



# Kentucky Cooperator

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KCARD

## Making the Cut Webb's Butcher Block

**M**arty Webb believes in hard work and dedication, traits that were instilled in him by his father as they worked side by side through the years building the family business.

“My dad moved down to Paynesville and built the grocery store in 1963 when there was nothing more than just farms in the area,” explained Webb. “He invested everything he had in the world in this store, and he and Mom raised all of us kids (five total) in two rooms in the back.”

Webb did everything from helping customers carry items to the car to working behind the counter as he grew up in the store.

Webb's father had gone to butchering school on the GI Bill and trained his son in

the art of processing meat. By the age of 12, Webb was grinding sausages for the farmers that brought in their hogs to be processed, and though his mother thought he was too young Webb began manning the band saw at the age of 13.

### *From Butcher to Smoker*

Butchering was Webb's focus after he joined his father's business and then in 1984 he decided to take the operation to the next level by adding a kill floor to the store.

He quickly realized that the potential for growth in his operation was in the value-added lines he could provide to his customers. Beyond the standard cuts of meats customers requested when they brought in an animal for butch-



*Marty Webb in his processing facility in Paynesville.*

ering, Webb began making specialty sausages for his customers and grew his line of smoked options.

Webb gauged his success not on the money that was made, which he admits has mainly been reinvested in the business, but by his ability to meet the goals he was setting for himself. As each goal was reached, the young entrepreneur would set yet another goal in his business for him to work towards.

By 2000 when Webb made another leap in his business he had taken over the family operation from his father. Still running the

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### Save the Date

**KCARD Fall  
Board Meeting**

**October 15, 2009**

# Business Taxes: Cooperatives

Summer 2009

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KCARD

**K**CARD assists agricultural entrepreneurs in understanding the advantages and disadvantages of legally incorporating their agribusiness as an LLC, Cooperative, S Corporation, partnership or regular C Corporation. Tax treatment of the various types of business is always an issue and considerable time is devoted to this discussion.

As the cooperative business structure is discussed, we find that invariably someone makes the comment that they did not think cooperatives had to pay corporate business taxes.

Cooperatives, like all for profit businesses does pay taxes. However, unlike the general investor owned corporation where taxes on net profits are paid by both the corporation and then again by owners when they receive dividend payments, cooperatives pay only one time, at the individual-owner level.

The cooperative strives to operate at on a least cost basis to provide goods or services to its owners who patronize the business. The owners of a cooperative are also its customers and net margins are returned to them as patronage refunds. Upon receiving the patronage refund the

owner pays the taxes due.

It should be noted that Cooperatives like all for profit businesses does pay many special taxes assessed such as real estate and personal property taxes, sales taxes, employment taxes, fuel taxes, license fees, vehicle registration fees and excise taxes on utility services.

The bottom line is that cooperatives are incorporated, managed and operated, not to generate profits for the business but for its customers who also happen to be its owners. The owners pay the taxes, not the business.

## Thanks for Your Support!

**K**CARD receives approximately 50% of its operating funds from the USDA Rural Cooperative Development Grant program. KCARD recently submitted its application for FY 2010, but it will be at least September before USDA announces the RCDG grant recipients.

Putting together a complete application requires a significant amount of work from everyone involved with KCARD, including our clients and partners. KCARD would like to thank the 33 KCARD clients and partnering organizations who

wrote letters of support for KCARD's grant application. KCARD appreciates your willingness to take the time to write the letters, your timeliness in sending back the letters, and your incredibly kind, supportive words.

KCARD continues to grow and provide service to a wide array of rural and agriculture businesses across Kentucky. As a part of the RCDG grant application KCARD was required to list performance measures to gauge the impact of the organization. Here is a highlight of the KCARD performance measures from 2008-2009.

### KCARD Performance Measures

- 15 Cooperatives assisted
- 42 Business that are not cooperatives assisted
- 8 Non-profit Organizations assisted
- 16 Groups not legally organized assisted
- 33 Jobs Created (15 full-time and 18 part-time)
- 325 Jobs Saved
- 2 Cooperatives Incorporated
- 5 Businesses Incorporated that are not co-ops
- 1 Non-Profit Corporations Incorporated

## Making the Cut *cont...*

small rural grocery and processing facility, Webb decided to construct a second building next to the existing store where he added a second smoker to expand his production. At the same time Webb also choose to go under USDA graded inspection, opening up new opportunities and new goals for this driven businessman.

