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TO: House Committee on Taxation
FROM: NESIKA 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 Sam Sacco of Nesika Energy LLC in Scandia, Kansas. On behalf of Nesika Energy LLC, 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 provides 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.

Some of the benefits ethanol brings to the state of Kansas as well as the surrounding areas of our plant are really spelled out in the 2010 Report by the Kansas Legislative Research Department:

- Without the ethanol industry, or with higher fixed costs imposed on the industry, Kansas farmers would receive a much lower price for their crops. Sub-$2.00/bushel corn and sorghum would devastate farmers, rural communities, land values, agricultural lenders, local taxing authorities, and state revenues.

- The Kansas ethanol industry annually provides: over $2 million in real property taxes, $100,000 in personal property taxes, $53 million in trucking fees, and 384 direct jobs with an average salary of $49,000. All of Nesika Energy's grain and co-products are hauled in and out by truck.

- Each Kansas ethanol plant enhances rural Kansas economies by purchasing, on average, 14.5 million bushels of grain from local farmers (valued at over $680 million in 2008), and producing wet and dry distillers grains feed for Kansas livestock producers, dairies, and feed yards Because Nesika originates only local grain, local producers would suffer a huge loss in revenue. Local feeders would suffer as well, as 100% of Nesika's distillers grains are fed to livestock within a 60 mile radius.

While we in the ethanol industry certainly understand the current budgetary constraints of our State, we must strongly oppose the new tax imposed on the ethanol industry under HB 2401.

Because I have been associated in the grain and feed product industry since 1973, I have a clear view on the importance that ethanol plants have made on America. In the late 1970's, we saw corn exports hit nearly 2 billion per year against USA corn production of 7 billion bushels. Grain prices were at a record high and people were staying on the farms. The world needed the USA. After the embargo under President Carter, the world found that it could no longer rely on the USA. The fact is, USA farm-related companies started going overseas to provide the equipment and technology needed for other countries to produce grain. This happened during a period when new technology started to increase corn yields while export numbers fell. This left only domestic feeding to help offset the increase in corn bushels that this nation was starting to see. Since the domestic food market could not accomplish this alone, cash grain prices started to drop, the youth started to leave farms in search of better paying jobs, small towns started to die, and food prices in the United States increased.

Then, ethanol plants began to consume corn at about 5 billion bushels each year. An additional 5 billion bushels was used for domestic feeding of livestock, along with 1.5 billion exports to offset new production levels of 15 billion bushels of corn, and cash grain prices started to climb. Agriculture's youth in America started remaining and going back to the farms. Small rural towns that were dying came alive again. Ronald Reagan's trickledown economics, which was nothing more than a theory during his time, became a reality.

Ethanol plants have put more into the pocket books of Ag-America that it really has received. If you feel that Agribusiness is no longer a major component to the future of Kansas, then go ahead and pass a bill that will add anywhere from 6 to 12 cents to each gallon of ethanol produced in this state. A cost that will reverse everything that has taken place in Agriculture in this state since 2007. A reversal whose immediate impact would be devastating throughout the entire state.

We are an industry whose participants are price takers for their raw materials and end products. Our margins are relatively established outside of our control, with multiple factors that move independently based on international and often geopolitical reasons. An excise tax on this often time's precarious industry, as suggested by HB 2401, would not only be dangerous to our industry but as already stated, devastating to the entire Agribusiness in the state of Kansas. A business that Kansas cannot afford to destroy.

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