

ABSTRACT

The West Indian Tobacco Company Limited (WITCO), in a ten-year programme, proposed to expand the production of leaf tobacco in Trinidad. The plan, which started in 1968 was aimed at producing 450,000 kilograms of leaf tobacco from 400 hectares of land by 1975. They contracted farmers in order to achieve this goal. The company provided credit, inputs and technical advice to the farmers. The production of the crop expanded up to 1973 with 373 hectares under cultivation and yielding an output of 276,253 kilograms. From 1973 to 1984 production declined. This study, therefore attempted to analyse the factors that were responsible for the decline in production. The study concentrated on the response of the farmers to changes in the price of tobacco.

The study utilized a distributed lag model of the Nerlovian adjustment type to obtain the response relation. Hectarage planted was used as the dependent variable and lagged price, lagged yield, lagged prices of competing crops, lagged value of agricultural wage rates, rainfall and lagged hectarage as independent variables. The results were examined within the framework of various *a priori* hypotheses about the supply responsiveness of farmers in underdeveloped agriculture.

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The farmers were found to be positively price responsive. The Nerlovian coefficient of adjustment was also significant but low in value, signifying a slow rate of adjustment by the farmers in the short-run. Price was therefore found to be the main cause of the decline in the production of the crop in Trinidad and Tobago.

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