### *The Growing Challenge*

“The majority of our business over the years has been custom work, but going under the USDA graded inspection opened up new markets to pursue,” explained Webb. “Sausages and jerky are our two main product lines we sell under our label, it has been slow for us developing markets but that has started to change.”

In expanding the production and marketing of their Webb Butcher Block products, Webb began reaching beyond the traditional beef and pork products. Soon venison, elk and even buffalo sausages were common in the Webb freezer case along with the traditional pork. As the business grew Webb realized he would reach capacity in his second facility and began making plans for yet another expansion. That is when he submitted an application to the Kentucky Agricultural Development Board for assistance and began working with KCARD.

“Marty has been a pleasure to work with because he was a good manager that kept good business records,” said Larry Snell, KCARD Executive Director. “He operates his business

very efficiently and on a least cost basis to market quality products.”

Webb admits that breaking into new markets with his product lines is a challenge, but it is one this goal oriented entrepreneur believes he and his family are ready for.

### *Continuing the Family Tradition*

Today, Webb is not looking to the future alone. Along with his wife Joyce that has helped him along the way, his children are now involved in the operation.

“Over the years all the kids have worked in the business,” said Webb. “Now my oldest daughter Leigh and my son Trey work with me daily, and one daughter Brittany has gone on to be an RN and my youngest Kaitlyn is still in college.”

Webb laughs and says that for him the business has never been about becoming rich, his goal has always been to make enough to cover expenses and provide for his family. Instead, the focus has always been about hard work and creating a service and product he is proud to put his family name on.

“You have a lot of companies putting out product that would absolutely laugh at my operation, but I don’t let that bother me because I feel like our product is a premium product,” said Webb. “It is more of an old fashioned, handmade product. I consider myself to be a small batch sausage producer, like the small batch distilleries in the state, I love the fact that we create a premium product for our customers.”

## KALP Accepting Nominations

The Kentucky Agricultural Leadership Program is accepting nominations for its ninth class scheduled to begin in January 2010.

The intensive, 18-month program focuses on fine-tuning the leadership skills of 20 active farmers or agribusiness professionals.

The program is comprised of 10 study seminars at locations across Kentucky, a five-day study tour in Washington D.C., and a international study tour to a major agricultural producing region is planned.

Nominations are due September 1.

All nominees will receive applications, which are due by October 15.

Those selected for potential participation will undergo a interview as part of the final selection process.

Nomination forms and other information are available online at [www.uky.edu/Ag/KALP](http://www.uky.edu/Ag/KALP).

# Lake Cumberland Ag Assessment

South Kentucky Rural Electric Cooperative Corporation (SKRECC) recently asked KCARD to perform an assessment of agriculture in the Lake Cumberland region, specifically the counties of Casey, Clinton, Cumberland, Pulaski, McCreary, Russell, and Wayne.

As part of the study, KCARD gathered data on production agriculture for the region, developed a database of agricultural companies, compiled a list of Kentucky Proud producers, on-farm markets, and agritourism destinations, reviewed investment activity for each county agricultural development council, and interviewed extension agents and agricultural leaders in each county.

KCARD discovered the following highlights of current production agriculture activity:

- \$216.9 million in cash receipts from livestock and crop sales in 2007;
- Majority of farmers are part-time;
- Average age of farmers in the region is 56.8;
- Beef cattle is the number one cash enterprise with \$88.6 million in sales in 2007, and the total inventory for all cattle is over 218,000; and
- Poultry has a significant presence in the region with Equity Group and Cobb-Vantress both having facilities in the region, and poultry is the number two

cash enterprise with approximately \$68 million in poultry and egg sales in 2007.

KCARD found that there has been an increasing amount of direct marketing activity by farmers in the region with 61 registered Kentucky Proud producers, 21 agritourism destinations, 2 wineries, over 40 on-farm markets, 5 farmers' markets, grain producers who are direct marketing corn to feed mills in Eastern Kentucky and Eastern Tennessee, and several cattle producers direct marketing freezer beef.

KCARD identified several strengths including: County Agricultural Development Councils, Equity Group and Cobb-Vantress facilities, Quality Cattle Producers, 4 Livestock Auction Markets, Abundant Forages, Available Woodlands, 2 USDA Custom Meat Processors, Central Kentucky AG/EXPO Center, and Gate Industry.

