



Market Analysis and News Branch

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Hawaii Commercial Agricultural Expansion Survey 2021 Factsheet

Goal:

- To assess Hawaii agricultural producers' interest in expanding their commercial production and identify barriers to expansion.

Background/Profile:

- Total of 1,062 "biggest" farms were surveyed (gross value of production > \$50,000 annually).
- Represents about 15% of the total farms (7,328 according to 2017 Census of Agriculture).
- Majority of surveyed farms were in Hawaii County (61%).
- Many of the farms surveyed produce fruits and nuts (24%), cattle and calves (24%), and floriculture and nursery (20%).
- Some 47% of farms surveyed have an average margin of profit < 5% or even negative.
- Approximately 89% of farms operations supply the local market, 39% export to the U.S. mainland, and 11% export internationally.
- Majority of farms surveyed have less than 49 acres of land (66%) and hired none or less than 4 workers (79%).
- About 54% of farms surveyed own their land (freehold) while another 31% have leased land for 20 or more years.
- One-third of farms surveyed (34%) leased land from private entities (for-profit) and another 24% leased land from state government.
- The three leading marketing outlets of farms surveyed were brokers (19%), produce wholesalers (18%), and supermarkets/groceries/supercenters (18%).

Inferences:

- In total, 710 "biggest" farms (67%) indicated that they were interested in expanding their commercial production in the next 6-9 months (without a \$100,000 grant). With state grant funding, a full 88% of local agricultural producers will accelerate expansion within 6 months.
- The most important factor of expansion cited by farms surveyed was to increase profits (79%), followed by engaging in food self-sufficiency (44%), and to reduce cost of production and transportation (33%).
- The most expected result from expansion was additional employment (64%), increased direct business with suppliers and buyers (60%), and additional tax revenue for county and state governments (56%).
- Leading barriers of expansion cited by farms surveyed were high cost of production (58%), shortage of labor (41%), cost of shipping/transportation (39%), insufficient access to capital (37%), and not enough cash flow (37%).
- In terms of technology needed to increase productivity, producers wanted more advanced farm equipment (65%), greenhouse/controlled environment agriculture (34%), and automation and robotics (21%).

- All farms surveyed (1,062) should have more than \$50,000 in sales, however, 45% of them reported <\$50,000 in revenues, possibly influenced by the negative impacts of COVID-19.
- Among all farms surveyed, 318 (30%) have less than 10 acres of land, 378 (36%) have 10 to 49 acres, 145 (14%) have 50-249 acres, and 221 (21%) have more than 250 acres.
- On average profit margin reported between 20%-24.99% (past 3 years), roughly 72% of this group listed land holdings of less than 49 acres.
- On average profit margin reported over 25% (past 3 years), some 75% of this group listed land holdings of less than 49 acres.
- According to the average profit margin results over the past three years, smaller farms may have been more efficient.

Outcomes of a \$100,000 Grant Appropriation:

- All farms surveyed indicated that a \$100K grant would improve total gross sales after one year. Some expect an increase by 0-4.99% (26%) and 22% of them anticipate a >25% increase.
- Interestingly, among those who anticipate a >25% increase in gross sales, most of them (67%) were “smaller” farms with less than 10 acres of land.
- In the survey, about 750 (71%) of farms would add 1-4 employees while 214 farms (20%) stated they would not add any. If \$96.4 million dollars were given to these 964 farms, a maximum of 3,000 employees could be added.
- With the proposed \$100,000 grant, a total of 88% farms surveyed would expedite commercial agricultural expansion immediately or within 6 months, compared with the earlier inference that 67% were interested in expansion within 6-9 months without the grant funding. The incentive accelerates the economic expansion.

Limitations:

- Farm size, value of sales and hired farm workers are usually heavily correlated. The larger farms tend to have larger acres of land, more workers, and therefore more value of sales than smaller farms.
- Analyzing expansion interest by other factors such as farm type or marketing outlets would be insightful.
- Which sector or market outlet has the most interest in commercial agricultural expansion? And which sector or market outlet would have the most significant impacts of commercial agricultural expansion? These are two remaining questions of noteworthy interest.

Reference:

- USDA-NASS, November 2021. Commercial Agricultural Production Expansion Survey 2021. Available at: [AGEXPAND_Nov2021r.pdf \(hawaii.gov\)](#) (Accessed January 14, 2022).