Approved: 03/30/11
Date

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on March 15, 2011, in Room 159-S of the Capitol.

All members were present.

Committee staff present:
- Tamera Lawrence, Office of the Revisor of Statutes
- Heather O'Hara, Kansas Legislative Research Department
- Judy Seitz, Committee Assistant

Conferees appearing before the Committee:
- Leslie Kaufman, President/CEO Kansas Cooperative Council (KCC) appearing on behalf of the KCC and the Kansas Agribusiness Retailers Association (KARA)
- Representative Rick Billinger, 121st District
- Greg Krissek, Director of Government Affairs, ICM
- Mike Chisam, General Manager, Kansas Ethanol and Chairman, Kansas Association of Ethanol Producers (KAEP)
- Chris Standlee, Executive Vice President, Abengo Bioenergy U.S. Holding, Inc.
- Tom Willis, Chief Executive Officer, Conestoga Energy Partners
- Jere White, Executive Director, Kansas Grain Sorghum Producers Association and Kansas Corn Growers Association

Others attending:
See attached list.

Chairman Taddiken noted the Committee had received minutes for March 8 and 9 which will be acted on later.

The hearing on **Sub for HB 2271--Amending provisions relating to plant pest inspection and regulation** was continued from the March 9 meeting.

Leslie Kaufman, President/CEO, Kansas Cooperative Council (KCC), appeared on behalf of the KCC and the Kansas Agribusiness Retailers Association (KARA), presented testimony in support of **Sub for HB 2271** (Attachment 1). She said the associations have been supportive of the clean up and clarification language in this bill. Ms. Kaufman recommended the addition of the word "reasonable" on page 4, line 37 prior to the word "expenses" so that the Kansas Department of Agriculture Secretary is authorized to assess against such owner any reasonable expense.

The hearing on **Sub for HB 2271**was closed.

The hearing on **HB 2122--Agricultural ethyl alcohol producer incentive fund; extension** was opened.

Representative Rick Billinger, 121st District, spoke in support of **HB 2122** (Attachment 2). He stated that Western Plains Energy (WPE) benefited from the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund (KQAEAPIF) and has more than returned this investment from the state back in the form of income taxes, sales taxes, fuel taxes and property taxes.

Greg Krissek, Director of Government Affairs, ICM, testified in support of **HB 2122** (Attachment 3). He said this bill would extend the ethanol incentive fund and allow the plants to finish their 7 years participation in the fund. He noted the program is administered by the Kansas Department of Revenue (KDOR) and the money comes from the motor fuels tax, not state general funds.

Mike Chisam, General Manager, Kansas Ethanol and Chairman, Kansas Association of Ethanol Processors (KAEP), offered testimony in support of **HB 2122** (Attachment 4). He stated that this bill would allow the state to fulfill their commitment to the ethanol plants that did come to Kansas and have provided a significant economic boost to Kansas.

Chris Standlee, Executive Vice President, Abengoa, presented testimony in support of **HB 2122**

(Attachment 5). He said the ethanol incentive fund is an important incentive for the development of cellulosic ethanol within the state and is a significant factor in the financing of new facilities.

Tom Willis, Chief Executive Officer, Conestoga Energy Partners, spoke in support of **HB 2122** (Attachment 6). He mentioned the economic benefits of the plants in Garden City and Liberal. Mr. Willis said that ethanol is a great commodity for the country because ethanol is the only viable and available fuel that can be substituted for gasoline.

Jere White, Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association testified in support of **HB 2122** (Attachment 7). He stated that the ethanol incentive fund has been a success and encourages the continuation of the incentive program. Mr. White also said that the extension of the incentive fund would apply to developing projects in Pratt and Hugoton.

Written testimony in support of **HB 2122** was provided by Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas) (Attachment 8).

Brad Harrelson, State Policy Director – Governmental Relations, Kansas Farm Bureau, submitted written testimony in support of **HB 2122** (Attachment 9).

Tamera Lawrence, Office of the Revisor of Statutes, reviewed **HB 2122**. She said that on June 30 of each fiscal year any unencumbered balance in the Fund would be transferred to the Motor Vehicle Fuel Tax Refund Fund. This bill would also extend the sunset date for the Fund from July 1, 2011 to July 1, 2018. Ms. Lawrence also said that this bill would also reduce the maximum incentive rate for producers from $0.75 per gallon to $0.035 per gallon.

Mary Jane Stankiewicz, COO and Senior Vice President, Kansas Agribusiness Retailers Association, answered a question from a Committee Member.

