

Navajo Agricultural Products Industries (NAPI) Testimony
Senate Committee on Indian Affairs Oversight Hearing
“Breaking New Ground in Agribusiness Opportunities in Indian Country”
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Testimony of Lionel Haskie, Operations and Maintenance Manager

Thank you, Chairman Hoeven, Vice Chairman Udall and members of the Committee on Indian Affairs for inviting and giving me this opportunity to testify today regarding, “Breaking New Ground in Agribusiness Opportunities in Indian Country.” My name is Lionel Haskie. I am the Operations and Maintenance Manager at the Navajo Agriculture Products Industry (NAPI), an enterprise 100 percent owned by the Navajo Nation. NAPI serves the Navajo people and our governance board members are directly accountable to our elected leaders and are nominated by the president of the Navajo Nation and are confirmed by the Resources and Development Committee of the Navajo Legislative Council.

NAPI has more than 72,000 acres fully developed and producing farm crops, with the potential to develop an additional 35,000 acres. We employ between 200 and 500 individuals, depending upon the season – more than 90 percent of our workforce is Navajo. All of these employees are from the Four Corners Area, and NAPI purchases tens of millions of dollars in goods and services both locally and across the Nation. At NAPI, we stress the use of state-of-the-art technology and environmentally friendly practices. NAPI agribusiness features state-of-the-art farming equipment, including high-tech radio control, and a computerized center-pivot irrigation system that reduces operational costs and efficiently manages water resources. We produce an array of crops from alfalfa, corn, small grains, to potatoes, beans, and even pumpkins which you can buy here in the Washington DC-area. We are proud to be a leader in American agribusiness.

Navajo Indian Irrigation Project (NIIP)

In 1962, in the midst of post-war water projects that provided water to neighboring non-Navajo communities, the U.S. Congress passed Public Law 87-483 to fulfill the stipulations of the United States - Navajo Nation Treaty of 1868. The law provided for the furnishing of water for arable lands in the San Juan Basin of northwestern New Mexico. To meet the requirements of the law, Congress created the Navajo Indian Irrigation Project (NIIP) to support an irrigation system capable of delivering 508,000 acre-feet of water annually to support 110,630 acres of Navajo farmland. Unfortunately, while Congress passed this law in 1962 to benefit the Navajo people, it remains the only large federal water project from the post-war era that was authorized but has yet to be fully completed.

NAPI was established to operate the NIIP and to manage an industrial agribusiness and has been in operation since April 15, 1970. The idea behind NAPI was not only to manage the NIIP but ultimately create economic opportunities for the Navajo people to build upon our heritage as leaders in American agriculture.

NAPI Objectives

The NAPI’s objectives, as identified in the council resolution, are:

- To use the Navajo Nation's agricultural and related resources for profitable commercial enterprises;
- To provide jobs and training for the Navajo people including opportunities in management; and
- To expand markets for the NAPI products within and outside the Navajo boundaries.

Breaking New Ground in Organics

Since our foundation, NAPI has become an international agribusiness that cultivates multiple crops in multiple markets. In 2017, the NAPI continued ventures in new markets, notably, we began to produce value-added organic crops including corn, table stock potatoes, winter squash, cantaloupe, and melons. We plan to continue this buildout with new organic vegetable crops planned for 2018 as the company gains experience in the expanding organic industry.

Approximately three-quarters of NAPI's overall acreage can be found in production in any given year, the remaining acreage is set aside as part of the NAPI's commitment to sustainable farming practices. Based on improving agricultural prices, expected premiums from organic sales, and good management practices; NAPI's management expects to see a significant improvement in net income in 2017 and 2018, with a projected net farm income after payroll and expenses of nearly \$3 million in 2017.

NAPI has long-standing relationships with regional customers for a majority of our conventionally produced agricultural products. These customers include both end-users, such as livestock producers, non-profit organizations, and wholesalers, such as grain brokers. Through these relationships, NAPI has access to large and small livestock producers, multi-national feed companies, retail food chains, processors, food service companies, international & domestic aid programs, food wholesalers and restaurants.

