



January 25, 2021

Opposition of House Bill 2069

House Financial Institutions and Rural Development

Chairman Kelly and members of the committee, thank you for the opportunity to provide testimony in opposition to the tax exemption component of House Bill 2069. My name is Jerald Kemmerer, and I have spent almost my entire career in the cooperative system. Currently, I am the CEO of Pride Ag Resources, a farmer-owned agricultural retail cooperative headquartered in Ford County. Pride Ag Resources has 15 grain locations, four stand-alone agronomy locations and four ACE Hardware stores and employs just over 170 full-time employees across the different operations.

Pride Ag, Resources, like all cooperatives is governed by owner members. The Pride Ag board is comprised of seven directors elected by the farmer-owners of the cooperative. These directors set the strategic direction for their cooperative as well as identify how cooperative profits are to be distributed. The cooperative business model requires that profits from the business be distributed back to members based on use. Pride Ag is member-owned and member-controlled.

The tax exemption component of House Bill 2069 would go against a long-held precedent in our state by allowing a for-profit business access to a cooperative benefit without any of the statutory or cooperative structural requirements that cooperatives adhere to. Earnings from Pride Ag Resources are passed directly through to members as cash patronage or equity. Those dollars are directed back into Southwestern Kansas communities.

Kansas lawmakers have long recognized the structural difference of cooperatives and valued the right of individuals to come together and pool their resources to form cooperatives. Cooperatives are organized under statute that requires transparency to members which is not required by our for-profit counterparts.

House Bill 2069 would create new precedent in Kansas tax policy and jeopardize the cooperative structure that is an important part of, not only our state's financial market, but also our agricultural & rural economy.

Pride Ag Resources supports providing more accessible funds into the state of Kansas including through the proposed linked deposit program, but we do not support providing the same tax exemption afforded to cooperatives to for-profit entities. It is because of this, that I respectfully ask the committee to consider opposing this bill.

Respectfully,

Jerald Kemmerer