Mike Beam, Senior Vice President, Kansas Livestock Association (KLA), testified in opposition to **HB 2122** (Attachment 10). He said that ten years ago it may have been appropriate to offer a state incentive to help stimulate ethanol production expansion in Kansas, but the KLA contends it is no longer necessary to continue a state ethanol production incentive because the industry has grown to the point that purchases approximately 20% of the state's feed grain production and competes aggressively with other users of corn and grain sorghum.

Mr. Beam took questions from the Committee.

The hearing was closed on **HB 2122**.

The following corrections were made to the March 8 minutes, first paragraph, page two, change "Heim" to "Hein"; correction to March 9 minutes, delete the "e" from "125th" on page one, paragraph five; and in the third paragraph on page one, delete "recreational vehicles" and add "non commercial aviation." Senator Francisco moved approval of the minutes of March 8 and 9 with the above corrections. Senator Schmidt seconded the motion. Motion passed.

Senator King made a motion to amend **HB 2122** by allowing the incentive to continue for existing plants until the end of their seven (7) year period; after July 1, 2012 any cellusoic based plant that comes on line would receive the incentive for seven (7) years; if the plant is grain based, it would not qualify. Senator Abrams seconded the motion. Motion carried.

Senator Bruce moved to amend **HB 2122** by placing the contents of **SB 147—Interstate water litigation fund** into **HB 2122**; seconded by Senator Ostmeyer. There was no vote on this amendment.

Senator Bruce then offered a substitute motion to pass **HB 2122** out favorably as amended; seconded by Senator King. Motion carried.

The meeting was adjourned at 9:31 a.m.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 15, 2011

NAME	REPRESENTING
Mike Beam	Ks Lvstk Assn.
Carole Jordan	KDofCommerce
Corey Mohn	Commerce
Jeff Vogel	KDA
Katie Howard	KDA
Chris Wilson	KDA
Michael J. Chisam	KAEP
Tom Willis	KAEP
Leslie Kaufman	Ks Co-op Council
Jere White	KS Corn & Grain Sorghum
Nate Lindsey	Kearney & Associates
Brad Harrelson	KFB
Mary Jane Stankiewicz	KAEP
Lynne Matile	
Diana Kay Rutherford	
Karen Galloway	
Rob Hutchison	

KCC Kansas Cooperative Council

KARA Kansas Agribusiness Retailers Association

Senate Agriculture Committee
HB 2271 – Plant Pest
March ~~9~~ 15, 2011

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. I am Mary Jane Stankiewicz, the COO and Senior Vice President of the Kansas Agribusiness Retailers Association and I appear before you in support of HB 2271 on behalf of the Kansas Cooperative Council (KCC) and the Kansas Agribusiness Retailers Association (KARA).

KARA's membership includes over 700 agribusiness firms that are primarily retail facilities which supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. The KCC is a voluntary, statewide trade association representing all forms of cooperative businesses across the state -- agricultural, utility, credit, financial, refining and consumer cooperatives.

Our associations have been supportive of the clean up and clarification language that is contained in this bill. We appreciate the ability to work with the department on this bill. We have one recommended change and that would be to add the word "reasonable" on page ~~3~~ 4, line ~~23~~ 37 prior to the word expenses so that the KDA Secretary is authorized to assess against such owner any reasonable expense. We think this is probably in line with the intent of the department.

Once again we appreciate the willingness of the department to work with us and appear in support of HB 2271. I will stand for questions at the appropriate time.

Senate Agriculture Committee
3-15-11
Attachment 1

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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TOPEKA, KS 66612
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rick.billinger@house.ks.gov

DISTRICT ADDRESS
310 ACACIA
BOX 594
GOODLAND, KS 67735
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RICK BILLINGER
121ST DISTRICT
GRAHAM, SHERIDAN, SHERMAN AND THOMAS COUNTIES

March 15, 2011

Western Plains Energy (WPE) began operations in January of 2004. WPE pays just over $600,000 annually in property taxes and has a total payroll of close to $3 million annually. These are direct impacts of WPE upon the local economy. They do not include the other industries and local communities that benefit from the presence of their operation.

Although, WPE will no longer benefit from the program, they do serve as a shining example of what good legislation can do. WPE benefited from this program. The assistance from this program helped WPE get its feet on the ground and turn it into the company it is today. WPE has more than returned this investment from the state back in the form of income taxes, sales taxes, fuel taxes and property taxes. I encourage you to support the extension of the sunset period on this program.

