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# Topics in agricultural economics

September 2016

## Three economic studies

- 1) Jackson, J.T., and B. Woodruff (2016). African coffee market efficiency and international hedging viability: evidence from Uganda. Working Paper.
- 2) Bargawi, H.K., and S.A. Newman (2016). From futures markets to the farm gate: a study of price formation along Tanzania's coffee commodity chain. Economic Geography.
- 3) Van Rijsbergen, B., W. Elbers, R. Ruben, and S.N. Njuguna (2016). The ambivalent impact of coffee certification on farmers' welfare: a matched panel approach for cooperatives in Central Kenya. World Development Vol.77, pp.277-292.



# Jackson and Woodruff (2016)

## 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



# Bargawi, H.K., and S.A. Newman (2016)

## 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)



# Bargawi, H.K., and S.A. Newman (2016)

## 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



# Van Rijsbergen, Elbers, Ruben, and Njuguna (2016)

## 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)







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