Importance of Employment Opportunities

While the NAPI has enjoyed international success, we stay connected to the local community. The NAPI is located on the Navajo Nation located near Farmington, New Mexico. We are proud to serve our local community; however, given the lack of employment options in the Navajo Nation, some of our team members drive long distances for the opportunity to support their families. One NAPI employee starts his journey to NAPI every day at 2:00 a.m. to get to work at 7:00 a.m and then does the same commute home in the evening. This is a testament to the importance of job security and employment for many of our Navajo people.

Commodity Foods and Crop Insurance

There are two crop insurance programs for which producers can enroll under covered commodities for the Price Loss Coverage (PLC) and the Agriculture Risk Coverage (ARC). NAPI participates in the United States Department of Agriculture (USDA) Agricultural Risk Coverage-County (ARC-CO) program for the crops corn and wheat. The ARC-County provides a base of acres of covered commodities on a commodity-by-commodity basis when county crop

revenue drops below 86 percent of the county benchmark revenue. The program has benefited the corn and wheat programs at NAPI when commodity prices were below the county average.

In 2012, crop sales peaked in the U.S. due in part to a nationwide drought, and have decreased since then, primarily a result of declining commodity prices. These external price declines, characteristic of the competitive market for agricultural products, have impacted NAPI's net farm income. Income has declined from a peak of more than \$13 million in fiscal 2012 to a projected loss of \$3 million in fiscal 2016 primarily due to the unexpected failure of our water delivery system (siphon breach) and declining commodity prices.

Fortunately for bad farming years such as 2016, NAPI purchases insurance for our bean, corn, wheat, and potato crop. These USDA programs have proved vital to supporting employment continuity over an otherwise volatile short time period. NAPI would like to see the Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) crop insurance programs reauthorized in the 2018 Farm Bill.

Barriers to Organics. To help mitigate the commodity price volatility, NAPI's management is moving to diversify its crop mix by moving into the organic market, which has higher margins and growing demand. NAPI has a competitive advantage in this market due to its national resources.

Currently, NAPI does not have a presence in the organic perishable fruit and vegetable market segments. However, NAPI would like to leverage relationships with experienced brokers and distributors to take advantage of their established brands to "co-brand". NAPI management plans to partner with brokers and distributors on a commission basis to market new NAPI organic products. Not only do we want to compete in the domestic organic market, but we plan to compete in the international market as well. NAPI will continue our growth in the organic market and we hope to find new partners for procurement of unprocessed fruits and vegetables.

Crop Insurance for Organics. While the NAPI expands its organic crops, there is an inherent risk involved in organic production. The lack of registered organic controls can make combating weeds, pests, and disease not only costly but also volatile. If the producer is producing a product for the first time on the property, in most cases, the crop cannot be insured. In the rare event that the new crop can be insured, the coverage rate would be based on historical and not site-specific data. In NAPI's region, that type of data is not available. In this case, values referred to as T Yields are used for computation, which are averages taken from other producers in the region for comparison and are often not favorable to our conditions.

NAPI is in an isolated geographical area that is so unique that there are literally no other comparable farming operations for insurance companies to base forecasts upon. Unfortunately, as a result of standard crop insurance calculations, a new organic crop would be a significant financial risk for at least the first three years, after which NAPI would establish its own averages. NAPI would like to work with this Committee, the Agriculture Committee, and the USDA regulators to address this unique situation for the development of new crops. Updating standards for organic crop insurance will assist NAPI in our work to take our organic products and business to the next level.

Organic Certification Services. Another barrier is the extraordinary wait times for processing and inspections required for obtaining an organic certification. In one case, the process took so long that we had to sell the product as conventionally grown because we had not received our official organic certification in time. NAPI would like to see increased funding for the New Mexico Department of Agriculture through the Organic Certification Program so that there is an increased number of accredited certified agents in the office. There should never be any reason for NAPI to market our organically grown crops as conventionally grown – we support smartly applying funding alleviating the bottleneck at certain accrediting agencies.

In order to be eligible for the USDA National Organic Certification Cost-Share Program, one must be a certified producer and handler and pay annual fees. Once certified, an organic producer and handler are eligible to receive reimbursement for up to 75 percent of certification costs each year, up to a maximum of \$750 per certification scope. NAPI supports this program.