Ethanol reduces our dependence on imported oil and reduces the U.S. trade deficit. The production and use of ethanol displaces crude oil needed to manufacture gasoline. According to the Energy information Administration, imports account for more than 65% of our crude oil supplies and oil imports are the largest component of the expanding U.S. trade deficit. The production of 13 billion gallons of ethanol means that the U.S. needed to import 445 million fewer barrels of oil in 2010 to refine gasoline. This is roughly the equivalent of 13 percent of total U.S. crude oil imports. The value of the crude oil displaced by ethanol amounted to $34 billion in 2010. This money stays in the American economy.

Respectfully,

Rick Billinger

Rick Billinger, Representative, 121st District

Senate Agriculture Committee
3-15-11
Attachment 2

Association Of Ethanol Processors

Kansas AEP

Ethanol - ***Made in Kansas***

Senate Agriculture Committee

HB 2122 – Ethanol Incentive Fund

March 15, 2011

Thank you for the opportunity to visit with you today. I am Greg Krissek, the director of government affairs for ICM, located in Colwich, Kansas. ICM is an engineering company that specializes in designing ethanol plants and other renewable fuel facilities. I also serve on the board of the Kansas Association of Ethanol Processors and I appear before you in support of HB 2122.

The purpose behind HB 2122 is to extend the ethanol incentive fund, which is set to sunset this year. To help set the stage for the presentations that will be given by the plant representatives sitting behind me, let me review a little bit about the fund.

- The program is administered by the Kansas Department of Revenue
- The fund receives quarterly transfer of funds from the state motor fuels tax
- KDOR pays the participating plants the appropriate amount once a year after KDOR has verified that the plants are eligible to receive the payments.
- The plants are only eligible to participate in the fund for 7 years.
- The money comes from the motor fuels tax - not state general funds.

In its current format, this fund was approved in 2001, however, since the majority of the plants were built during the mid to late 2000's, most of them have a few years left before they complete participation in the fund for 7 years. The bill would allow the plants to finish their 7 years participation in the fund. We think this is reasonable since the plants chose to locate and build in Kansas and have provided significant, positive economic impact to their communities and regions as you are about to hear in more detail from my colleagues.

Thank you for your attention and I respectfully request you favorably pass out HB 2122. I am happy to stand for questions at the appropriate time.

Senate Agriculture Committee
3-15-11

KAEP, 816 SW Tyler, Topeka, KS 66612, 785-234-0461, Fax 785-234-2930,

Attachment 3

Kansas LLC
ETHANOL

Senate Agriculture Committee
HB 2122 — Ethanol Incentive Bill
March 15, 2011

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. I am Mike Chisam, and I am the General Manager of Kansas Ethanol and also serve as the chairman of the Kansas Association of Ethanol Processors (KAEP), which represents the ethanol industry in Kansas. Today, I appear before you in support of HB 2122, the ethanol incentive fund bill.

Let me start by explaining a little bit about the ethanol industry in Kansas. There are 11 ethanol plants in Kansas and we anticipate the plant in Pratt to resume operations sometime later this year. These plants will produce an estimated 550 million gallons of ethanol annually.

The ethanol plants provide a significant economic boost to their rural communities. According to a Kansas Legislative Research Department report issued just last year, the ethanol industry has had a significant economic impact in Kansas as illustrated by the following points:

- $616 million was spent on construction of 9 plants
- $2 million was paid in property taxes in 2009
- $53 million was paid to trucking firms
- 328 employees were directly employed by the plants at an average salary of $49,000
- For every job created at the plant, 6.72 indirect jobs were created, resulting in an estimated 4,186 jobs in Kansas created by the ethanol plants
- 14.5 million bushels of grain are used, on average, by each plant each year

At my particular plant in Lyons, we employ 36 people and another 70+ people are indirectly employed because we use their services on a full time basis. We have an annual payroll of approximately $2 million; however, our contribution to the local economy does not stop there. We also utilize local trucking firms and other service providers as much as possible, plus we purchase our grain from local producers and elevators ($75 million spent on grain in FY 2010). We are a community partner with the City of Lyons and Rice County, and we have brought jobs and economic development to our area.

Kansas was able to encourage plants to be built in rural communities due in part to the creation of this fund. Now are asking your support of this bill so that the state is allowed to fulfill their commitment to the ethanol plants that did come to Kansas, that have employed a number of people and have provided a significant economic boost to Kansas.

