



STATE OF NEW MEXICO  
WATER QUALITY CONTROL COMMISSION

In the Matter of: )  
)  
PROPOSED AMENDMENT )  
TO 20.6.2 NMAC (Dairy Rules) )

WQCC 09-13(R)

PRE-FILED DIRECT TESTIMONY OF G. ROBERT HAGEVOORT

I, G. Robert Hagevoort, hereby submit this pre-filed direct testimony and exhibits on behalf of the Dairy Industry Group for a Clean Environment (hereinafter, "DIGCE") in accordance with the Scheduling Order and Procedural Order filed on January 15, 2010, by the Water Quality Control Commission (hereinafter, "WQCC"). The exhibits I rely on to support my testimony include DIGCE Exhibits 1, 2, 3, 4, 6, 8, 9 through 31, and 65.

I. QUALIFICATIONS & EXPERIENCE

Since my resume is attached as an exhibit, I will provide brief summary of my current employment experience and qualifications in matters related to the dairy industry. I serve as the Extension Dairy Specialist for the New Mexico State University Agriculture Science Center at Clovis, New Mexico. In this capacity, I have statewide responsibilities which include extension and research efforts geared to addressing issues and questions dealing with environmental sustainability, efficiency and use of resources, sustainable production and profitability, and image management in order to assist the dairy industry in New Mexico in particular and the Southern Great Plains in general. As such, I serve as a liaison between industry and other entities relating to such matters.

II. OVERVIEW OF THE NEW MEXICO DAIRY INDUSTRY

Leading up to 2008, New Mexico experienced growth and expansion in the dairy industry. Historically, New Mexico's dairy industry has been a top contributor to national milk production. At one point in time, New Mexico stood as the seventh largest milk producing state providing 7.1 billion pounds (4%) of the 177 billion pounds of milk produced annually in the United States. New Mexico also ranked seventh in the nation in total number of milk cows.

However, over the last couple of years, the economic downturn combined with historic low milk prices have left a nasty scar on New Mexico's dairy industry. As the effects of this economic nightmare for the dairy industry continues to unfold, the details of the complete picture are yet unknown. In general, my observation is that the dairy industry has experienced a couple of years of economic frustration characterized by negative growth, huge financial losses for existing owners of dairies, extremely tight capital markets, tight global markets due to unfavorable exchange rates, but most importantly milk prices at 1979 lows and skyrocketing operating and capital costs. Equity, a business's buffer for changing operating environments,

built over years, sometimes generations, has completely eroded in less than two years time. It may take a year or more to completely understand how the recent economic events have impacted New Mexico's dairy industry, but I do think it is safe to say that New Mexico's dairy industry has suffered tremendously and any significant policy changes, either by statute or regulation, will either cushion or acerbate the blow.

Consequently, most of the exhibits cited for my testimony rely on historical data that do not reflect more recent changes. Nevertheless, I do think this historical data is useful for gaining a broader understanding of the dairy industry in New Mexico, as long as one is willing to acknowledge that the information is taken from more favorable years and account for the uncertainty presented by the last couple of years.

Meanwhile, the ability to compile a comprehensive analysis of how recent events have impacted the dairy industry in New Mexico is a time consuming and costly endeavor. While New Mexico Statute University Dairy Extension Program has compiled such information on a periodic basis when resources permit, we have attempted to capture the more recent data by surveys in order to refine the historical data. When such information is available and if it is relevant to this proceeding, I will supplement my testimony through the appropriate means.

Over the last several years roughly 75% of the milk in New Mexico is produced on the southeastern side of the state (Curry, Roosevelt, Chavez, Eddy and Lea counties), while about 15% of the milk production occurs in Bernalillo and Valencia counties and still about 10% of the dairy is produced in Dona Ana, Sierra and Luna counties.

Before the economic downturn, an average dairy in New Mexico produced 42 million pounds of milk in a year, received \$6.4 million of gross income with an indirect impact of \$16.6 million per dairy, and gave direct work to about 20 people while indirectly providing jobs to over a 100 people. Production efficiency for NM dairies is the highest in the nation. In 2009, New Mexico cows had the highest production in the country.

### **III. THE PUBLIC'S INTEREST IN THE DAIRY INDUSTRY**

For the purpose of this rulemaking, it is my understanding that when the WQCC promulgates regulations, it shall give the weight it deems appropriate to the public interest, including the social and economic value of the dairy industry. *See* Section 74-6-4(D) (2) NMSA 1978. Accordingly, this section of my testimony will set forth the social and economic value the dairy industry brings to the State of New Mexico.

#### **A. The dairy industry in New Mexico creates social value by improving the lives of New Mexicans.**

Although the concept of social value can be difficult to agree upon or quantify, I believe that social value is created when resources, processes, and policies are combined to generate improvements in the lives of New Mexicans. In my work with the dairies over the years, I have encouraged dairy owners to create social value by operating in a manner that respects and balances the norms, goals, and values that bind the citizens of this state. In the end, I am proud