KCARD identified weaknesses including: Lack of Skilled Labor Supply, Grain Market Infrastructure, Lack of Organized Vegetable Market, and Limited Broadband Access.

Identified opportunities include: Adding Value to Cattle; Organized Wholesale Vegetable Market, Organized Hay Market, Improved Woodlands Management, Agritourism Ventures in southern counties, and Under-



utilized Assets (two vegetable packing facilities, soybean extrusion plant, and expo center).

Primary threats to agriculture are: Average Age of Farmers, Barrier to Entry (high investment costs), Lack of Agriculture Understanding in non-farm community, and Poor Local Economic Conditions.

KCARD made the following recommendations on how to promote agriculture in the region:

- Complete an assessment of biomass resources in the region
- Study feasibility of dead animal incinerator that captures the energy
- Evaluate grain and livestock processing Opportunities
- Encourage development of active poultry growers association
- Improve management and development of woodlands
- Complete marketing study on feeder calf sales
- Lobby for extended broadband access
- Encourage cooperative activity among farm organizations across county lines

A copy of the report can be found on KCARD's website, [www.kcard.info](http://www.kcard.info).

## KCARD Board

### *President*

**Dennis Cannon**

KY Association of Rural  
Electric Cooperatives

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Aquaculture/Nursery  
Cooperatives

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### *Ex-Officio Members*

**Jeff Jones**

USDA Office of Community  
Development

**Tim Woods**

UK College of Ag

## Board Member Spotlight

# Jeff Dabbelt

**J**eff Dabbelt may not have grown up on a Kentucky farm, but this native Ohioan has become a strong supporter of Kentucky farmers as the manager of the Lexington Farmers' Market.

"After receiving my marketing degree from Xavier, I took a job in information technology with a small firm," said Dabbelt. "Then I moved to Tennessee, where I met my wife, and decided to move a new direction in my career and took a position with a non-profit organic farm in Chattanooga."

It was this experience working with farmers and local foods that inspired Dabbelt to apply for the management position with the Lexington Farmers' Market when he and his wife, Gretchen, moved to Lexington.

"I began in April 2005, so the 2009 season is my fifth season working with the market," said Dabbelt.

When Dabbelt came on as manager, KCARD was already working with the market cooperative. This working relationship with KCARD has con-



*Jeff and his son Alan visit with customers at the market.*

tinued over the years and Dabbelt is quick to admit that having KCARD as a resource has been invaluable.

"The KCARD staff has helped on many issues over the last several years from board training to financial analysis," said Dabbelt. "With a growing and changing cooperative there is always work to be done, so the dedication of Larry and the staff of KCARD are still needed as a resource as the market changes."

In spring 2009, Dabbelt was asked to serve as a director on the KCARD Board, representing the Lexington Farmers' Market.

"It is certainly a privilege to serve on the KCARD board," said Dabbelt. "I hope I can bring to the table a new perspective, that of a cooperative manager and as client of KCARD."

## KECI 2009 class to begin

**T**he Kentucky Entrepreneurial Coaches Institute is looking for 30 interested individuals from the counties of Adair, Allen, Barren, Butler, Casey, Clay, Clinton, Cumberland, Edmonson, Green, Hart, Laurel, Marion, Metcalfe, Monroe, McCreary, Pulaski, Russell, Taylor, Warren, Washington and Wayne to apply for the next Entrepreneur Fellowship Class.

Those chosen for the 16-month training will receive a fellowship valued at approximately \$18,000.

For information about applying to the 2009 KECI class, which begins in October, visit the KECI Web site at [www.uky.edu/Ag/CLD/KECI](http://www.uky.edu/Ag/CLD/KECI) or contact Katie Ellis at 859-227-0911 or [katie.ellis@uky.edu](mailto:katie.ellis@uky.edu). The application deadline is August 31.

*Kentucky Center for Agriculture and Rural Development fosters business success and growth by developing and delivering technical assistance and by providing educational opportunities for agricultural and rural businesses seeking to enhance their economic opportunities.*



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Brent Lackey, Business Development Specialist  
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Thelma Davis, Staff Assistant

To learn more about KCARD visit our website at  
[www.kcard.info](http://www.kcard.info)

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