



## Market Analysis and News Branch

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In Cooperation with the United States Department of Agriculture  
National Agricultural Statistics Service, Pacific Region

# Cost of Shipping and Low Profit Margin as Barriers to Commercial Agricultural Expansion in Hawaii 2020

In a recent commercial agriculture survey, the USDA-NASS reports that 39% of participating farmers, ranchers, and allied operators (FRAOs) attribute the cost of shipping (or transportation) as the third leading barrier to their business expansion.<sup>1</sup> When broken down by county origin, the corresponding concerns are as follows: Hawaii (41%), Honolulu (29%), Kauai (42%) and Maui (44%).

The cost of shipping is less disconcerting to agricultural producers in the City & County of Honolulu (-10%) as reflected by its score vis-à-vis the statewide average since most consumers (and retail markets) are on location. The corresponding rates are higher in outlying counties, Hawaii (+2%), Kauai (+3%) and Maui, the highest (+5%). See Table 1.

Relatively low profit margin (or loss)<sup>2</sup> as experienced by local farmers and ranchers is another barrier to commercial agricultural expansion statewide. This challenging factor results in less money available to cover more expensive shipping costs to transport products to market.

In the same USDA-NASS report, relatively low profit margin (low profit or loss) is again less concerning to producers in the City & County of Honolulu (-5%) as reflected in its score relative to the statewide average. In contrast, the corresponding rates are higher in neighboring counties, Hawaii (+13%), Kauai (+8%) and Maui (+9%). See Table 2.

The inference here is that the cost of shipping as cited in the NASS Survey as a leading challenge or barrier to business expansion is more pronounced in the outlying counties (Maui, Kauai, and Hawaii). Likewise, commercial farms and ranches located in neighboring counties are more likely than not to experience a relatively low profit margin.

Both the cost of shipping and relatively low profit margin in Hawaii are highly correlated as shown by Chart 1. This result suggests that shipping cost (relatively high as compared to U.S. Mainland) may be an explanatory variable for the relatively low profit. Both are nevertheless distinct barriers that prevent farms and ranches in neighbor islands from expanding their commercial agricultural operations.

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<sup>1</sup> USDA-NASS, November 2021. Commercial Agricultural Production Expansion Survey 2021. Available at: [AGEXPAND\\_Nov2021r.pdf \(hawaii.gov\)](https://www.nass.usda.gov/Agencies/default.asp?lang=en&nav=AGEXPAND_Nov2021r.pdf) (Accessed February 22, 2022).

<sup>2</sup> Low profit margin (or loss) is defined as negative to 4.99% average over the past 3 years (2018-2020) for the agricultural operation surveyed.

**Table 1: Cost of Shipping as a Barrier of Commercial Expansion-State and Counties, 2020**

	State	Hawaii	Honolulu	Kauai	Maui
Agricultural Operations (Sales>\$50k)	1,062	651	188	88	135
Proportion of State Operations (%)	100%	61%	18%	8%	13%
Barrier Cited: Cost of Shipping	417	265	55	37	60
Proportion of Barrier Cited (Count) to Agricultural Operations (%)	39%	41%	29%	42%	44%
Differential from State Average (%)	0%	2%	-10%	3%	5%

