

## CHAPTER 19

# AGRICULTURAL LANDS

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## *“What’s to come of all the land released from sugar and pineapple?”*

About 177,000 acres have already been or will soon be released from sugar and pineapple cultivation in Hawai'i, including land undergoing final harvest on three sugar plantations. This is an enormous amount of land—more than half the total amount used for crop production just twenty-five years ago. 177,000 acres is equivalent to a strip of land 609 feet wide (slightly more than the combined length of two football fields) stretching from Honolulu to San Francisco!

Unless there are some drastic changes soon—an increase in the federal support price for sugar, a major and favorable change in the world sugar market, or a technological breakthrough that increases yields, lowers costs, or utilizes by-products—more land will be released from plantation agriculture as unprofitable sugar plantations are forced to close.

The future of pineapple isn't quite so bleak. When it comes to canned pineapple, Hawai'i can't begin to compete with Thailand or the Philippines because our production costs are much higher. For ex-

ample, the *hourly* wage rate for farm workers in Hawai'i is higher than the *daily* wage rate in some other countries. Pineapple production for the canned market has already been shut down completely on Kaua'i, Moloka'i, Lana'i, and O'ahu, leaving only one plantation on Maui growing pineapple for this market. In most years, however, our fresh pineapple sales remain profitable. This is the result of a superior product, a shift in consumer preferences from canned to fresh fruit, and the availability of cheap backhaul rates to the mainland. The two plantations on O'ahu grow pineapples for the fresh market.

The land already taken out of sugar and pineapple production may provide a clue as to the fate of any additional acreage that becomes available. Perhaps you're wondering how much of it is being used to grow other agricultural products.

**Diversified crops.** Just about any agricultural use other than sugar and pineapple is referred to as "diversified agriculture." Roughly 20,000 acres have been replanted in diversified crops (macadamia nut production being the largest new use). That's a lot of land but amounts to only 11 percent of the 177,000 acres in question.

Why hasn't more land been used for diversified agriculture? Two reasons: Hawai'i's high production costs and small markets for profitable crops. Our production costs are substantially higher than those in the competing regions, particularly the cost of labor, water, and imported inputs such as fuel, equipment, and agricultural chemicals (not to mention the cost of owning land). In fact, production costs in Hawai'i are among the highest in the world, even if we ignore the cost of land!

In addition, fruit fly infestations have burdened producers with both added restrictions and costs; particularly hard hit in recent years has been the papaya industry. On the mainland, in contrast, the winter freezes conveniently kill many pests.

There are two markets for Hawai'i's diversified agriculture: the local market and overseas markets. The local market is small, only 1.25 million residents and visitors. There is no local outlet for excess or off-grade production. Small, specific product markets are easily saturated: for many crops, there is sufficient demand for a single producer to make a living, but if two producers are unfortunate enough to produce the same crop at the same time, they can both go broke.

A significant portion of the produce consumed in Hawai'i is already produced locally. Of the 290 million pounds of fresh fruit and vegetables entering the Honolulu market in 1991, nearly 30 percent was produced in-state. This is a very significant amount when one considers the importance of nontropical produce in our diets (e.g., potatoes, apples, head lettuce, onions, and tomatoes) and the seasonal nature of most crops. For those crops that have proved to be viable in Hawai'i, only about 2,000 acres are needed to expand production to meet local demand.

If effective agricultural use is to be made of the lands released from sugar and pineapple, crops destined for out-of-state markets must be produced. This is not new information; the agriculture industry has always been aware of it. In fact, it is fair to describe the history of agriculture in Hawai'i as the continuous search for, and the development of, viable export commodities. The major agriculture activities historically have been sugar and pineapple, which are export crops. Recently, macadamias, papayas, coffee, flowers, and ornamentals have become increasingly important.

With land being released from sugar and pineapple production, why has the export market for other crops increased so slowly? The reason has nothing to do with Hawai'i's ability to produce a desirable commodity but has everything to do with Hawai'i's ability to produce and market commodities at competitive prices. The closest major markets for tropical agricultural products are the east and west coasts of North America, thousands of miles away. The major regions producing competing products (California, Mexico, the Caribbean, and Florida) are much closer to the large mainland markets. As a result, their shipping and spoilage costs generally are much lower than costs for products shipped from Hawai'i.

**Notable success.** Given the constraints, Hawai'i producers are to be commended for doing as well as they have in overseas markets. Notable successes include flower and horticultural products, macadamia nuts, ginger, and fresh pineapple. Hawai'i has captured a share of these markets by producing a superior product, taking advantage of the Hawai'i mystique, and utilizing the frequent airfreight and shipping services to many markets at relatively low rates (thanks to the high volume of flights generated by tourism).

Clearly, it is not a scarcity of land that has limited increases in the production of agricultural products for either local or overseas markets, but rather the costs of production and marketing, combined with strong competition from both U.S. mainland and foreign producers. Thus, it isn't very likely that the availability of more land will have a major impact on expanding Hawai'i's production.

**Other uses.** So, if only 11 percent of the 177,000 acres has been used for diversified agriculture, what has happened to the rest? About 10,000 acres have been used for housing and other urban uses (that's another 6 percent), and 3,000 acres (that's less than 2 percent) are now golf courses. So what has or will happen to the other 81 percent? The answer is simple, and it has major implications for the future of Hawai'i. All that land—over 140,000 acres of it—either is or will soon be used to graze cattle, or is lying or will soon lie fallow. A brief trip to a former plantation—North Kohala, Puna, and soon North Hilo and Hamakua on the Big Island, Moloka'i, Lana'i, Kahuku on O'ahu, and Kilauea on Kaua'i—will underscore this observation.

