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Title: Side selling and farmer income in Burundian coffee cooperatives



Coffee is Burundi's most important export and is a critical source of income for approximately 600,000 low-income farmers. Farmer cooperatives organize smallholder farmers such that they can bulk and sell coffee cherries for higher prices. Historically, Burundian cooperatives negotiated sales with government coffee washing stations (CWSs)—mills that purchase and process coffee. During coffee sector liberalization in the first decade of the 21st century, cooperatives began buying CWSs. Owning CWSs may allow cooperatives to distribute added value among its members and increase farmer prices. However, our research suggests that not all cooperative members sell to their cooperative's CWS; some "side sell" to other CWSs. This behavior threatens cooperatives because it can raise costs of operation and limit cooperatives' ability to serve members. Understanding side selling is important for identifying benefits and risks of cooperative ownership of CWSs, and of vertical integration more broadly.

Using a survey of 1,024 Burundian coffee farmers, and propensity score matching, we assess the effect of side selling on coffee incomes. We identify four types of farmers: (1) cooperative members who only sell to their CWS, (2) members who only sell to private CWSs, (3) members who sell to cooperative and private CWSs (e.g., side sellers), and (4) non-cooperative members. Based on previous studies, we hypothesize that cooperative members will benefit financially from side selling compared to non-side sellers.

Our results suggest, however, that side sellers do not make more money than cooperative members that only sell to cooperatives. In absolute terms, side sellers profit, however this is likely driven by other observable farmer characteristics, not side selling behavior. This paper describes the characteristics of side sellers compared to non-side sellers.

Little research has considered coffee farmer side selling, and how it relates to cooperative organization. This is practically important because many low-income farmers coordinate and advocate for their interests through cooperatives. Cooperatives can lend resilience to markets by allowing for collective action and providing farmers decent incomes and non-cash benefits. However, they can be undercut if members sell to competitors. Determining what works in terms of cooperative organization is important to cooperatives' sustainability and impact.