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Farmer responses to market liberalisation: The role of cooperatives in the Rwandan coffee sector

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Abstract

Food value chains involve multiple actors, yet research has largely focused on small-scale farmers. In contrast, the role of primary buyers remains comparatively underexplored, particularly in contexts undergoing regulatory change, such as processes of market liberalisation.

This study investigates how producer-buyer relationships shape farmers' intentions in the Rwandan coffee value chain following the repeal of the zoning policy, which liberalised cherry procurement nationwide. We focus on the role of cooperatives, as evidence shows they form the strongest producer-buyer relationships.

Introduced in 2016, the zoning policy aimed to reduce side-selling and improve service provision by requiring farmers to sell cherries to a designated Coffee Washing Station (CWS). In June 2023, the policy was repealed, allowing unrestricted purchasing and trading of coffee cherries. The policy shift is expected to intensify competition among CWSs, particularly through price adjustments. While price remains the primary determinant of CWS choice, we hypothesise heterogeneous responses: farmers supplying private CWSs may be more willing to switch than cooperative members, who often value loyalty, non-monetary benefits, community belonging, and participation in decision-making. Such differentiated responses would imply possible uneven effects across farmers and could place competitive pressure on cooperatives.

Using a mixed-methods design, we combine primary data from a socio-economic survey of 834 farmers with insights from 12 semi-structured interviews. We analyse the association between cooperative membership and farmers' willingness to switch CWSs using an inverse probability weighted regression adjustment model. The qualitative interviews triangulate and complement the quantitative findings.

Findings show that cooperative members are 9 percentage points less likely to intend to switch CWSs.However, considerable heterogeneity among cooperative members emerged: those who had to sell to private CWSs are 14.6 pp more likely to intend to switch than members selling to their cooperatives. Interviews reveal that, while farmers value higher prices, cooperative members prioritise loyalty, trust, and access to services such as credit, training, and input provision. However, increased price competition may disadvantage cooperatives, potentially threatening their sustainability.

These results underscore the importance of considering relational dimensions when designing market reforms.

Keywords: Coffee, cooperatives, Rwanda, zoning policy

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