I respectfully request the committee favorably pass out HB 2122. I would be happy to answer any questions you may have at the appropriate time.

Senate Agriculture Committee
3-15-11
Attachment 4

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Chesterfield, MO 63017
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ABENGOA BIOENERGY

ABENGOA BIOENERGY US HOLDING

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. My name is Chris Standlee and I am the Executive Vice President for Abengoa Bioenergy U.S. Holding, Inc. Abengoa Bioenergy currently operates six ethanol production facilities in the United States, including one established in the early 1980's in Colwich, Kansas. We are also developing one of the world's first cellulosic ethanol facilities in Hugoton, Kansas, and hope to start construction on that facility in the near future. Abengoa Bioenergy is also a board member of the Kansas Association of Ethanol Processors (KAEP), and today I appear before you in support of HB 2122, the ethanol incentive fund bill.

Our plant in Colwich was one of the original plants in Kansas, and has been expanded several times to its current production capacity of 25 million gallons of ethanol per year. We have experienced the dramatic growth and many changes in the ethanol industry, and now Abengoa is excited to be on the cutting edge of the next generation of ethanol technology – production of ethanol from cellulosic feedstocks.

Traditional ethanol plants use corn or sorghum as their feedstock for producing ethanol. Cellulosic ethanol means we will be using wheat stubble, corn stover, milo stubble, prairie grasses and similar nonfood items to make ethanol. This is a new way of producing ethanol and we are very excited about this plant and want to tell you a little about the project.

- The ABBK project will be located in Hugoton, KS (Stevens County). We anticipate breaking ground very soon and are planning for "mechanical completion" by the start of 2013.

- The ABBK plant will have approximately 65 employees with a payroll in excess of five million dollars.

- During the construction process, there will be at least 300 direct construction jobs with another 75 indirect jobs associated with the construction.

- Once the plant is running, we anticipate that there will be approximately 300 indirect jobs associated with the ABBK Plant.

Senate Agriculture Committee
3-15-11

Attachment 5

- Feedstock costs to the plant, which is what the local farmers will be receiving for harvesting and delivering the biomass material to ABBK, will be in excess of $17 million per year.

- The contribution of this facility to the local community and to the state in payroll and other taxes will obviously be quite significant.

We are an international leader in the ethanol world and could have located this facility anywhere, but we chose Kansas due to the abundance and diversity of feedstock available, and because of our history with the state and the business climate and support from the state and the people of Kansas. The ethanol incentive fund is an important incentive for the development of these new technologies within the state of Kansas, and is a significant factor in the financing of new facilities. We would appreciate your assistance in extending the sunset of the ethanol incentive fund.

Thank you for your time and attention. I respectfully request the committee favorably pass out HB 2122. I would be happy to answer any questions you may have at the appropriate time.

Senate Agriculture Committee

HB 2122 – Ethanol Incentive

March 15, 2011

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. I am Tom Willis and I am the Chief Executive Officer for Conestoga Energy Partners which is owned by Bonanza BioEnergy LLC (Garden City , KS) and Arkalon Ethanol, LLC (Liberal, KS) and I am also a board member of the Kansas Association of Ethanol Processors (KAEP). Today, I appear before you in support of HB 2122, the ethanol incentive fund bill.

The previous conferee has given you a good overview of the Kansas ethanol industry and I agree with the points that have been made however I would like to expand on these points and tell you a little about the plants that I manage in southwest Kansas.

First, let me start with the economic s of the plants Bonanza BioEnergy, LLC (in Garden City) and Arkalon Ethanol, LLC (in Liberal)

- 104 employees directly employed
- 100 indirect employed by the ethanol plant
- Over $~~7~~5 million payroll
- Over $700, 0000 in annual property taxes

While these numbers are impressive and have created many jobs for people in western Kansas, we are also very pleased about the creative and innovative things that these plants are doing that will have a positive impact for the future. Some of these include:

- The capture and sequestration of our CO2.
    - We are currently capturing the CO2 produced at Arkalon Ethanol and using it for Enhanced Oil Recovery in low or non producing oil wells. This process produces two great values: It aids in the production of incremental oil that heretofore would have been inaccessible as well as reducing the amount of green house gas emissions. By pursuing this course of action and other innovative measures, we are able to produce a

Senate Agriculture Committee
3-15-11
Attachment 6

very low carbon ethanol which allows us to captures both domestic and International premiums. These dollars all come back to Kansas and are used to support local economies & families within our State.

