



**FACTORS INFLUENCE THE PRICE OF
COCOA IN MALAYSIA**

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ABSTRACT

This paper is to identify the factors influence the price of cocoa in Malaysia. It is also to determine the relationship between the dependent and independent variable. The variables for this study are price of cocoa in Malaysia as a dependent variable and production, export, grinding and also cultivated area as independent variables. The data that I use for this study is from 1991-2010 in yearly. I used ordinary least square (OLS) to test the factors that influence the price of cocoa and also to determine the relationship among the variable. In this study the R-square is high that means the most of changes in dependent variable can be explained by the independent variables, both of dependent and independent variables are strong positive relationship. The independent variable such as export and grinding are the most factor influence the price of cocoa that is dependent variable in this study.

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CHAPTER 1

INTRODUCTION

The cocoa tree is very important source income for farmers today because it will help to improve living cost and also national income, for example in west Africa, they are largest supplier of cocoa about 70 percent of global. The demand of cocoa every year will increase because of to make a chocolate, food, drink and so on. It is a same with the total supply whole over the world it is increase because of the demand is high in the market. The advances of technology and implementation of policy by the government help to improve the cocoa industry. Other than that, the research and development that is modern biotechnology today also help the industry of cocoa increase in term of improvement of cocoa bean yield and the cocoa quality.

1.1 Background of study

1.1.1 Cocoa History

Cocoa or cacao or *Theobroma cacao* is a small tree 4 – 8 m evergreen tree native to the deep tropical region of Americas. It's used to make a chocolate and cocoa powder. Cocoa also known as the food of the Gods from the Greek language. They belief the cocoa trees was a divine origin and has a holy ritual being performed whenever it was planted. The cocoa trees conquered all over the country with successfully since it discovery by the Mayas and Aztecs in South America. For the Aztecs, they consider the beverage a royal drink served in ceremonial golden goblets. They also cultivated a cocoa and also have regularly consumed a preparation called chocolatl, that is mixed of nibs, maize, water and spice.