

ABSTRACT

AGGREGATE SUPPLY RESPONSE OF THE COCOA INDUSTRY
OF TRINIDAD AND TOBAGO 1952-1986

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Cocoa was once a major foreign-exchange earner of Trinidad and Tobago. Since the 1930s the industry has been declining at an alarming rate notwithstanding the comprehensive rehabilitation programme launched in 1940 to reverse the trend.

In the context of the government's efforts to diversify the export-base of the economy against the background of declining foreign exchange earnings from oil, cocoa offers a less costly and viable option than most other traditional export crops.

To intelligently devise policy instruments to resuscitate the industry, it becomes very important to investigate the factors impacting on the output of the industry.

This study is an attempt to evaluate the role of both price and non-price factors in determining farmers' decision to plant, maintain and harvest cocoa. The study

uses a supply response approach to investigate these factors.

ACKNOWLEDGEMENTS

Three main hypotheses are tested in the study, namely:

1. That Trinidadian cocoa farmers respond quickly, normally and efficiently to relative price changes.
2. That there is a positive correlation between the total amount of rainfall in the dry season (Jan-May) and the output of cocoa harvested.
3. That high amounts of annual rainfall predisposes the cocoa crop to fungal diseases, notably Black Pod.

The first two hypotheses have been substantiated using the classical least squares multiple regression analysis.

Notably, the study showed that over the period of the study, long-run factors in the form of new plantings have not contributed to output changes in the industry. The industry has been characterized mainly by short-run factors of real current prices with an elasticity of 0.41, labour cost and rainfall.