- We work very close with our local grain companies helping to ensure strong local markets for the corn and sorghum that is produced in locally. The Kansas Ethanol industry has been a big driver in increasing the price our producers get for their sorghum.
- In addition to the 170 Million gallons of home grown ethanol produced annual , we also supply the local livestock industry with over 1.2 million tons of high quality wet distillers feed. This Co-Product works well in many rations because of its high protein and energy content. We have been working with very closing with local feeders and the National Sorghum Producers in commercial feeding trials with the goal of optimizing the feed blends.

Beyond the local economic reasons, ethanol is a great commodity for the country because ethanol is the only viable and available fuel that can be substituted for gasoline. Unlike oil, ethanol is renewable and will never run out. We believe that ethanol will continue to be a sustainable and effective energy solution for the world. America's dependence on foreign oil is causing us problems by raising the prices on such things as gas, groceries and sends our money and jobs overseas.

Our Garden City and Liberal plant began producing ethanol in late 2007. We still have a couple years left to participate in the incentive fund. We believe we have held up our end of the bargain and have brought good paying jobs to southwest Kansas, we have partnered with the grain and the livestock industry so that everyone can benefit and we have given back to our community. We definitely look at our plants as a partnership and are asking the committee to extend the sunset of the incentive fund.

Just as the original Conestoga wagon was instrumental in creating opportunity for a generation of pioneers, Conestoga Energy Partners is providing opportunity for a new generation of pioneers committed to renewable fuels and energy independence. At Conestoga Energy Partners we have a saying: "We're proud to be fueling the New Frontier" .

Thank you for your time and attention. I respectfully request the committee favorably pass out HB 2122. I would be happy to answer any questions you may have at the appropriate time.

Kansas Grain Sorghum Producers Association

Kansas Corn Growers Association

TO: Senate Agriculture Committee
FROM: Jere White, Executive Director
SUBJECT: HB2122
DATE: March 15, 2011

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association wish to submit this written testimony in support of House Bill 2122.

Our organizations were very involved in 2001when the Kansas ethanol incentive program was revamped to refocus incentives on new production in our state. At that time, we said the ethanol industry showed great promise in providing real economic growth, especially in our rural Kansas communities.

Back in 2001, our organizations were working with communities and local groups to help them with feasibility studies to help them determine if their communities had the right mix of grain, energy, transportation and other factors needed for a successful project. One major point in those feasibility studies was the availability of a consistent and reliable state incentive program--this was a vital element not only for plant owners, but also for lenders.

Today, you can look at successful Kansas ethanol plants located across the state and the positive economic impact, including jobs created in those communities. The Kansas ethanol incentive program played an important part in developing those plants.

We are today, asking for an extension of that commitment to our plants. An extended incentive fund would apply to two developing projects, as we hope to see the Pratt plant in production in the next year as well as the Abengoa plant in Hugoton. In addition, several facilities have some remaining time as part of their seven years of eligibility.

Our ethanol incentive fund has been a success. The industry has already provided over 325 direct jobs, not to mention supporting industries. It is estimated that ethanol plants pay about $53 million per year to the trucking industry which moves grain, ethanol and DDGS to and from the ethanol plants. It is clear that the incentive has paid for itself time and time again in economic growth and state and local tax receipts.

Thank you for your consideration and study of this issue. We encourage your support of HB2122.

Senate Agriculture Committee
3-15-11
Attachment 7

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www.ksgrains.com • jwhite@ksgrains.com

PMCA

of Kansas

March 9, 2011

Memorandum:

To: Senate Agriculture Committee
From: Thomas M. Palace
Re: Written Comments Supporting HB 2122

Mr. Chairman and Members of the Senate Agriculture Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

The ethanol producers and gasoline retailers have formed a good partnership offering ethanol blended gasoline to the Kansas consumer. Although this has not always been the case, today fuel marketers that don't use ethanol are at a competitive disadvantage because ethanol lowers the price of gasoline. Consumers expect lower prices and blending motor fuel with ethanol produces lower prices at the pump.

As a partner with the ethanol industry, we feel the extension of the ethanol incentive is crucial in an effort to maintain the expansion of ethanol plants in Kansas. The fund also helps maintain the plants currently operating in Kansas. Ethanol plants have a huge financial impact on Kansas most notably, they help create and retain jobs in the rural sector. According to the Kansas Legislative Research Department the ethanol industry had the following impact on the Kansas economy:

- $616 million was spent on construction of 9 plants
- $2 million property taxes were paid in 2009
- $98,609 personal property taxes were paid in 2009
- 328 FTE's or an average of 32.8/plant
- 101 indirect jobs are created by each 100 million gallon plant
- $53 million was paid to the trucking community to ship distillers grain and ethanol
- $233 million expansion of the local economic base each year
- An average of 14.5 million bushels of grain was used by each plant, which provides a market for local grain producers

Mr. Chairman we appreciate your time and ask to the committee to support HB 2122.

