

ABSTRACT

THE EFFECTS OF SELECTED GOVERNMENT POLICIES ON THE MILK PRODUCTION SUB-SYSTEM IN TRINIDAD AND TOBAGO (1970-1989):

A PRELIMINARY ANALYSIS

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The milk production sub-system is characterized by relatively low levels of production, thereby preventing the attainment of self-sufficiency required for milk and milk products. There is, therefore, a high dependence on imported milk products to satisfy the domestic market.

Generally, the sub-system has been plagued by a multitude of problems ranging from administrative bottlenecks, inefficient production practices to acute technical difficulties with respect to the adaptation of highly prolific crossbred dairy cows to local climatic conditions. Coupled with these problems, it is also evidenced that prevailing government policies (both at the macro and sub-sectoral levels) have inhibited success in the sub-system. It is claimed that these policies have mostly favoured consumer welfare at the expense of production incentives.

This study focuses on the effects of maintaining an over-valued currency in the economy, as well as producer and consumer price policies. Using multiple regression analysis, the hypothesis is confirmed that maintaining an over-valued currency significantly accounts for the growth in milk imports. Also it is confirmed that the quantity of imported milk products is significantly influenced by the gross margins (or expected profits) realized by importers from trade. With respect to retail prices, it is confirmed that they significantly influence demand; and finally, the hypothesis is refuted that milk output does not significantly respond to producer price, but however, confirmed in the case of the prices of inputs such as feed.

It is therefore recommended that at the macro level the exchange rate policy should be reviewed to control the inflow of milk imports. An increase in the producer price of milk is necessary to enhance production. Retail prices of milk products should be maintained at their current levels.

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