

## EXECUTIVE SUMMARY

This report examines the transportation disadvantages experienced by farmers and ranchers in noncontiguous U.S. States and Territories as they relate to the movement of farm products, based on information derived from interviews and listening sessions with transportation providers and producers and using data collected from public and private sources. As defined in Section 10906 of the Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill), these States and Territories include Alaska, American Samoa, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, Guam, Hawaii, and the Virgin Islands of the United States.

The report makes recommendations and suggests actions in the transportation arena that can improve the competitiveness of these farmers and ranchers in the domestic and international marketplace, utilizing private enterprise, as well as State and U.S. Department of Agriculture (USDA) programs and initiatives. Inadequate port infrastructure, limited access to freight service, and the low priority often given by transportation providers to handling agricultural commodities often create physical and economic barriers that make it difficult for farm producers and ranchers in geographically insular areas to compete successfully with U.S. mainland producers. Furthermore, many of the non-contiguous U.S. States and Territories consist of islands or chains of islands, where local farmers and ranchers are obliged to rely exclusively on either sea or air transportation to ship their cargo to the U.S. mainland and other destination markets.

During the development of Section 10906 of the 2002 Farm Bill, USDA/Agricultural Marketing Service (AMS) personnel worked with Congressional staff to determine that this report would use Hawaii as the primary case study to describe barriers in agricultural transportation in non-contiguous U.S. States and Territories. Out of the approximately \$1.19 billion in agricultural items produced in U.S. non-contiguous States and Territories on an annual basis, Hawaii accounts for nearly half of this figure, generating approximately \$511 million in farm product sales annually.<sup>1</sup> Moreover, Hawaii has many geographical similarities with other island Territories that bear significantly on the manner in which agricultural inputs and products can move throughout the region and to States on the U.S. mainland.

Information presented in this report is based on data collected from the Alaska Department of Transportation, the Pacific Basin Development Council, World Trade Center Alaska, and other key organizations responsible for monitoring transportation conditions in non-contiguous U.S. States and Territories. In addition, from May 2-7, 2003, USDA/AMS in conjunction with University of Hawaii personnel, conducted interviews in Hawaii with transportation service providers, including air and ocean cargo representatives and freight forwarders. Listening sessions were also held for agricultural producers and shippers to encourage candid discussion about the specific transportation challenges they face. USDA/AMS employees also participated in the Annual Hawaii MIDPAC Horticultural Expo to learn about the challenges facing the horticultural industry in particular.

Section 10906 of the 2002 Farm Bill also requires the report to describe a means of encouraging and assisting geographically disadvantaged farmers and ranchers to own and operate farms and ranches and to participate equitably in the full range of agricultural programs offered by the Department. Part III of this report contains background information on the Farm Loan Programs operated by the Farm Service Agency. The farm loan programs provide direct and guaranteed farm ownership and operating loans to assist beginning and established farmers and ranchers in developing viable farming and ranching operations. Included in this information are fact sheets on loans to beginning and socially disadvantaged farmers and ranchers. Part III also provides information on USDA outreach activities already serving the

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<sup>1</sup> Agricultural sales statistics derived from the Hawaii Department of Agriculture and the Census of Agriculture from 1998, 1999 and 2001, administered by USDA's National Agricultural Statistics Service.

non-contiguous U.S. States and Territories. Access to outreach activities, farm loan programs, and other USDA programs can be gained by contacting the State and local contacts listed in Part IV of this report.

This report is not intended to be a complete cost-analysis or all-inclusive report on every issue facing the agricultural and shipping industries in geographically insular areas. However, every effort has been made to discuss what appear to be the most significant barriers to competitive transportation of agricultural inputs and products for non-contiguous U.S. States and Territories.