Barriers to Increased International Trade. The USDA has yet to utilize tribal farms for international trade. NAPI suggests that one way the USDA could do this is to include tribal representatives that are experts in agriculture on U.S. trade missions. Tribal representatives deserve a seat at this table to help grow our economies.

NAPI requests the creation of a special tribal-federal-international group to ensure that tribal food production is included in discussions with international governments to further assist tribal food growth and production.

Infrastructure and Rural Development

One of the greatest challenges comes from our greatest blessing, the NIIP. The NIIP has yet to be completed since it was authorized by Congress and the President on June 3, 1962. Currently, the Bureau of Reclamation (BOR) is responsible for construction. After construction, the BOR then transfers the project to the Bureau of Indian Affairs (BIA) for maintenance. We request the appropriations cap be lifted for construction costs and that appropriations construction be increased to finally complete the NIIP. NAPI would more successful if all 11 Blocks of the NIIP were completed. For example, recently completion of Stage 1 of Block 9 and has resulted in successfully growing, harvesting, and selling watermelons. An estimated 75,000 acres have been developed acres out of the federal responsibility of 110,630 total acres. The completion of the NIIP would cost approximately \$177,000,000. Based on a 2012 study by researchers at the University of Arizona and economists with Compass-Lexecon Consulting, NAPI has lost approximately \$4 billion thanks to federal inability to complete construction.

NAPI is being proactive in implementing precision agriculture technologies to help manage our water resources to raise yield, lower input costs. Precision agriculture technologies manage the underground water levels, which avoids the need to spend government funds on surface drainage projects. The scope of these projects takes years to implement due to the cost of the commodities such as small grains and corn.

With the development of new “Row Crops” whether they be organic or conventionally grown, there are many steps involved in the production, harvest and packaging in preparation for “Value Added” Marketing which provides the best return. The NAPI would like to see the USDA Value-Added Agricultural Product Market Development Grants and Rural Business Development Grants reauthorized in the 2018 Farm Bill.

NAPI will continue to invest in our internal infrastructure as well as facilities. NAPI has several value-added agricultural operations that complement our agricultural production. These operations include grain storage facilities, a flour mill, a cattle feedlot, and conventional processing plants for beans and potatoes. There are different facilities for organic products. In most cases, separate processing facilities must be used for organic products to eliminate the risk of contamination and comingling with the conventionally grown product. Organic processing facilities are very costly installations, but once implemented, can guarantee that the projects can be scaled up.

Conservation

The NAPI currently participates in several USDA Conservation Programs including Environmental Quality Incentive Programs (EQIP), the Conservation Stewardship Program (CSP), and the WaterSmart Program. The EQIP provides financial assistance to install and maintain conservation practices. The CSP provides financial assistance for meeting stewardship requirements to adopt conservation practices, activities, and structures. The WaterSmart assists to preserve land for agricultural or environmental uses. The CSP, EQIP, and Water Smart grants provide financial and technical assistance based on acres enrolled in various conservation programs. Each one of these programs is vital to NAPI and we fully support their reauthorization.

The NAPI operated no-burn on fields, improved the irrigation systems, improved the cover cropping, and improved the rangeland areas on the farm under its first CSP participation. The CSP continues to provide NAPI assistance in adopting conservation activities to protect and to improve water quality, soil health, wildlife habitat, and air quality. NAPI would like to see the EQIP and the Conservation Stewardship Program reauthorized in the 2018 Farm Bill with increased funding for producers for conservation on working the agricultural land. NAPI participated in the Wildlife Habitat Incentive Program (WHIP) but this program was since repealed.

NAPI also markets goods directly to the local community. NAPI provides a roadside local stand of crops for consumers in the four corners area. NAPI would like to see the USDA’s Farmers’ Market and Local Food Promotion Program, Healthy Food Financing Initiative, and Community Food Projects reauthorized in the 2018 Farm Bill.

NAPI is proud to serve our customers, whether they are local, national and international with high-quality products produced on the Navajo Nation. We look forward to continued growth and partnership in 2018 and beyond. Thank you for providing me the opportunity to submit this statement for the record, and I stand ready to assist the Committee in any way I can.