



Policy Impacts on Cocoa Production in Papua New Guinea

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Declaration

I certify that the substance of this dissertation has not been submitted for any degree and is not currently being submitted for any other degree.

I certify that, to the best of my knowledge, any help received in preparing this dissertation, and all the sources used, have been acknowledged.



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Abstract

The Government of Papua New Guinea continues to invest in the cocoa industry through price support and extension and research programmes. However, policy initiatives to improve incomes and output for producers in the industry appear to have had minimal success. Policy makers lack an analytical framework in which to make policy decisions regarding the cocoa industry.

The main purpose of the study is to develop a framework that can be used to analyse quantitatively the impacts of policy changes on output and producer returns. A dynamic simulation model is developed accounting for sectoral, regional and soil variations in three major cocoa-producing provinces: East New Britain (ENB), East Sepik and Madang.

In meeting these objectives, the usefulness of the simulation model is shown by analysing a range of policy options. As more data are collected from research trials and survey work, parameters in the model can be added and modified to improve the accuracy of the projections. The policies chosen to analyse are the disbandment of the price support scheme; the devaluation of the local currency; the introduction of high-yielding varieties; and the expansion of the smallholder sector through extension programmes.

The main findings of the study are that under low world prices and the existing price support, devaluation effects do not have the desired impact on industry output and incomes in the largeholder sub-sector. The outcome is due to the neutralising impact of the price support and the increased input prices. If the price support is removed, output is reduced significantly in both sub-sectors but the cost of the price support scheme generates net income losses in every sub-sector. In contrast, under increasing prices, the price support is found to benefit the smallholder sub-sector and the Madang largeholders.

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