

THE DETERMINANTS OF UGANDA'S COFFEE EXPORTS: 1980-2013

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ABSTRACT

Uganda has continued to depend on primary commodities such as coffee, tea, banana, and others as its valuable exports despite price shocks in the world markets. This study therefore intend to empirically examine the determinants of coffee exports in the context of Uganda during the period 1980-2013 as it continues to generate contention in the economic literature. The study uses secondary data, obtained from the World Development Indicators. A standard econometric technique is employed for empirical analysis. The unit root tests results affirm that annual rainfall and the quantity of coffee exports are stationary in levels whereas official development assistance, exports price of coffee, loans extended to private sector and annual Temperature are integrated of order one. The Johansen cointegration test shows that there exists a stable long run relationship among the study variables. Findings reveal that an increase in the interest rates on loans extended to coffee producers significantly reduces coffee exports quantity. The results also show that an increase in exports price, and a rise in favorable temperature and official development assistance inflows to Uganda significantly increase the quantity of coffee exported. Therefore, in order to improve coffee exports performance, the study suggests the government of Uganda to institute sound fiscal measures in order to attract more official development assistance to boost the country's coffee export capacity that can further stimulate economic growth. Fiscal measures should be enhanced to increase efficient allocation of resources to boost coffee productivity. The study also advocate for reasonable monetary policy measures that easy availability of investment funds to potential coffee investors in the coffee sub-sector. Finally, the study recommends adaptation and mitigation responses to reduce vulnerability and enhance coffee resilience to the impacts long term phenomenon of climate changes.