

THE DETERMINANTS OF UGANDA'S COFFEE EXPORTS, 2005-2016

BY

AYEBARE JOAN

BSC. QUANTITATIVE ECONOMICS

2016/HD06/1058U

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF BUSINESS AND
MANAGEMENT SCIENCE IN PARTIALFULFILLMENT FOR THE AWARD OF
MASTER OF ARTS IN ECONOMIC POLICY AND MANAGEMENT DEGREE OF
MAKERERE UNIVERSITY**

ABSTRACT

The main objective of the study was to investigate the key determinants of coffee export in Uganda for the period 2005-2016. The hypotheses tested were that; there is a positive effect of domestic coffee production, Gross Domestic Product and real exchange rate on coffee exports.

The study used cointegration technique and error correction modeling to Ugandan quarterly data starting from 2005 to 2016 and the results indicate the existence of long-run relationships of quantity of coffee exported, quantity of domestic coffee production, real effective exchange rate, gross domestic product, foreign direct investment, competitiveness and world coffee exports.

The results show that the domestic coffee production, gross domestic product and foreign direct investment have a positive and statistically significant effect on coffee exports. Real effective exchange rate and world coffee prices have a negative effect on coffee export but world coffee prices is statistically insignificant. Competitiveness has a positive effect on coffee exports but statistically insignificant.

The government should improve coffee production and more efforts should be put on attracting more foreign direct investments such as putting up investment friendly policies but with more emphasis on coffee export growth. To increase the country's competitiveness of its coffee exports, there is need to increase domestic coffee production by improve the provision of high yielding coffee species through research and also stabilize the real effective exchange rate.

Since the study only focused on coffee export supply function, future research should also be extended to the demand function to establish the equilibrium position.