

I. TRANSPORTATION ISSUES AFFECTING FARMERS AND RANCHERS IN NON-CONTIGUOUS U.S. STATES AND TERRITORIES

Research by USDA/AMS personnel on the transportation barriers and challenges affecting farmers and ranchers in non-contiguous U.S. States and Territories indicates that there are several transportation barriers that appear to be common to farmers and ranchers in such insular areas across the board. These include:

- Exceptional dependence on sea and air transportation as a means of distributing agricultural products to destination markets.
- Inadequate port, harbor and airport infrastructure in comparison to the demand for maritime and air transportation services.
- Unfavorable maritime freight rates compared to more active trade lanes, especially for westbound cargo in Pacific trade lanes, making it difficult to supply Asian markets and acquire inputs from U.S. mainland sources.
- Unreliable or nonexistent access to timely data and information related to local freight rates, cargo shipment volumes, transportation capacity, and transportation service availability.

Agricultural shippers in U.S. geographically insular areas are constrained by limited transportation choices. Unlike much of the U.S. mainland—where rail and truck transportation are the predominant modes used to move agricultural product to domestic destination markets—farmers and ranchers in non-contiguous U.S. States and Territories do not generally have these options at their disposal. Since most of these regions consist of individual islands or chains of islands (excluding the non-island portions of the State of Alaska), the only modes of freight service available to transport agricultural products to offshore destinations are maritime and air transportation. Beyond the challenge created by restricted choices in transportation modes, the opportunity for farmers and ranchers in such geographically isolated States and Territories to access transportation services is further reduced by infrequent or inconsistent service availability from existing carriers, especially in terms of air transportation. (Puerto Rico stands out as an exception to this general rule, because it has successfully managed to transform itself into a major distribution center for merchandise moving to and from other islands within the Caribbean Basin, and has been able to attract a sufficient volume of transshipment cargo to sustain competitive interest from transportation carriers.)

Existing air service connections in non-contiguous U.S. States and Territories, especially in less-populated rural/farming communities, are frequently tenuous and vulnerable to cutbacks because they are not commercially profitable. For example, Hilo on the Big Island of Hawaii—located near Hawaii’s primary agricultural region—lost its only direct passenger airline service to the U.S. mainland several years ago, when the remaining carrier decided that existing passenger traffic was insufficient to justify maintaining the route. Consequently, air cargo service from the Big Island of Hawaii to the U.S. mainland was restricted for many years to two flights per week on premium-priced freight carriers, which increased the cost of shipping agricultural products by air freight, and reduced the ability of local agricultural shippers to access direct air freight service to their major destination market. Although Federal Express recently enhanced the availability of air cargo service to the U.S. mainland in March 2003 by introducing direct air freight service from the Hilo airport to Ontario, CA, five days per week on a trial basis, demand for this service had only reached 5 percent of total cargo capacity as of May 2003, suggesting that it might be difficult for Federal Express to maintain their service on a more permanent basis.

Studies of the American Pacific Islands indicate that access to air cargo service is also limited and difficult to sustain in these geographically isolated regions. In many cases, air linkages to small Pacific Island communities have only survived because of U.S. government assistance, such as the Federal Essential Air Service Program, which faces perennial appropriation scrutiny.² Moreover, as fuel costs climb, the difficulty of ensuring regular access to air service in these geographically isolated communities grows even more severe.

Similarly, many rural Alaskan communities often have little access to regularly scheduled airline service, severely restricting the amount of agricultural cargo that can be accommodated in the course of normal air traffic. Of the 257 publicly owned, public use airports owned and operated by the Alaska Department of Transportation's Rural Airport System, only 41 airports (16 percent) offer paved runways, while 175 of these airports (67 percent) offer unpaved gravel runways, and another 41 of these airports (16 percent) can only be accessed by seaplane.³ Since unpaved gravel runways can only be accessed using propeller-operated aircraft with very limited cargo space, agricultural shippers in Alaska often need to augment regularly scheduled flights with costly charter flights during peak harvest periods.⁴

