



ABSTRACT

BATINO, R. A. P., Import Demand for Cocoa in the Philippines. Bachelor of Science in Business Administration Major in Economics, De La Salle University-Dasmariñas, Cavite. March 2009. Adviser: Mr. Benjamin A. Usigan.

A study was conducted to determine the import demand for cocoa in the Philippines from 1981 to 2007. The study tried to achieve the following objectives: describe the status of domestic production and consumption of cocoa; determine the balance of trade of cocoa by value of exports and imports; ascertain the trends of cocoa import values by type of product and by major country of origin; depict the trends of the selected variables that affect the import demand for cocoa; and estimate the import demand function for cocoa and the corresponding elasticity of each demand factor.

Using descriptive analysis, the study presented a concise picture of the Philippine cocoa imports and the various domestic and external variables that affect it. The domestic production and consumption of cocoa were presented as well as the values and volumes of cocoa imports by type of product and by major country of origin. Linear regression model was used to diagnose the regression results.

The balance of trade had deteriorated, particularly in the 1990s when the CARP was implemented coupled with the prevalence of the stem borer pest. Investigations also revealed that government authorities were aware of the lackluster performance of domestic cocoa production necessitating imports from various



countries to fill domestic demand. Data also showed that the bulk of Philippine imports of cocoa products came from the neighboring countries of Indonesia, Malaysia, Thailand, and Singapore.

Nine selected domestic and external independent variables were used as independent variables to track the movement of import demand. Stepwise regression analysis determined that production per hectare, exchange rate, domestic consumption, and per capita income significantly influenced import demand for cocoa while relative price, prices of related goods such coffee and sugar, and foreign trade policy such as the tariff rate and the WTO dummy variable, had no impact.

The estimated elasticities for productivity, consumption, exchange rate, and per capita income were greater than one while those of the relative price, prices of coffee and sugar were less than one.

Trade with the neighboring ASEAN countries appears to be well entrenched and growing. In the 1990s, the cocoa industry was doing well and was on track until the implementation of CARP. The tariff rate had a positive effect on cocoa imports; relative price also revealed the bias towards importation of cocoa.

Further research on the export side is highly recommended to complement the nature of this study. The domestic price of cocoa should be studied in depth to remove the bias towards importation when the country can very well produce it at competitive costs because of the favorable climatic condition for the commercial production of cocoa. The effect of WTO on the cocoa industry was very lightly



touched in this study through the use of a dummy variable. Hence, further study on this aspect is also highly recommended.

