



TO: House Committee on Taxation
FROM: Greg Krissek, CEO, Kansas Corn Growers Association
RE: **Testimony in Opposition to HB 2401**, imposing an excise tax on ethanol produced in Kansas
DATE: March 18, 2015

Good afternoon Chairman KleeB and members of the Committee. I am the CEO of the Kansas Corn Growers Association, located in Garnett, Kansas. On behalf of KCGA, thank you for allowing us the opportunity to testify in opposition to HB 2401.

I have worked on behalf of several different public and private entities on the development of the Kansas ethanol industry since 1989. I have also served on ethanol plant boards of directors located both in and outside of the state.

To build this industry in Kansas, we had to recognize several market concerns, primarily higher grain costs in our state, which typically place the state's plants at an economic disadvantage to those in the rest of the US "corn belt." Kansas' ethanol industry has prospered and generally succeeded to date addressing these challenges – but the tax proposed by HB 2401 would create an incredible market intervention which in today's environment could well be the difference between Kansas's plants operating or shutting down.

The ethanol industry, as do corn farmers, operates in a commodity market as a price taker. Companies succeed when they are the most efficient and low cost-producers. Imposing a tax on ethanol production in Kansas will place our plants at a severe disadvantage to other US plants – like tying one hand behind our plants back and sending them into a fistfight. Also, to the extent possible, our plants will have to find ways to address this economic disadvantage and likely will reflect that with increased prices of distiller's grains supplied to our important livestock customers and partners.

The Kansas ethanol industry has helped to stabilize the basis price of corn and sorghum for our state's farmers, and provide our large cattle industry with nutrient-rich feed products. Our state's ethanol plants are located primarily in small rural communities across Kansas. These plants represent a major economic driver, not only for these communities, but for the state as well and also represents increased tax revenues at both state and local levels.

In the last dozen years, we have witnessed increased corn production in Kansas. This increase has been in no small part due to the growth in the number of ethanol plants in the state. Attached is an infographic highlighting the current breakdown of feed grains use for ethanol in the state. Today's corn production analysis and prices once again have farmers producing near or below their cost of production. This is similar to a decade ago when creating ethanol demand with new Kansas plants helped stabilize farmer's financial conditions. But even today we cannot look at this market in a vacuum, as corn prices in some other states are much lower than Kansas, re-emphasizing the critical need to not place our corn and ethanol producers at a disadvantage – HB 2401 would be devastating to all the good economic progress that has been made in this sector in Kansas.

If farmers would receive a much lower price for their crops due to lack of markets in Kansas, for example sub-\$3.00/bushel corn, this would devastate farm families, rural communities, land value, ag lenders, local taxing authorities, and state revenues.

While we in the agriculture industry certainly understand the current state budgetary constraints you are facing, we must strongly oppose the new tax which would be imposed on the ethanol industry under HB 2401. We strongly encourage the Committee to oppose this bill and not pass the bill out of Committee. Thank you for the opportunity to share our comments, and I will stand for questions at the appropriate time.

2015 Projections of Kansas Feed Grain Use

Kansas Corn and Sorghum Use for Ethanol, Livestock and other uses