The absence of regularly scheduled airline service in many rural Alaskan communities appears to have a significant impact on the efficient transport of agricultural products from the State. Unlike agricultural producers and shippers in Alaska that have easy access to the Southcentral road network, residents of rural communities elsewhere in the State, who face less reliable surface road conditions, tend to rely more frequently on air transportation than ground transportation to distribute highly perishable agricultural products, such as fresh seafood items, to destination markets.⁵ As the result of this rural dependence on air service, air transportation currently rivals ground transportation as the preferred mode of transport for all fresh seafood leaving the State of Alaska; of the 42 million pounds of fresh seafood shipped out of South Central Alaska, Prince William Sound, Kodiak, and Western Alaska to out of State markets in calendar year 2000, about 18 million pounds, or 43 percent, were shipped by air, another 18 million pounds were trucked to destination markets via the Alaska Highway, and 3 million pounds, or 7 percent, were transported by a containerized vessel.⁶

Beyond the issue of service availability, the use of air transportation to distribute agricultural cargo to and from the non-contiguous U.S. States and Territories is also restricted by the limited runway length available at many airports in the region. The Pacific Basin Development Council notes that of the 23 airfields available for public use in Hawaii and the American Pacific Islands (American Samoa, Guam, and the Northern Marianas), only five of these airports have airstrips longer than 7,000 feet, with the result that they can only be accessed by smaller aircraft that have limited cargo capacity, rather than wide-bodied passenger aircraft.⁷ Likewise, in Alaska, more than 40 percent of the State's public use airports

² "Pacific Ocean Lifelines: American Pacific Island Harbors," Pacific Basin Development Council, Honolulu, HI, October 1995, p. 2.

³ "Alaska DOT&PF Rural Airport System Project Identification, Evaluation and Development Process Overview," presentation delivered at the Alaska Airports Conference in May 2003 by Roger Maggard, Rural System Airport Development Manager.

⁴ "A Fresh Seafood Distribution Center: An Assessment of Need," World Trade Center Alaska, Anchorage, AK, October 2001, p. 19.

⁵ Ibid.

⁶ "A Fresh Seafood Distribution Center: An Assessment of Need," World Trade Center Alaska, Anchorage, AK, October 2001, pg. 1.

⁷ "Pacific Ocean Lifelines: American Pacific Island Harbors," Pacific Basin Development Council, Honolulu, HI, October 1995, p. 2.

have runways that are less than 3,000 feet in length.⁸ Moreover, when weather conditions are unfavorable, available cargo capacity can be reduced to a fraction of normal volume. Local shippers and freight forwarders in Hawaii indicate that planes departing the Kahului airport in Maui, which has a 7,000 foot runway, are often obliged to reduce their cargo volume by as much as 75 percent to maintain their passenger loads during periods of strong crosswinds.⁹

Given the variety of constraints affecting routine use of air freight to move agricultural products in and out of U.S. non-contiguous States and Territories, it is not surprising to learn that many of these geographically isolated regions, especially those island States and Territories where ground transportation is unavailable, depend heavily on ocean transportation as a primary distribution mechanism for agricultural commodities. Representatives of the Pacific Basin Development Council observe that more than 90 percent of goods imported into the American Pacific Islands, and approximately 98 percent of the cargo exported from the American Pacific Islands, are moved by ocean vessel, as enormous discrepancies between the cost of air and ocean transport make air transport cost prohibitive for all but the highest-value commodities on a non-emergency basis.¹⁰ Rates for inter-island and overseas air freight in the American Pacific Islands are said to exceed ocean freight rates for comparable merchandise shipments by 500 to 3,400 percent.¹¹ Therefore, when regular access to ocean transport is impeded, as occurred in the fall of 2002 during the West Coast ports strike, the economies of non-contiguous U.S. States and Territories are often disproportionately—and dramatically—affected by these developments. The vulnerability of these States and Territories to disruptions in ocean-borne cargo traffic, and the impact of such disruptions on local commercial activity, is explored further in the Part II of this report, in the section entitled “Movement of Inputs and Commodities.”

