

**SUPPLY AND DEMAND ANALYSIS OF COFFEE
IN THE PHILIPPINES**

THESIS

**JUDYLYN R. BANDONG
JUSTINE ROSE D. REDONDO**

College of Economics, Management and Development Studies

CAVITE STATE UNIVERSITY

Indang, Cavite

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JUDYLYN R. BANDONG
JUSTINE ROSE D. REDONDO
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ABSTRACT

BANDONG, JUDYLYN R. and REDONDO, JUSTINE ROSE D. Supply and demand analysis of coffee in the Philippines. Undergraduate Thesis. Bachelor of Science in Economics. Cavite State University, Indang, Cavite. June 2019. Adviser: Ms. Jenny Beb F. Ebo.

The study was conducted to assess the supply and demand of coffee in the Philippines, identify the factors affecting the production and consumption of coffee, identify the relationship of supply and demand of coffee and its market equilibrium, and forecast coffee production and consumption for the next five years.

Secondary data about volume of production of coffee, varieties of coffee, price of coffee, price of cacao, area planted to coffee, price of fertilizer, farm wage rate, population, consumption of coffee, and number of typhoons landed were obtained from Philippine Statistics Authority (PSA), International Coffee Organization (ICO), and Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) respectively.

The result of Panel Regression in Fixed Effect Model, Random Effect Model and Pooled OLS Regression showed that area planted, price of cacao and farm wage rate had significant relationship to the production of coffee in the Philippines. Area planted had positive relationship to the coffee production; however price of cacao and farm wage rate had negative relationships.

Furthermore, the result of Multiple Linear Regression showed that the per capita income had significant relationship and also had positive relationship to the consumption of coffee in the Philippines.

Result of the forecasting shows that there will be a decrease in the volume of production and an increase in the volume of consumption of coffee for the next five years (2019 to 2023). The forecasted increase in the volume of coffee consumption, despite the forecasted decrease in coffee production, was attributed to the rising demand for coffee.

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**Judylyn R. Bandong
Justine Rose D. Redondo**

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INTRODUCTION

Coffee is the second-most traded commodity in the world. It is one of the most important cash-crop beverages which mark as an energizing drink that transcended all nation and race. For several countries, coffee is one of the top legal agricultural exports and the most valuable commodities exported. Coffee beans are major cash crop and an important export product that produces coffee drink which is one of the world's most widely consumed beverages (Mangal, 2007).

Brazil is the number one coffee exporter contributing to one-third of the world's total coffee production every year. Brazil's leading position in the global coffee production is mainly attributed to the country's large plantation area with beneficial climate to grow the two main types of coffee beans Arabica and Robusta. In terms of consumption, Finland ranked first followed by Norway, Iceland, Denmark and the Netherlands among the top five respectively while Canada, France, Germany, Italy, Japan, the Netherlands, Poland, Spain and the United States are the countries having more than 85 percent of global coffee imports (Philippine Coffee Board Incorporation, 2013).