

Economic Deregulation and Supply Response of Cocoa Farmers in Nigeria

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ABSTRACT The effect of deregulation on the supply response of cocoa farmers in Nigeria was analyzed using the ECM approach. Time series data (i.e. 1970-2000) were compiled and a functional relationship was established using OLS technique. The data were tested for their time series characteristics using the DF/ADF tests. Preliminary analysis suggested that estimations based on their levels might be spurious. Results indicated that almost all the variables in the model were not stationary at their levels. Further results revealed that higher prices received by producers affected cocoa output. Moreover, statistical significance of the error correction term confirmed the existence of an equilibrium relationship among the variables. More importantly, the deregulation period's policy instruments instituted in Nigeria, favored cocoa production. Consequently, policies encouraging domestic price alignment with world prices are recommended.