Agricultural shippers in the non-contiguous States and Territories do not have access to adequate transportation infrastructure and equipment necessary to be competitive. Reviews of existing case studies and interviews with industry representatives suggest most of the non-contiguous areas discussed in this report do not have access to adequate infrastructure for agricultural shipping, including ocean port and airport capacity and storage facilities, especially when compared to what is available in the contiguous 48 States. Without access to the infrastructure essential for agricultural shippers to transport their products to the market in the best condition, at the lowest cost, and in the quickest time possible, the agricultural industries of these regions are unable to remain competitive domestically and internationally. The inferior state of infrastructure in the non-contiguous U.S. States and Territories for agricultural shipping can be generally attributed to:

- The absence of competition with other ports (which discourages investment in capital improvements).
- Physical and geographic characteristics of harbors, which contribute to greater wear and tear on existing infrastructure, and raise the cost of infrastructure maintenance and replacement.
- Limited competition between transportation modes.

⁸ “Alaska DOT&PF Rural Airport System Project Identification, Evaluation and Development Process Overview,” presentation delivered at the Alaska Airports Conference in May 2003 by Roger Maggard, Rural System Airport Development Manager.

⁹ Information obtained during personal interviews with several airline industry representatives and air freight forwarders in Honolulu, HI, May 2003.

¹⁰ Information on modal share breakdown for exported goods obtained during telephone interview with representative of Pacific Basin Development Council, August 2003. Modal share figure for imported goods cited in Pacific Ocean Lifelines: American Pacific Island Harbors,” Pacific Basin Development Council, Honolulu, HI, October 1995, pp. 2-3.

¹¹ Pacific Ocean Lifelines: American Pacific Island Harbors,” Pacific Basin Development Council, Honolulu, HI, October 1995, p. 5.

- Relatively small freight volumes and the low value of many agricultural products
- Emphasis on passenger traffic over freight traffic because passenger traffic is more profitable.

While seaports on the U.S. mainland have the ability to compete for cargo from nearby States, especially inland States without water access and seaports, non-contiguous and insular areas do not, preventing necessary competition required to prioritize facility improvements for cargo. Competition for market share is a large driving force for a port to prioritize the needs of its customers, especially the shipper. However, since these regions are isolated from other U.S. States, this influence to prioritize facility improvement based on customer need does not exist; the risk of losing domestic customers to another domestic port is absent. Further inhibiting port development in many U.S. insular areas is the unusual expense associated with constructing, maintaining and replacing port infrastructure, as proximity to deep water seas, exposure to waves from all directions, and the high risk of natural disasters in many insular areas often increase the cost of basic infrastructure development projects.

An additional source of competition not as prevalent in the insular areas is the competition between transportation modes. Agricultural shippers in the continental United States have the option to move product domestically by rail, truck, air, or water; the agricultural shippers in non-contiguous areas do not have this option. As discussed in the previous section, geography forces shippers within each of the noncontiguous areas to rely heavily on air and sea transportation for moving agricultural products. In the American Pacific Islands, shipping cargo by air is relatively expensive and service availability is very limited. As a result, agricultural shippers have become especially dependent on ocean shipping, reducing the incentive for the ocean cargo industry to improve facilities and provide enhanced service to their customers.

The struggle to maintain adequate infrastructure is further exacerbated by the fact that available funding for improvements is limited by the relatively small amount of cargo transiting through each port. States similar to noncontiguous States and Territories, in terms of State production and cargo traffic, can increase cargo throughput for the port by attracting cargo from nearby States. Contiguous States also have the option to access the airports and seaports of a nearby State instead of investing in their own facilities. Due to their geographical boundaries, most noncontiguous U.S. States and Territories do not have either of these options. These regions must develop, maintain, and support their own ports based on revenue obtained from comparatively small cargo throughput. (Puerto Rico and parts of Alaska have somewhat conquered the financial resource obstacle. Alaska recently announced several million dollars in investments in port improvements in Anchorage, the construction of which will last through 2008.¹² Much of this funding has been made possible through Federal grant programs and private investment.¹³ Puerto Rico has taken advantage of its location to act as an international hub for the Western Hemisphere to increase cargo transiting the Port of San Juan.)

