farmers came together to develop a proposal for a soybean extrusion plant to produce soybean meal, soybean hulls, and oil for local use by farmers.

As the company began looking for funding sources and locations to build the plant, the opportunity arose for the group to purchase an existing feed mill in the county. The owners decided to expand beyond their original idea of a soybean extrusion plant and purchased the existing feed mill and elevator business.

LCM took over operation of the feed mill and grain elevator in 2004, in conjunction with the approval of one million dollars in Agricultural Development Funds, as a loan, for the construction of the soybean extrusion plant.

The opening of the soybean extrusion plant in 2005 was the final key to establishing the three-prong business structure that exists today at LCM:

the Farm/Feed store, the grain elevator operation, and the soybean extrusion plant.

Production Challenges

As with any business, LCM has faced obstacles from both the financial and development sides of the operations.

On the development side, the company faced several technical and operational obstacles in the establishment of the soybean extrusion plant.

“We probably weren’t to the point of running 80% until about a year after the plant was completed,” explained J.D. Mullins, the General Manager of LCM. “It was a challenge at times with the machinery; we would get one problem fixed and then another would come up. It was a lot to learn.”

At current production levels, Mullins says that the soybean extrusion side of LCM is purchasing beans from farmers in about seven counties.

While, LCM isn’t able to compete with the prices paid by larger operations, it does pay a premium over what the feed mill



used to offer producers. Plus, producers save on the cost of transporting their beans to markets in the western part of the state.

The Outside Analysis

In the early development of the business, the owners of LCM turned to KCARD for business assistance with the initial feasibility analysis.

In the fall of 2006, KCARD became reengaged with LCM when the group began the task of updating their business plan, and this past summer LCM turned to KCARD to do an analysis of the profit centers.

The first step KCARD took was to break out the accounts for each of the three operation to run a cost/benefit analysis on each separate aspect of the business.

“LCM had several income sources from individual



business activities within the business operation, but the management did not know what each profit center contributed to profits or losses for the business as a whole,” explained Larry Snell, KCARD Director. “Good business decisions can be only be made if you have a clear understanding of the profit centers contributions, good or bad to the business.”

The in-depth operational analysis provided by KCARD allowed the owners of LCM and Mullins to gain a better understanding of each operation in the business. The results showed them which of the operations were profitable, while giving insight on areas where each operation might benefit from changes.

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KCARD Board Member Spotlight

Dennis Cannon

Growing up in rural Christian County, agriculture was a way of life for Dennis Cannon. If he wasn't working on his family's beef and tobacco farm, he was at the tobacco warehouse with his father.

Cannon stayed close to his agriculture roots when he went to UK, majoring in Ag Economics and also serving as 4-H State Vice-President and then President. While pursuing a graduate degree in Ag Economics at UK, Cannon was approached by the Kentucky Association of Electric Cooperatives (KAEC).

From the beginning the KAEC, with its mission to improve the quality of life in rural communities, was a good fit with Cannon.

"We want to see the rural economy grow and prosper," said Cannon,

the Vice President of Member and Public Relations for the organization. "Anything we can do to improve the economy in rural Kentucky is good for our members and also good for us."

It is this approach to helping rural communities that has made the KAEC a perfect partner with KCARD and Cannon has supported the partnership since the beginning.

"I think the fundamental strength of KCARD is that it is not government and it is not the university," explained Cannon. "It is a private organization that involves a collaboration of these organizations, other not for profit groups such as the electric co-ops and Farm Bureau, working together to provide candid, unbiased



Dennis Cannon represents the Kentucky Rural Electric Cooperative Association on the KCARD Board.

information and support to people in rural Kentucky."

Cannon believes that this organizational structure, together with the excellent staff is the key to providing the real world assistance businesses need.

"The staff knows their stuff and they don't inflate people's expectations," stressed Cannon. "If the idea is a lousy idea they tell you as opposed to leading someone down a primrose path. I think that is what makes this organization successful."

Tough Business Decision... *from page 4*

"KCARD provided the analysis that we didn't have the time or resources to do," explained Mullins. "It was good for us to see the shortcomings of the businesses from an actual account analysis."

KCARD continues

to work with LCM to improve their overall business by helping to evaluate pricing points and provide business structure analysis.

"I think there is potential for growth with LCM," said Mullins. "A key to



Mullins and an employee work out issues with the Soybean extruder.

that is looking at business operations, as the markets grow and change."

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To learn more about KCARD visit our website at
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