



**TO:** House Committee on Taxation  
**FROM:** Kendall Hodgson, National Sorghum Producer Board Member  
**RE:** **Testimony in Opposition to HB 2401**, imposing an excise tax on ethanol produced in Kansas  
**DATE:** March 18, 2015

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Good afternoon Chairman Kleeb and members of the Committee. I am Kendall Hodgson, a farmer and rancher from Little River, Kan. On behalf of the National Sorghum Producers (NSP), thank you for allowing the opportunity to testify in opposition to HB 2401.

I personally take sorghum to Kansas Ethanol LLC, located in Lyons, Kan. As a Kansas grain farmer the proximity to a value added end-user for grain sorghum has provided a multitude of benefits for my farming operation and even more importantly, my community. The value of the Kansas ethanol industry to our communities is published in the *2010 Report by the Kansas Legislative Research Department*. This report highlights that the Kansas ethanol industry provides over \$2 million in real property taxes, \$100,000 in personal property taxes, 53 million dollars in trucking fees and 384 direct jobs.

The implications of HB 2401 would have devastating impacts for Kansas grain farmers. In a time of declining agricultural commodity prices this proposed tax on Kansas produced ethanol would harm the grain economy and cause basis instability. Let me convey the significance of the Kansas ethanol industry. Kansas plants create a market for over 180 million bushels of corn and sorghum annually. This demand is significant as the bin-busting 2014 Kansas sorghum crop was 199 million bushels. This bill has the potential to disrupt an industry that historically consumes a third of the national sorghum crop.

The ramifications of HB 2401 to the sorghum industry would be devastating with the state of Kansas producing over 40 percent of the total U.S. sorghum crop. To illustrate the impact this proposed tax would have on the Kansas ethanol industry I would like to share budget numbers from a widely recognized ethanol budget tool, the Iowa State University (ISU) Ethanol Budget. This tool is utilized by Kansas State economists and regarded as an industry reference for costs and breakeven analysis. The ISU tool looks at data from January 2005 to February 2015. The additional cost of the proposed tax decreases plant profit per gallon by 29 percent. What's most alarming is this tax increased the months plants would have operated at a loss by eight percent. ***A reduction of 29 percent of per gallon profit could force ethanol plants to become idle or force closure.***

Serving as a direct consumer of Kansas grain the ethanol industry has helped to stabilize the basis price for not only my farm but sorghum farmers across the country. 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.

The National Sorghum Producers strongly encourage the Committee to oppose this bill and not pass the legislation out of Committee.

Thank you for the opportunity to share our comments and concerns.