Additionally, for areas that consist of a chain or group of islands, such as Hawaii, American Samoa, and the U.S. Virgin Islands, multiple ports must be developed and maintained for individual islands, as opposed to focusing limited financial resources on one main port for that State or Territory.

The limited infrastructure in the noncontiguous U.S. States and Territories makes it difficult to serve the passenger, freight, and U.S. mail traffic needs simultaneously. As a result, when decisions about traffic priorities must be made, freight traffic often receives the lowest priority. This is prevalent where cargo and passenger vessels (such as cruise lines) must share space at a seaport. For example, shipping lines in Hawaii report that a cargo ship must stop loading or unloading cargo and set anchor away from the pier to

¹² Sessions, Christina, "Seismic study pivotal for big port expansion," Alaska Journal of Commerce, April 21, 2003.

¹³ MacPherson, James, "Upgrades prepare port for new container ships," Alaska Journal of Commerce, August 18, 2002.

allow a cruise ship to dock and release passengers. In Alaska, since seafood is shipped on both dedicated air cargo freighters and on passenger flights, passengers and baggage take priority when weight limits are exceeded. With the ability to expand and separate ports by function, Puerto Rico has managed to overcome the obstacle by having separate port facilities for cargo and passenger vessels. Unfortunately, other ports, such as those in the American Pacific Islands, do not have the space or financial resources available to create separate dock facilities.

The phenomenon of “cargo bumping” is not restricted to ocean-borne commerce. As discussed in the previous section, small island communities and outlying areas in Alaska in particular suffer from inadequate air runway length and condition. Since the runways cannot support the needs of freighter airplanes, smaller passenger planes with reduced weight limits must be used for shipping cargo, such as frozen seafood. When weight limits are exceeded, cargo will be unloaded to retain passenger traffic. In addition, these areas also typically suffer from inadequate storage, especially temperature controlled warehouses.¹⁴

Legal requirements mandating that U.S. mail receive priority over freight shipments (and subjecting transportation service providers to fines if not followed) can also lead to delays in cargo shipments. This is a relatively common occurrence where transportation infrastructure and facilities are inadequate, since U.S. mail traffic will always take precedence over freight traffic. Such delays occur often during the Christmas season. In Hawaii and the American Pacific Islands, when holiday mail traffic is exceptionally high, cargo is often “bumped” from flights that exceed weight limits. Similarly, after weather calamities in the Pacific Islands, emergency supplies (food, medical supplies, shelter, and clothing) take priority over other cargo.

Strong reliance on imports from the U.S. mainland drives up input costs in the U.S. noncontiguous States and Territories, and leaves them vulnerable to transportation disruptions. U.S. noncontiguous States and Territories face relatively high ocean freight rates for inbound cargo from the U.S. mainland. These high freight rates are partially a result of the heavy reliance of the insular areas on the U.S. mainland for consumption goods and inputs for production. Significant trade imbalances are common between the U.S. noncontiguous States and Territories and the U.S. mainland. For every container of cargo exported from an insular area, approximately 3.5 are imported from the mainland. Further, for every one ton of agricultural product exported to the contiguous 48 States, 3.3 tons of agricultural products are imported (table 1). Strong demand for available inbound freight services and higher freight rates translate into higher costs of farm and food manufacturing inputs.

Table 1: Agricultural Product* Shipments by Ocean Vessel between U.S. Mainland and Noncontiguous States/Territories, 2001

U.S. State/Territory	Imports (short tons)	Exports (short tons)	Import:Export (Ratio)
Alaska	406101	145324	3:1
Guam	59955	193	300:1
Hawaii	803355	420618	2:1
Pacific Islands	7624	22	350:1
Puerto Rico	1353646	227961	6:1
Total	2630681	794118	3.3:1

Source: U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center, 2001

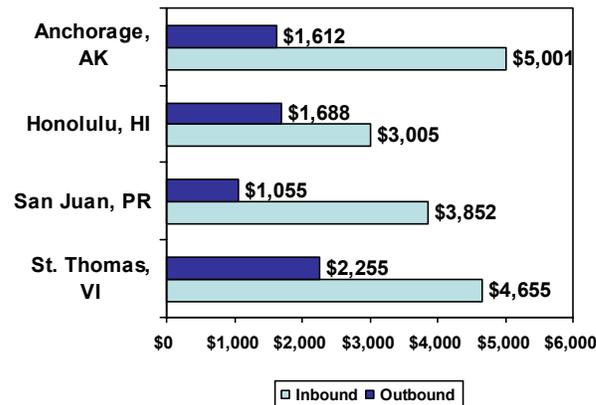
*Includes many farm and manufacturing inputs, such as feed and flour, but excludes fertilizer and farm equipment.

