



# OHIO DAIRY PRODUCERS ASSOCIATION

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*Supporting Ohio's dairy production industry; optimizing profitability and productivity;  
addressing issues that affect dairy producers*

Senate Ways and Means Committee  
Scott Higgins, Chief Executive Officer  
Ohio Dairy Producers Association  
Proponent Testimony for Senate Bill 36  
February 22, 2017

Chairman Eklund, Vice Chair Terhar, Ranking Member Williams, and members of the committee—my name is Scott Higgins, Chief Executive Officer of the Ohio Dairy Producers Association (“ODPA”).

I want to thank you for the opportunity to testify as a proponent to Senate Bill 36 on behalf of Ohio’s dairy farmers, and the ODPA. We appreciate that this committee is taking the time to work on necessary changes to the Commercial Agricultural Use Value (“CAUV”). We believe it is important for the dairy industry to share our position and look forward to working with you and offering any direct insights from dairy producers on SB 36 and any other matters important to our industry.

By way of background, the ODPA is a grassroots legislative, research, and producer education organization, representing dairy farmers from across the state, regardless of farm size, breed or production strategy, marketing preference, or political affiliation.

There are nearly 2,500 dairy farms in Ohio, with 270,000 cows. The average herd size is 98 cows. Our dairy farmers produce more than 650 million gallons of milk annually and create over 16,000 jobs. Ohio is #1 in Swiss cheese production, #2 in lowfat cottage cheese, #3 in sour cream, #4 in hard milk sherbert, #5 in dairy products manufacturing plants, #8 in ice cream, #10 in all cheese production, and #11 in total milk production. Ohio Dairy farmers contributed an average of \$2.23 billion annually in output to Ohio, and generated an annual average of \$463 million in earnings.

As I have testified before, Ohio’s dairy industry is strong, but like all industries, is subject to market demands and regulatory obstacles that all play a role in the livelihood of our industry. We have spent a good part of the last couple of years on legislative hearings dealing with water quality. This is admirable on the part of the General Assembly and ODPA has been supportive of these efforts. We believe that the changes in CAUV will have a direct positive impact on our overall efforts to improve water quality in Ohio.

Before I speak to CAUV, however, I would like to briefly address the current economic state of play in the dairy industry. Dairy producers are “price takers” not “price makers”. Currently, we are experiencing extremely low milk prices, a downturn in exports, and additional regulatory issues around water quality have created a challenging



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environment for Ohio's dairy farm families. In addition, our property tax rates are skyrocketing. We appreciate the leadership of Senator Cliff Hite for introducing bills in the last General Assembly, and most recently this year with Senate Bill 36.

Last year, the Ohio agriculture industry, led by the Ohio Farm Bureau began pursuing legislative changes. The bottom line is that on average, CAUV values have increased nearly 300% since 2008. With the low prices in milk, additional infrastructure being required to manage manure storage and application under the previous Senate Bill 1, and now escalating CAUV tax rates—dairy farm families are experiencing a challenging economic environment.

At the root of the problem is the fact that the current CAUV formula assumes land is held for only five years when in reality farmland is typically held for decades. In addition, there are also non-use factors in the formula that inflate farmland value by assuming land appreciates and landowners achieve equity buildup at predetermined rates. Since these factors have nothing to do with the agricultural use of the land, they have no place in the CAUV formula. The original formula, envisioned by Ohioans and implemented by lawmakers, did not include these factors.

Also, the bill allows for CAUV land used for a conservation practice or enrolled in a federal land retirement or conservation program for at least three years be valued at the lowest of the values assigned on the basis of soil type. Currently, farmers are discouraged from idling land because it is taxed as though it is producing crops.

Our state's sincere efforts to improve water quality cannot be fully achieved without the commitment to conservation. Changes to valuing land in conservation practices are needed so farmers can afford to put in place best practices to protect water resources and stop nutrient runoff.

Again, thank you for the opportunity to testify and provide critical insights from Ohio's dairy farmers.