



TO: House Committee on Taxation
FROM: Jeff Oestmann, President and CEO, East Kansas Agri-Energy LLC
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 Jeff Oestmann of East Kansas Agri-Energy LLC in Garnett, Kansas. On behalf of East Kansas Agri-Energy LLC, I thank you for allowing us the opportunity to testify in opposition to HB 2401.

The Kansas ethanol industry greatly affects the economic vitality and development of communities across the state. Serving as a direct consumer of Kansas corn and sorghum, the 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. The multiplier effect of the ethanol industry serves to promote the development of our rural economies and increase tax revenues at both state and local levels.

Margins in the ethanol business are traditionally very tight, and a few cents can make a huge difference between profit and loss—especially since we are "price takers" in both the corn and ethanol markets. We cannot pass along increased costs to our customers.

The ethanol industry is already generating considerable revenue by adding value to agricultural products, creating good-paying jobs in rural areas, and reducing our nation's dependence on imported oil. To add a tax on production could lead to the shutdown of some facilities—and the loss of all the advances and benefits this industry has provided in just a few short decades.

We are currently constructing a renewable diesel project in Garnett, adding jobs and adding vitality to the local economy. It is a very exciting time, but without an ethanol industry, or with higher fixed costs imposed on the industry, farmers would receive a much lower price for their crops. Sub-\$3.00/bu corn would devastate farmers, rural communities, land value, ag lenders, local taxing authorities, and state revenues. Additionally, our advanced ethanol project and all the investment would go away.

The Kansas ethanol industry annually provides over \$2 million in real property taxes, \$100,000 in personal property taxes, \$53 million in trucking fees, 384 direct jobs, and an average salary of \$49,000.

Each ethanol plant enhances rural Kansas by annually purchasing an average of 14.5 million bushels of grain from local farmers (valued at over \$680 million in 2008) and providing ready access to wet and dry distillers grains feed for Kansas livestock producers, dairies, and feed yards. While we in the ethanol industry certainly understand the current budgetary constraints of our state, we must strongly oppose this new proposed tax on the ethanol industry.

The day this legislation would take effect, I would see the neighboring states of Colorado, Nebraska, Iowa & Missouri swoop in and take market share from us here in Kansas. Today, our employment growth is great. However, with this bill, we could easily see that growth come to a halt, if not outright shut-downs.

The impact of our facility is enormous and helps boost the livelihood of many families in our rural community. An excise tax on this often times precarious industry, as suggested by HB 2401, would be dangerous to the industry and the broader unintended consequences that are sure to follow would be both immediate and severe.

We would strongly encourage the Committee to oppose this bill and not pass the bill out of Committee. Thank you for the opportunity to share my comments, and I would be happy to answer questions should that be needed.

Jeff Oestmann
President & CEO
East Kansas Agri-Energy LLC