¹⁴ “A Fresh Seafood Distribution Center: An Assessment of Need,” World Trade Center Alaska, Anchorage, AK, October 2001, pg. 19.

In many noncontiguous U.S. States and Territories, container ships arrive from the U.S. mainland full but return with a fraction of full cargo capacity. U.S. insular areas typically do not generate enough cargo volume to fill an ocean vessel to its capacity; most ocean vessels headed to the U.S. mainland from these insular areas primarily carry empty containers. To compensate for the lack of revenue in outbound trade lanes, shipping lines must recover the costs of returning empty containers to the U.S. mainland by charging high rates for inbound freight service.

In Appendix C of the Hawaii case study, Part II of this report, USDA/AMS staff collected a variety of freight rates for agricultural products between Hawaii and the U.S. mainland. Comparing inbound and outbound rates for various commodities, the study shows an inbound rate can be up to three times the amount of an outbound rate to the U.S. mainland. As a result, suppliers of agricultural inputs must pass on the extra expense to their customers—the farmer. Figure 1 gives examples of rate disparities for cargo shipments between U.S. insular areas and the U.S. mainland.

Figure 1: Rate Comparisons of 40-foot containers of dry cargo between selected U.S. insular areas and the U.S. mainland



Alaska and Puerto Rico have managed to overcome some of their geographic disadvantages by making effective use of their transportation and logistical options. Alaska has the option of using the Alaska Highway which allows cargo to move between Alaska and the lower 48 States by truck. A third of highly perishable produce shipped to Anchorage from the lower 48 States now moves over the Alaska Highway¹⁵. Although trucking is generally a more expensive transportation option than ocean shipping, it offers the Alaskan importer a faster form of transportation for highly perishable and time sensitive goods. More durable produce, such as apples and onions, still move by ocean container vessels.¹⁶

Shippers in Puerto Rico can negotiate confidential service contracts to avoid high ocean freight rates; carriers in other noncontiguous States and Territories such as Hawaii and Alaska do not offer this option. The lack of carrier competition could be a reason Hawaii and Alaskan shipping lines do not permit the use of service contracts. Confidential service contracts allow shippers to negotiate a long term contract with carriers. This contract will include discounted freight rates determined by the shipper’s estimated export volume.

Additionally, Puerto Rico enjoys a healthy level of competition among its servicing ocean liner carriers. The combination of service contracts and healthy competition allows an inbound rate to Puerto Rico,

¹⁵ MacPherson, James, “Produce arrives in Alaska via land, sea, air,” Alaska Journal of Commerce, April 29, 2002.

¹⁶ MacPherson, James, “Produce arrives in Alaska via land, sea, air,” Alaska Journal of Commerce, April 29, 2002.

negotiated in a confidential service contract, to be on average only 73 percent higher than an outbound rate between the U.S. mainland and Puerto Rico.¹⁷ By contrast, a public (non-confidential) rate can be as much as 265 percent higher (see Figure 1).

