

Testimony in Support of HB 2543

House Taxation Committee

February 18, 2020

by

Dennis Hupe, Director of Field Services, Kansas Soybean Association

Good afternoon, Chairman Johnson and Members of the committee. My name is Dennis Hupe. I serve as the Director of Field Services for the Kansas Soybean Association.

Founded in 1973, the Kansas Soybean Association represents the government affairs interests of the state's soybean farmers at the local, state, and federal levels of government. Our mission is to enhance the profitability of farmer members and to add economic value to rural communities. Over the years, as Kansas has grown to become one of the nation's top producers of both soybeans (#10) and biodiesel (#9) we have strived to offer the most comprehensive set of benefits and services of any soybean association in the country.

Today, I am here to offer our support for HB 2543, a bill to amend the definition of "alternative fuel" to include "10% biodiesel," or B10 as it is usually referred to in the marketplace. As you probably know, biodiesel is a cleaner-burning alternative to petroleum diesel that is most often made from soybean oil but can also be manufactured from animal fats and recycled cooking oil. Biodiesel is a registered fuel with the U.S. EPA, has an American Society for Testing and Materials (ASTM) fuel blend specification up to 20%, and is the only alternative fuel to pass the rigorous requirements of both Tier I and Tier II of the EPA's Health Effects Testing. More than two billion gallons of biodiesel were produced last year in the United States.

The commercialization of biodiesel some 20 years ago helped fuel Kansas' growth as a national leader in soybean production. According to FC Stone, a leading commodity analyst, soybean prices would be 13% lower without biodiesel. In addition, policies at the state and federal levels can add even more value. A 2015 study by Informa Economics found that biodiesel use resulting from the federal Renewable Fuel Standard adds 63 cents per bushel to the price of soybeans. Based on 2018 production numbers¹, biodiesel added more than \$120 million in revenue to the Kansas soybean crop. In addition, just one biodiesel plant the size of Cargill's facility in Wichita creates a home for the oil from 40 million bushels of soybeans.

In our view, providing an incentive for fuel retailers to build infrastructure to sell more homegrown fuels is a smart investment by the state. Doing so will help support farm income and rural economies, while providing benefits back to the treasury over the longer term. As we have seen from the recent 60 million gallon biodiesel plant built by Cargill as well as the recent purchase of assets by Seaboard Energy in Hugoton, where a new production facility is being

¹ https://www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Crops_Releases/Crop_Production/2019/KS-croppr1908.pdf

planned, renewable fuels is a growth opportunity for our state. We should continue looking for ways to lead in an industry that suits Kansas' strengths so well.

In conclusion, I would like to thank the committee for allowing me to testify here today in support of HB 2543 and for recognizing the value of our state's soybean farmers. I would be happy to stand for questions at the appropriate time.