



*Working together for Ohio farmers to advance
agriculture and strengthen our communities.*

**Senate Finance Committee
HB 166 Interested Party Testimony
Bill Patterson, First Vice President
May 23, 2019**

Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes, members of the Senate Finance Committee, I appreciate the opportunity to provide interested party testimony on HB 166. My comments will be restricted to the Business Income Deduction portion of the bill.

I farm with my family in Geauga County raising apples, strawberries, and peaches, and we also have a farm market and wholesale cider operation. I represent Farm Bureau members in Ashtabula, Lake, Geauga, and Trumbull Counties, and I am serving in my second elected term as First Vice President of the Ohio Farm Bureau Federation.

So many of my friends, neighbors and the members I help represent are facing some very uncertain times across their respective farming operations. International trade has been severely disrupted, resulting in tumbling markets for Ohio grain. To share one quick highlight, in a typical year, China buys every 3rd row of U.S. soybeans. For 2018 it was near zero and the trade picture for 2019 remains very unclear as well.

Those troubles have been compounded by this year's weather that has kept farmers out of their fields. Currently, the state of Ohio stands at 9% planted in corn, compared to the five year average of 62% planted by this point in the season. Soybeans stand at 4% planted compared to the five year average of 35%. The wet weather that has prevented fieldwork also threatens to increase the likelihood of declining yields and increased pests and disease that often follow such rainy weather. Similar weather from last year has created a hay shortage for many livestock farmers today, all while the state has lost over 200 of its dairy farms in recent years.

The moral is, times are tough in agriculture today across this state. And those tough times are not limited to the farm gate. Impacts to the agricultural economy send shockwaves through the small and rural communities that rely upon agricultural small businesses as their lifeblood.

The business income tax deduction has been beneficial to farmers, allowing the good years to create a cushion that helps keep the lights on in bad years. Everyone, including small business owners should save for a rainy day. But farmers are a group of small business people that quite literally must save for a rainy day, or a harsh winter, or a drought or for global trade uncertainty. A single weather event can wipe out an entire year's worth of time, preparation and labor. In my case, a single weather event could create a situation that would take years to recover as you cannot simply or quickly start up a new orchard.



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As a capital intensive business that typically requires yearly operating loans, the ability to save in good years due to policies like the business income tax deduction have allowed many farms to stay afloat as times have gotten tough. While times are tough now for many of our farmers, farming is a cyclical business. We have had better times in years past and I am confident we will have good times ahead.

I would now like to present to the committee, our farm's experience with the Business Income Deduction. Our farm is a direct-to-consumer farm market that specializes in everything fall. Apples, pick-your-own, pumpkins, hayrides, Agritainment, apple cider, and...donuts. Not only donuts, but a bakery that includes donuts, pies and apple fritters. About five years ago, we recognized that we had a problem. Our "little" bakery had grown and now represented over 25% of our total sales. We had outgrown our space in the market and it was infringing on our ability to grow; we were figuratively bursting at the seams and lines of customers were formed throughout our building. We needed to expand.

In a strange twist, we did not need to expand to sell more donuts. We needed to expand because we are an apple farm. In order to remain who we felt we are, we needed to expand the bakery and shift the focus back to apples. As we took inventory of our financial resources to expand, we saw that the Business Income Deduction was providing notable savings to our farm. Among other sources, we decided to re-invest those dollars into the expansion. The \$500,000, 1500 sq. ft. expansion was completed in August of 2017. Since August of 2017, we have grown our top line revenues by 20% in part due to the new facility. We have expanded our workforce from 120 in 2010 to over 170 in 2018! Wages for those new employees have also risen in excess of 20% from where we were in 2016. Maybe most importantly, we feel that we have positioned the farm well to be able to sustain our 6th generation farm for our children and our future generations. I would call that a success. It is hard to see that this would have been possible without the Business Income Deduction that allowed us to keep some of our dollars at home to deploy as we saw necessary to expand and sustain our family farm.

Thank you again for the opportunity to be here, and I can any questions at this time.