Some Consequences of the 1994-95 Coffee Boom on Poverty and Growth in Uganda

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‘Slumps in world market primary commodity prices tend to have a lasting effect on medium-term growth and poverty reduction, but booms do not’ Dehn (2000)

‘[The coffee price boom] accounts for over half of Uganda’s fall in poverty during the 1990s’ Collier (2001)
Coffee Prices

Ugandan export price for coffee

Source: Uganda Coffee Development Authority
Uganda

Poverty: 50%-35% (1994-2000)

Growth: 4.1% (1994-2000)

Coffee: 64% of export revenue (1994)
Method: CGE Model


- **SAM**: 128 accounts (1992)
- **Production**: 2-level CES nest
- **Consumption**: Linear Expenditure System
- **Trade**: Armington functions
- **Capital Accumulation**: endogenous with updating shares household income from factors
## Uganda SAM

<table>
<thead>
<tr>
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<th>Commodity</th>
<th>Activity</th>
<th>Factor</th>
<th>Household</th>
<th>Government</th>
<th>Capital</th>
<th>Rest of the World</th>
<th>Totals</th>
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### Scenarios

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<tr>
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<th>Baseline Scenario</th>
<th>Coffee Boom Scenario</th>
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<tbody>
<tr>
<td>Technical Change</td>
<td>1% per capita GDP growth</td>
<td>1% per capita GDP growth</td>
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<tr>
<td>Labour Supply</td>
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<td>Coffee Export Price</td>
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</table>

**Index: 1992=1**

**Ugandan export price for coffee**
Closure Rules

Foreign Market
- Fixed external balance
- Small country assumption

Capital Account
- Investment driven

Government Account
- Fixed internal balance
- Fixed government consumption
- Production and household taxes free to adjust

Factor Market
- Full employment
- Full mobility

Numéraire
- Consumer Price Index
Growth Results: GDP

- Baseline
- Coffee Boom
Welfare Results: EV
Welfare Results: EV
Welfare Results: EV

- urban waged
- rural waged
- agri central
- agri east
- agri west
- agri north
- urban non-farming self
- rural non-farming self
- urban unemp
- rural unemp

Change in EV

Welfare: EV income effects

Change in EV


-0.20 -0.15 -0.10 -0.05 0.00 0.05 0.10 0.15

urban waged
rural waged
agri central
agri east
agri west
agri north
urban non-farming self
rural non-farming self
urban unemp
rural unemp
Welfare Results: EV
Welfare Results: Savings

Household savings rates (1994)

Change in EV (2004)

- urban waged
- agri central
- agri west
- urban non-farming self
- rural waged
- agri east
- agri north
- rural non-farming self
- urban unemp
- rural unemp
Conclusions

Most households experience welfare gains from the coffee price boom.

The price effect is dominant through the exchange rate appreciation.

The income effect is determined by the savings rates.

Households that save during the boom period are better off in the medium term.