U.S. insular areas rely heavily on the U.S. mainland for everyday goods for consumption as well as inputs for production. According to an interview with one of Puerto Rico's major shipping lines, Puerto Rico receives 90 percent of its imports from the U.S. mainland.¹⁸ Similarly, Hawaii imports 80 percent of its required goods from the U.S. mainland.¹⁹

As a result, U.S. insular areas are exceptionally vulnerable to transportation disruptions on the mainland. Disruptions such as the West Coast port lockout further isolated some of the U.S. insular areas. Hawaii and other Pacific Islands receive 98 percent of their imports from the mainland by ocean vessel. Additionally, for various reasons, (e.g., cash flow, storage costs, limited availability of storage facilities), retailers in most U.S. insular areas do not keep large levels of inventory. As an example, Alaskan grocery retailers keep only an eight day supply of goods in inventory; this short supply puts them in a critical position during transportation disruptions such as the West Coast port lockout.²⁰

As discussed previously in this report, air transportation is not a viable substitute when ocean transportation is disrupted. When ocean and/or air transportation is shut down due to a lockout, strike or other traffic disruption, agricultural shippers in noncontiguous U.S. States and Territories are at great risk of running short of goods for everyday consumption, as well as vital supplies for local food production and manufacturing.

Though trucking has become more popular in the past decade, Alaska still relies heavily on ocean and air transportation to reach its 586,412 square miles of land, particularly its outlying areas. While shippers in Alaska do have the option of transporting agriculture commodities by truck along the Alaska Highway, the trucking routes are through Canada. Product moved domestically to or from Alaska through Canada may be subject to Canadian regulations as well as U.S. import requirements. This can be seen in the recent shipping restrictions resulting from the outbreak of Bovine Spongiform Encephalopathy or "BSE" in Canada. The restrictions prevent Alaskan dairy farmers from shipping replacement calves from the lower 48 States through Canada. The industry is hoping to receive an exception to this restriction by offering to transport cattle in sealed trailers and without any stops or breaks. Not only does the use of sealed trucks increase stress in animals but the alternative of moving cattle by ocean vessel would add extra time and costs due to the multimodal component of the voyage. (Cattle must first be trucked to the port, unloaded and provided rest near the port, and then reloaded onto the vessel for the ocean portion of the voyage.) Although air transportation is also an option, it can cost 4 to 5 times more than shipping by truck. One estimate suggests it costs approximately \$200 per head to ship cattle via truck versus \$800-\$1000 per head via air.²¹

While rail transportation is a relatively low-cost option available for bringing inputs such as feed grain into Alaska from the lower 48 States, rail service is limited for Alaskan intrastate commerce. The U.S.

¹⁷ Quote obtained during telephone interview with a shipping line representative servicing trade between Puerto Rico and the U.S. mainland, August 2003.

¹⁸ Quote obtained during telephone interview with a shipping line representative servicing trade between Puerto Rico and the U.S. mainland, August 2003.

¹⁹ Hawaii Department of Transportation, Ports and Harbors Division.

²⁰ Quote obtained during telephone interview with a shipping line representative servicing trade between Alaska and the U.S. mainland, August 2003.

²¹ Information obtained during a teleconference with several government and academic representatives responsible for monitoring agricultural transportation conditions in Alaska, September 19, 2003.

bulk system used for transporting grain both domestically and internationally has evolved into an inexpensive method for moving grain based on high volumes and through consolidation as well as the use of cost-efficient transportation systems, such as rail and barge. However, Alaska's low volume of intrastate grain movement and the inability to consolidate with grain from adjacent States prevents the grain transportation industry in Alaska from developing and taking advantage of grain consolidation facilities and an enhanced rail transportation infrastructure. As a result, Alaskan farmers and ranchers must use truck transportation, a more expensive and less efficient mode for shipping bulk grain. One producer gives an example of the resulting high transportation costs he incurs when importing feed grain from the lower 48: The cost of moving grain via rail through Canada is about \$12/ton. At the border, the grain must be transferred to truck transportation and moved through the State at about \$30/ton. However, a different rate structure appears to exist for the last 30 miles of transportation to an outlying area, resulting in an even higher cost, approximately \$50/ton.

Noncontiguous States and territories have less access to public information sources on shipping costs and volume data than do the contiguous 48 States. The distinctive geographical situation of the noncontiguous U.S. States and Territories demands unique transportation industry data and information not available through existing resources. Agricultural shippers have little, if any, access to information from public sources on the actual costs of shipping agricultural products to domestic and foreign markets, or information discussing potential changes in freight cost and service availability. Ensuring regular access to information on rates and services could be an extremely useful tool in helping to better isolate the source of reported transportation obstacles, so attention can be focused on these particular challenges.