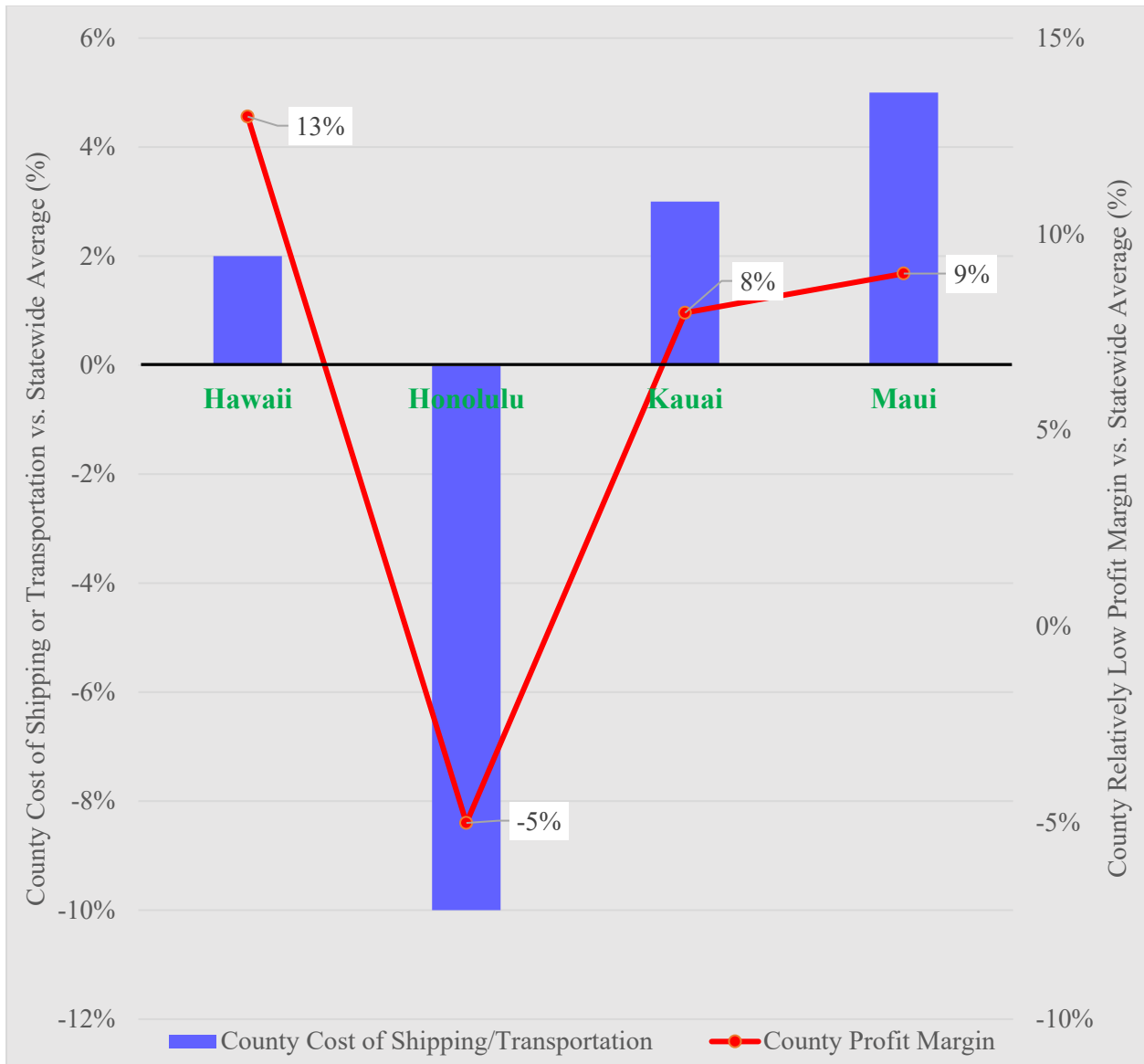
Source: USDA-NASS Hawaii Commercial Agricultural Expansion Survey Highlights. Available at: [https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND\\_Nov2021r.pdf](https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND_Nov2021r.pdf) (Accessed 02.22.2022).

**Table 2: Relatively Low Profit Margin as a Barrier of Commercial Expansion-State and Counties, 2020**

	State	Hawaii	Honolulu	Kauai	Maui
Agricultural Operations (Sales>\$50K)	1,062	651	188	88	135
Proportion of State Operations (%)	100%	61%	18%	8%	13%
Barrier Cited: Relatively Low Profit Margin	496	393	79	48	76
Proportion of Barrier Cited (Count) to Agricultural Operations (%)	47%	60%	42%	55%	56%
Differential from State Average (%)	0%	13%	-5%	8%	9%

Source: USDA-NASS Hawaii Commercial Agricultural Expansion Survey Highlights. Available at: [https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND\\_Nov2021r.pdf](https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND_Nov2021r.pdf) (Accessed 02.22.2022).

**Chart 1: Differential in County and Statewide Rates in Hawaii—Cost of Shipping and Relatively Low Profit Margin, 2020**



Source: USDA-NASS, November 2021. Commercial Agricultural Production Expansion Survey 2021.

Available at: [https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND\\_Nov2021r.pdf](https://hdoa.hawaii.gov/add/files/2021/11/AGEXPAND_Nov2021r.pdf) (Accessed 02.22.2022)