Three economic studies


Research question:

- Is hedging viable in the context of the Ugandan coffee market?

Methodology & Data:

- Quantitative analysis using monthly data on Ugandan farm gate price for coffee and futures prices (NY & LDN) (2003 – 2012)

Jackson and Woodruff (2016)
Main findings:

• Ugandan coffee market is among the most liberalized in Africa
• Results support that Ugandan coffee spot market prices are co-integrated with NYC and London futures prices
• Yet, market inefficiencies remain → risk premium exists

Conclusion

• Use of market-based risk management strategies (e.g. hedging) is recommended
Research question:

• What is the nature of price formation & transmission in the Tanzanian coffee chain?

Methodology & Data:

• Mostly qualitative approach using semi-structured interviews with key players in the chain (national & international)

Main findings:

• Dislocation between movements of future prices and change in physical supply and demand (globally)
• Price transmission from world level to producer level depends on domestic marketing system
• Auction system in Tanzania cushions transmission of daily international price movements to domestic players

Conclusion:

• There are limits to rectify volatility via use of price risk management tools
Van Rijsbergen, Elbers, Ruben, and Njuguna (2016)

Research question:

• What is the impact of certification on coffee farmers’ income?

Methodology & Data:

• Quantitative approach using comparison between 3 groups (no certification, certification, double-certification)
• Panel data covering time period 2009–2013
Main findings:

- Both Fairtrade and UTZ increase coffee returns
- Fairtrade more effective in coffee processing
- UTZ contributed to productivity
- Fairtrade farmers specialise on coffee production, reducing diversification → reduced household income when coffee price are low

Conclusion:

- Certification schemes have not changed structure of value chain (producer captures 6-8% of consumer price)