Specifically, access to public volume data, readily available to shippers on the mainland is limited for the U.S. Territories, putting them at a disadvantage when attempting to identify specific local transportation problems and develop appropriate solutions. The two main Federal resources for volume data for domestic and international trade are the U.S. Army Corps of Engineers and the U.S. Department of Commerce. Data collected for each U.S. State, however, are not necessarily collected for each U.S. Territory:

U.S. Army Corps of Engineers (the Corps) collects information on domestic traffic for Alaska, Hawaii, Guam, American Samoa, the U.S. Virgin Islands, Northern Mariana Islands, Puerto Rico, and other U.S. Outlying Islands, such as Wake Island to and from the U.S. mainland. However, coverage is not always complete for Guam, American Samoa, Northern Mariana Islands or the Other U.S. Outlying Islands since, as the Corps explains, vessel operators often try to get out of reporting data by saying they stop at other foreign countries en route to the United States. As a result, the Corps uses Census information to ensure the quality of their data. The Corps does not collect data on cargo traffic to foreign countries and Guam, American Samoa, Northern Mariana Islands or other U.S. Outlying Islands.²²

U.S. Department of Commerce collects data on shipments from the United States to Puerto Rico and the U.S. Virgin Islands and on shipments from Puerto Rico to the United States. Data are compiled from information filed, by law, with U.S. Customs officials. Statistics on shipments from the U.S. Virgin Islands and other U.S. Territories to the United States are also compiled from import documents filed with Customs officials. Data on shipments from the United States to other U.S. Territories, as well as shipments between the Territories, are not compiled.²³

²²U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center.

²³U.S. Trade with Puerto Rico and U.S. Possessions, U.S. Department of Commerce, Economics and Statistics Administration, & Census Bureau, 2003.

As a result of such data collection gaps, some individual government agencies and organizations in noncontiguous U.S. States and Territories have decided to undertake these data collection activities on their own. For example, the Pacific Basin Developmental Council conducted a number of studies and collected data on transportation issues affecting the American Pacific Islands in the 1980's and 1990's. The most recent study, completed in 1995, describes the local transportation situation in detail. To justify additional lift capacity to destination markets, the Hawaii Department of Transportation also agreed to fund a data collection demonstration project. In 1999, representatives from the aviation sector, both public and private, cooperated to develop the Air Cargo Data Collection System. A 60-day test was conducted for 8 of Hawaii's airports for both inbound and outbound cargo, covering more than 100 destinations and 32 commodity categories. Also, the increased requirements for submitting detailed shipment information, as a result of recent homeland security efforts, may help in providing the insular areas with more complete and accurate data and information.

To help agricultural producers, shippers, and local governmental agencies in the U.S. non-contiguous States and Territories learn about available programs and services from USDA that may help them address some of these informational disadvantages, this report includes a section titled "U.S. Department of Agriculture Agencies Serving Alaska, Hawaii, and other Insular Areas." This section provides specific contact information for USDA programs offered to non-contiguous U.S. States and Territories.

Recently, American Samoa and Hawaii were awarded grants from the USDA/AMS/Federal-State Marketing Improvement Program (FSMIP) based on proposals submitted during the 2003 grant cycle.²⁴ These FSMIP projects, described below, are designed to help alleviate some of the data gaps described above.

- American Samoa - \$62,900 to the American Samoa Department of Agriculture, in cooperation with American Samoa Community College, to develop a comprehensive data base on fresh fruit and vegetable supply, marketing, and imports, and establish a system for collecting the data annually.
- Hawaii - \$50,000 to the Hawaii Department of Agriculture, in cooperation with the University of Hawaii at Manoa, to study the economic impact of factors such as geographic location, transportation rates and regulations, industry structure, and product selection and differentiation on the competitiveness of selected Hawaii agricultural products destined for mainland domestic markets.

²⁴ Federal-State Marketing Improvement Program (FSMIP), U.S. Department of Agriculture, <http://www.ams.usda.gov/tmd/FSMIP/fsmip03.htm>.