Petroleum Marketers and Convenience Store Association of Kansas
115 SE 7th • Topeka, KS 66603
PO Box 678 • Topeka, KS 66601-0678
785-233-9655 • Fax: 785-354-4374

Senate Agriculture Committee
3-15-11
Attachment 8

their communities, many of them purchase larger quantities of fuel than their local school district. Regularly, fuel expense is the largest input cost in overall production outlay. Farmers, as you know, operate their business without the opportunity to pass costs on to others. They are subject to receiving only what the market will pay for their commodities without regard for the costs of production. For these reasons, proactive programs that potentially lower future fuel costs are of vital importance.

Therefore, producing fuel from Kansas corn and other commodities is better long-term than continuing to rely on imported foreign oil. That's why extending ethanol production incentives in place are important to Kansas Farm Bureau. These incentives would help us build more local demand for Kansas crops, while at the same time lowering the long-term cost of ethanol production. It is a win-win for Kansas farmers and consumers. For these reasons, KFB supports the proposal contained in HB 2122, which is a positive step and viable commitment by the state that should be seriously considered.

In conclusion, thank you for your consideration, your support of ethanol and Kansas agricultural producers. We stand ready to assist as you consider this important measure. Thank you.

KANSAS LIVESTOCK ASSOCIATION

Since 1894

To: Senate Agriculture Committee
Senator Mark Taddiken, Chair

From: Mike Beam, Kansas Livestock Association

Re: **Testimony in opposition to HB 2122, a bill extending the agricultural ethyl alcohol producer incentive fund**

Date: March 15, 2011

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.

The Kansas Livestock Association (KLA) represents over 5,000 individuals that own and operate farms, ranches, cattle feeding operations, and modern dairy facilities. These segments of Kansas agriculture have been, and continue to be, the largest volume purchasers and users of feed grains in Kansas. In many instances, the purchase of feed grains is the most expensive input in their business plan.

Several years ago KLA members adopted a policy supporting a transition to a market-based approach for the production of renewable fuels produced from feed grains. To date, most of our policy efforts on this topic have been directed at the federal level. Last month, however, the KLA board of directors determined that this policy pertains to the state ethanol incentive program that's scheduled to sunset this year. The KLA board took firm action to oppose HB 2122.

The Kansas agricultural ethyl alcohol producer incentive program was last updated in 2001, with a sunset date of 2011. Let's look at what's happened since this state inventive program was adopted ten years ago.
In 2001:

- The monthly average price of corn (Illinois) in 2001 was $1.94 per bushel.
- U.S. ethanol plants numbered less than 60 and annual production was approximately 1.8 billion gallons per year.

Senate Agriculture Committee
3-15-11

6031 SW 37th Street * Topeka, KS 66614-5129 * (785) 273-5115 * Fax (785) 273-3399 * E-mail: kla@kla.org * www.kla.org

Attachment 10

- The current $.45/gallon federal ethanol blender tax credit was not in place. (The tax credit was passed in 2004, at $.51/gallon)
- The federal Renewable Fuel Standard (RFS) for ethanol was not available. (Congress authorized in 2005 and amended in 2007 to require a minimum volume of ethanol from feed grains to 15 billion gallons/year.)

Today (2011):

- Corn price quote yesterday for Garden City was $6.16 per bushel.
- U.S. ethanol plants now number 204, with more being built or expanded.
- In 2010, the ethanol industry produced 13.2 billion gallons.
- The federal incentives…blender tax credit, RFS, and ethanol import tariff continue to provide incentives for an industry that now consumes approximately 40% of our nation's corn crop.

Ten years ago it may have been appropriate to offer a state incentive to help stimulate ethanol production expansion in Kansas for rural economic development, including more demand for Kansas grown feed grains. Today, however, we contend it is no longer necessary to continue a state ethanol production incentive program. The industry has grown to the point that it's estimated to purchase approximately 20% of the state's feed grain production and compete aggressively with other users of corn and grain sorghum in Kansas.

The Kansas Livestock Association urges the Senate Agriculture Committee to not pass HB 2122.

Thank you for your consideration.