MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2013/2014

SECOND YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF SCIENCE IN AGRIBUSINESS
MANAGEMENT WITH INFORMATION TECHNOLOGY

(MAIN CAMPUS

AAB 204: AGRICULTURAL MARKETS AND PRICE ANALYSIS

Date: 4th April, 2014   *Time:* 2.45– 5.00pm

INSTRUCTIONS:

- Answer FOUR QUESTIONS. Question One and Two are Compulsory.

MESENO UNIVERSITY

SCHOOL OF AGRICULTURE AND FOOD SECURITY

DEPARTMENT OF AGRICULTURAL ECONOMICS AND RURAL DEVELOPMENT.

BSC. AGRIBUSINESS MANAGEMENT WITH IT SEMESTER 1 (2013/2012 ACADEMIC YEAR)

AAB 204 AGRICULTURAL MARKETS AND PRICE ANALYSIS   TIME 2 HOURS
ANSWER FOUR QUESTIONS .
QUESTION ONE AND TWO ARE COMPULSORY.

1.

 a) Describe the economic role of price in a modern economy (*8 Marks*)

 b) Describe the processes involved in price discovery mechanism between buyer and sellers. *(6 Marks)*

 c) State three objectiveS of pricing in an agricultural commodity market *(6Marks)*

2.

 a) Identify and describe three types of orders in the futures markets (*10 Marks*)
 b) Describe the characteristics of futures markets *(10 Marks)*

3.

 a) What do you understand by the term market failure *(2 Marks)*
 b) Explain how the government can intervene in markets when they fail *(9 Marks)*

4.

 a. Given the following equations
 $$D_{HOMBERGER} = P_b = 10 - 0.5Q_H^D$$
 $$D_{STEAK} = P_S = 20 - 0.5Q_S^D$$
 $$S_{P\&M} = P_{P\&M} = 15 + 0.5Q_{P\&M}^S$$
 $$S_{FC} = P_{FC} = -20 + 3Q_{FC}$$

 i.   Joint demand for beef (2 Marks)
 ii.   Demand for fed cattle (2 Marks)
 iii. Equilirium price for fed cattle (2 Marks)

 iv.   Equilibrium for beef (2 Marks)
 v.   Equilibrium price for steak (2 Marks)

b. Describe the role of middlemen in marketing of agricultural commodities in Kenya. (6 MARKS)

5.

A market has the following supply and demand relationship

Demand $Q=100-4P$

Supply $Q=10+2P$

Assume that the excess supply for region K and B is $Q=20+4P$.

a) What will be the quantity of milk traded between the two regions ignoring the transfer cost (7 Marks)
b) Describe how interregional trade will affect milk producers in each region compared to their situation in the absence of interregional trade (7 Marks)
c) Using appropriate illustrations, explain the circumstances under which a market may swallow another market (6 Marks)