

# Ohio AgriBusiness Association



Testimony of  
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Ohio House Study Committee on Tax Structure  
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Good morning, Chairman Adams and members of the House Study Committee on Tax Structure. My name is Christopher Henney and I am the President and Chief Executive Officer of the Ohio AgriBusiness Association (OABA). We are a state trade association representing the wholesale and retail suppliers of plant nutrients, plant protection materials, the grain warehousing and marketing industry, feed industry, seed industry, and other supply side agribusinesses in Ohio. OABA member companies and their employees are committed to supplying production agriculture with the basic needs and essential support necessary to maintain and grow Ohio's number one industry. Agriculture is a \$100 billion industry and employs one in seven Ohioans.

I am here this morning to share with you the impact of the Ohio Commercial Activity Tax (CAT) on Ohio's grain handling industry. While we like the idea of a broad based, low rate tax and applauded the General Assembly's efforts to simplify Ohio's tax plan at the time, we have found the CAT has inadvertently placed the grain industry in an unusual and unequal competitive pricing structure with each other. Let me explain by first sharing some insight on the grain industry; grain by its nature is a high volume, low margin commodity. In the past three years we have seen agricultural commodity prices increase significantly, in fact corn prices have increased by 300% and soybeans have doubled in price. While this is nothing to complain about, and has certainly helped Ohio farmers, it has also significantly increased the grain industries' tax burden, especially because grain handling margins have remained static. Therefore the CAT, being a tax on gross revenue, has created a significant burden on the grain handling industry.

But that isn't the whole story. Based on a survey of our members, we find an agricultural cooperative or a grain handler exporting most of its grain has a distinct pricing advantage over a similar grain handler conducting all or most of its activity within Ohio – in most cases the CAT reduces the overall tax liability of the cooperative or exporter and increases (in some cases by 100% to 300%) the tax liability of the in state business.

Unfortunately, we hear from members, large and small alike, that these inequities are encouraging them to sell grain out of state. While Ohio's farmers are raising record yields of corn and soybeans, more and more of the commodity is leaving the state. This is to the detriment of our livestock, ethanol and bio-based products businesses here in Ohio. For those small independent country elevators that do not have access to rail or are not in close proximity to the state line, their options are limited. As they become less and less competitive they will be forced to shutter their facilities and lay off employees. Less country elevators mean limited delivery

point options for farmers as well as less overall economic activity in the rural parts of our state. This is not the way to grow Ohio's economy and it weakens our number one industry.

We commend Speaker Batchelder and the Ohio House for recognizing that, although the CAT is superior to our previous business tax structure, there are still issues and inequities that should be addressed. We appreciate the opportunity to share our concerns and stress that the Ohio AgriBusiness Association is ready and willing to work with you to make Ohio a great place to do business.

Thank you for the opportunity to testify and I would be happy to answer your questions.