

**COFFEE SUPPLY RESPONSE TO PRICE AND NON-PRICE FACTORS: EVIDENCE
FROM RWANDA**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University

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ABSTRACT

Coffee is one of the major Rwandese exports and therefore a major foreign exchange earner. It plays a great role in the Rwandese economy. In 2012, its contribution stood at 0.857% of total GDP. But still its production remains volatile. Even though the sector has been having such volatility, few studies have been done in Rwanda on coffee supply, but none of them attempted to explain how coffee supply responds to price and non price factors. This study seeks to find out how coffee supply responds to these factors. The study uses secondary time series data for the period 1990-2012 and the Nerlove's partial adjustment model.

The results of the study indicate that coffee price and rainfall have a positive impact on coffee output whereas the Tutsi genocide and tea price have a negative impact on coffee output. The short run price elasticity of coffee is 0.1559 whereas long run price elasticity of coffee is 0.0394 implying that pricing policy can be employed as a strategy to enhance coffee production in Rwanda.

Based on the findings, this study recommends that the government of Rwanda should take serious measures in developing agricultural technology, improving meteorology services, unity and reconciliation, training of the coffee farmers, price incentives and strengthening data recording in order to increase coffee production.