

TO: House Committee on Taxation
FROM: Gregory Shelor, President, Kansas Grain Sorghum Producers 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 President of the Kansas Grain Sorghum Producers Association and am a past president of the National Sorghum Producers. On behalf of the KGPSA, thank you for allowing us the opportunity to testify in opposition to HB 2401.

The Kansas ethanol industry is a vital link in our industry as well as in each and every community across the state. Ethanol is one of the largest consumers of grain sorghum in the state, without this opportunity for agricultural producers to market their products we would be faced with an unstable basis price, along with a shortage of nutrient-rich feedstock for our world leading cattle industry. By depleting the ethanol sector of our economy both the rural and urban communities in Kansas would suffer, by reducing tax revenues at both state and local levels.

Kansas is the nation's leading producer grain sorghum, accounting for 46 percent of U.S. production in 2014. Although growing conditions in Kansas can often be challenging, sorghum works and is one of the few crops we can grow with limited rainfall. It is naturally drought tolerant, heat resistant and does well on marginal land. With limited rainfall (less than 21 inches per year), and a declining Ogallala Aquifer, sorghum is becoming even more valuable in our crop rotation.

In Kansas, sorghum is used mainly for ethanol production and livestock. While most think of ethanol as a product made from corn, most Kansas ethanol plants use both feed grains to produce this renewable fuel. In fact much of the ethanol produced in Kansas is made from grain sorghum. Kansas ethanol plants use 180 million bushels of grain sorghum and corn annually. Historically ethanol consumes approximately half of the Kansas grain sorghum produced in the state. Having both grain sorghum and corn available allows ethanol plants more flexibility and better pricing opportunities. This ensures a strong and viable ethanol industry in our state, but most importantly ensures a good value added market for the state's sorghum producers.

Without the ethanol industry, or with higher fixed costs imposed on the industry, farmers would receive a much lower price for their crops. It is important to remember that in 2008 the ethanol industry spent nearly \$682 million on grain, creating a value-added opportunity for rural agriculture communities in Kansas. \$3.00/bu grain sorghum would devastate farmers, rural communities, land value, Ag lenders, local taxing authorities, and state revenues.

As reported in the 2010 report by the Kansas Legislative Research Department, 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 average salary of \$49,000; all of which in turn helps our schools, hospitals, and everything we depend upon in rural Kansas.

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.

By imposing any new taxes to an already feeble ethanol industry, not only restricts the ethanol industry itself but also agriculture and rural America as a whole. Without a dependable infrastructure of end-users of our sorghum and our other Ag products, rural Kansas will suffer. Agriculture is in a time of great demand and the economic stability of our communities are bases firmly on that setting. If ethanol is forced to suffer, the devastation will ripple through production agriculture very rapidly, followed by the rest of our economy.

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 our comments.