

To: House Committee on Taxation, Representative Marvin Kleeb, Chairman

From: Bill Greving, member, Kansas Farm Bureau

Date: March 18, 2015

Re: **HB 2401** – concerning taxation; relating to excise taxes, ethanol production, electricity generated from renewable resources.

Thank you Chairman Kleeb and members of the Committee. I appreciate the opportunity to testify today on behalf of Kansas Farm Bureau (KFB) in opposition to HB 2401. My name is Bill Greving, and I am a member of KFB and of Phillips County Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

I am a farmer and rancher from Phillips County. My son, myself and our families operate a farming, ranching, and cattle feeding operation in Phillips County. We produce grain and wheat on our dryland acres as well as corn and alfalfa on our limited irrigated acres. Our livestock operation consists of a cowherd as well as a thousand head feedlot where we finish our cattle for slaughter. We were one of the initial investors in Prairie Horizons Agri-Energy. Prairie Horizon is an ethanol plant located in Phillips County. Annually, Prairie Horizon produces over 40 million gallons of ethanol and grinds 15 million bushels of grain; yielding just around 127,000 tons of high protein livestock feed. Since the inception of the ethanol plant, we have seen an increase in the price of grain locally between \$0.30 and \$1.00 per bushel depending on market factors. Personally, we are involved in the production of the grain used to produce the ethanol, the production of the ethanol, and the use of the distillers grain that result from the production of ethanol. I have attached a copy of the economic impact of Prairie Horizons to this testimony.

In the ethanol industry, companies that succeed are very efficient producers. Creating a 4.33% excise tax on the gross value of each gallon of ethanol produced will put Kansas ethanol plants at a severe disadvantage to other plants across the United States. For Prairie Horizons, HB 2401 would create a tax burden of approximately \$4,000,000 annually. Regardless of your views on ethanol as a fuel source, the policy promoted in this bill is anti-business and will only work to discourage business growth in Kansas.

This bill will also create a disadvantage for livestock producers, like us, to access reasonably priced alternative feed sources like distiller's grains. These byproducts will likely become higher priced if they are less available due to less ethanol being produced if plants have to cease to operate in Kansas. Access to these distiller grains is a vital part of the profitability of our cattle feeding operation.

Finally, Kansas ethanol plants are mostly located in rural communities across the state. These plants are an economic driver in these regions and for the state of Kansas. Placing an excise tax on ethanol such as the one proposed in this legislation would likely halt or reverse the positive economic growth that has taken place in these regions and in Kansas.

Thank you Mr. Chairman and members of the committee. I will stand for questions at the appropriate time.

Economic Impact of Prairie Horizon Agri-Energy

	<u>In first year</u>	<u>Over the next ten years</u>
Number of jobs created	204	216
Number of new residents in the community	65	65
Number of additional student in local school district	32	32
Increase in local personal income	\$6,415,106	\$75,782,124
Increase in local retail sales	\$4,169,819	\$49,258,381
Increase in the community's property tax base	\$44,283,481	\$16,226,405

Other key facts:

Payroll - \$3,100,000

Direct jobs – 35

Current Price of Ethanol - \$1.45 per gallon

Trucks traffic – 140 trucks per day