It's not as though Hawai'i's beef industry is enjoying good economic times: every major feedlot in the state has been shut down over the past five years, and two out of three large slaughterhouses have also closed.

Why, then, is land being used to graze cattle? There are primarily two reasons for this: (1) when there is no demand by more intensive agriculture uses, grazing is the only agricultural use that has the potential of producing a positive (although small) return on the land; and (2) as long as the land is being put to agricultural use, it is assessed at a very low value for property tax purposes. If the land is not used for agriculture but instead is allowed to lie fallow, property taxes can increase by ten to fifteen times—from about \$9 to \$125 per acre per year. Saving on taxes provides a strong incentive to find some agricultural use for the land (such as grazing), even if profits are very low or small losses are suffered.

**Future use.** If history is a guide to the future, most freed-up land will go into livestock grazing, while some land will be used for diversified agriculture, some will lie fallow, some will be urbanized, and some will be turned into golf courses.

These last categories—urban use and golf courses—offer the only real hope for significant return to the landowners. But the market for

these two uses is limited, and each requires many government approvals—which are difficult to obtain.

As mentioned, some of the lands released from plantation agriculture will go into other crops; in fact, the greater the success of replacement crops, the more rapidly will land be released from plantation agriculture. The amount of land that remains in pro-

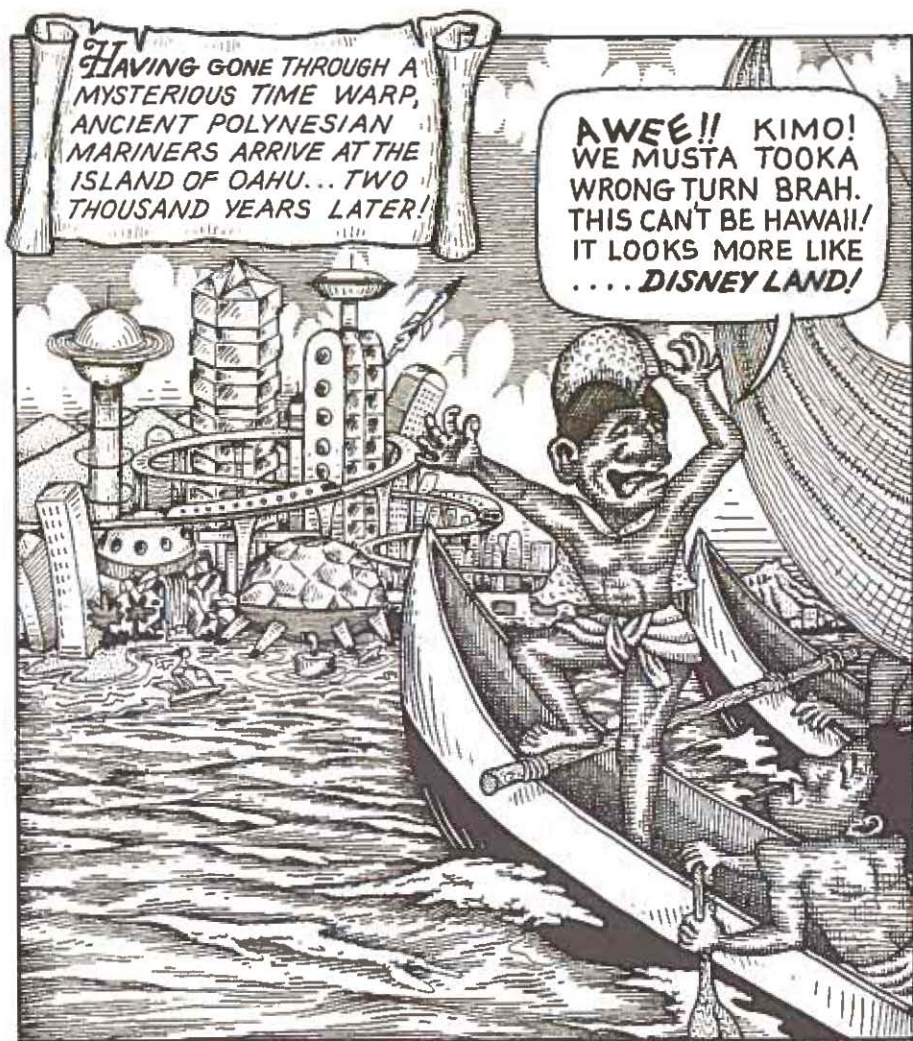


"NEW LANDMARKS FOR OLD..."

duction will depend on market factors, the entrepreneurial ingenuity of farmers, and the willingness of government to modify its official and informal policies on land use.

Despite an abundant and growing supply of land available for profitable diversified agriculture crops, farmers frequently have difficulty obtaining use of this land, for two reasons. First, agricultural lands can be subdivided into smaller parcels, for sale or for lease, only if the landowner agrees to install infrastructure such as hard-surfaced roads and buried water supplies. Never mind that agriculture does not require and cannot afford such luxuries. Second, there has been a history in the state of existing agricultural tenants successfully protesting land use conversion, thereby obtaining a long-term right to farm the land. Such past successes make current landowners very hesitant to lease their land to farmers for fear they'll never be able to get it back.

**Suggestions.** If the state is serious about diversified agriculture, it should examine its restrictive land use policies closely. Government policies should be modified to increase the access that farmers, both large and small, have to land. Also, far more land can be made available for housing or recreational use without adversely affecting the growth of diversified agriculture.



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