

Why Local Agricultural Products Cost So Much

Linda J. Cox

Reducing the State's agricultural imports is a major goal of local policy makers and many others. If agricultural products can be produced for less elsewhere and imported, Hawai'i producers will have to compete with these imports unless transportation costs become high enough to off-set the price differences between local and imported products or consumers are always willing to pay for local products. Clearly, shipping costs are expected to increase as fossil fuel prices increase, although the exact increases are hard to predict in advance. However, shipping costs may also affect local products if they also import their inputs. At the same time, Hawai'i residents face a cost-of-living that is higher than nearly all consumers on the US mainland, while their salaries generally do not compensate them for this increase. Residents may therefore find it difficult to support local agriculture as much as they might like.

Labor costs account for about 35-40% of the agricultural costs in Hawai'i. Hawaii's agricultural wages are 35% higher than the US average. Only Switzerland and the United Kingdom have higher wages than Hawai'i, which means that local producers are at a distinct disadvantage if they want to replace imports from areas with lower labor costs. Using your labor efficiently and replacing laborers with machinery are the recommended approaches to addressing these high labor costs.

Energy costs are another key factor in agricultural production. If Hawaii's electricity prices are compared to those around the world, Hawai'i has the fifth highest prices. At the same time, the State electrical prices are increasing almost three times as fast as the annual average for the US. This means Hawai'i is facing an increasing disad-



A vacuum seeder is an example of a implement which can reduce your labor costs.



Solar panel driving irrigation table pump. Pump slows or turns off when cloudy and plant water demand is lower.



Hydropower on an O'ahu taro farm.

vantage in this area. Increasing the use of renewable energy, which is likely to be more cost effective, is needed.

Fertilizer costs are more difficult to compare due to the large numbers of fertilizers that are used in varying amount across all agricultural products. In general, among fertilizer prices around the world, US prices are usually in the top third. Hawaii's prices are higher than the US average price because of shipping charges, which are steadily increasing as fossil fuel prices increase. Local sources of organic fertilizer are needed and this issue of the newsletter presents some promising work by CTAHR in this area.

Land costs are also difficult to compare. The publication concludes that US agricultural land prices are among the highest in the world and prices in Hawai'i are about four times higher than the US average price. This means agricultural land is very expensive in this State. Efforts to preserve Important Agricultural Lands should continue and more agricultural parks that provide affordable farmland are needed.

Transportation costs are always thought to put Hawai'i at a disadvantage. In general, importing the final product is considered to be more cost effective than importing all the inputs needed for agricultural production and then moving the product from the farm to the island where it is consumed. In general, Hawai'i faces the highest per-mile maritime costs among its competitors. Thus as shipping becomes more costly, Hawai'i may faced even disproportionately higher rates than other countries.

Less than 10 percent of our broccoli is grown here. Broccoli field trials are being conducted at CTAHR's Waimānalo Experiment Station and by local growers.



Island Commodities is a popular local source of fertilizer with its rendered fish, bone and blood meal by-product.



The new 182-acre Kunia Ag Park, managed by the [Hawai'i Agricultural Foundation](#), was established to preserve agricultural land.



Finance costs are the only input where Hawai'i has a cost advantage. The US has some of the lowest lending rate in the world and Hawai'i has subsidy programs that can give farmers access to even cheaper credit.

The Ulupono Initiative

<http://www.uluponoinitiative.com/>

Hawaii Agricultural Foundation

<http://www.hawaiiagfoundation.org/>

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Commissioned by Ulupono Initiative, the document "Local Food Market Demand Study of O'ahu Shoppers" reveals that often O'ahu consumers are willing to pay more for local milk, eggs, bananas, tomatoes, lettuce and beef.