

FULLY WASHED COFFEE EXPORTS IN RWANDA: MARKET STRUCTURE AND POLICY IMPLICATIONS



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IN BRIEF

- » By doubling the proportion of coffee exported as fully washed, Rwanda could increase coffee exports by 10-20%
- » The study surveyed farmers and washing station owners, to understand constraints to the washed coffee sector
- » The researchers suggested a system of value chain financing to relieve finance constraints
- » The paper informed the revision of the draft coffee policy, especially by substantiating government arguments for restricting farmers' side-selling of coffee

Rwanda produces some of the best coffee in the world. This creates the opportunity for Rwanda to increase its exports through value addition. Yet, since 2006, the Rwandan coffee sector has seen a gradual decline in export volumes. Only 30% of coffee is washed at export and yet coffee washing stations operate at little more than 50% capacity. The then CEO of Rwanda's National Agricultural Export Board (NAEB) requested the IGC study what is restricting the processing of fully washed coffee. NAEB were in regular contact with the researchers, provided staff to undertake the survey, and co-hosted the presentation of their findings, implying a strong sustained demand.

The researchers surveyed every coffee washing station in Rwanda, and used a wide range of pre-existing data, to examine the effects of competition on stations, farmers, and coffee, and suggest ways in which the sector could be improved. IGC Rwanda hosted a one-day conference to disseminate the research and to bring in experts from other countries, international buyers, and policy makers.

The researchers found that domestic value added is substantially higher for fully washed coffee, but that Rwanda's fully washed coffee sector faced several (resolvable) constraints: lack of contract enforcement mechanisms, low access to and a high need for access to working capital at the washing station level, poor management practices at washing stations, and few external coffee buyers. In addition, the conference highlighted the need to improve farmer yields, ensure high quality for washed and ordinary coffee, and find new strategies to mitigate risk.

The Government is drafting a coffee strategy to take into account market failures that discourage coffee washing.