MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

THIRD YEAR FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS/AGRIBUSINESS MANAGEMENT WITH INFORMATION TECHNOLOGY

MAIN CAMPUS

AEG 301: AGRICULTURAL PRICE ANALYSIS

Date: 29th November, 2016 Time: 3.30 - 6.30pm

INSTRUCTIONS:

- Answer ALL Questions in section A and any TWO in section B.
- Carefully read and follow the instructions contained in the answer booklets provided.
- Marks for each question are indicated in brackets against the corresponding question.

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AEG 301: AGRICULTURAL PRICE ANALYSIS

INSTRUCTIONS

1. **Carefully READ AND FOLLOW THE INSTRUCTIONS contained in the answer booklet(s) you have been provided with.**
2. **This paper consists of two sections, Section 'A' and Section 'B'.**
3. **Answer ALL questions in Section A and ANY TWO Questions from Section B.**
4. **Marks for each question are indicated in brackets against the corresponding question.**

Section A (Compulsory)

1. a) Define the term price (2 marks)
   b) Distinguish between shift in demand curve and movement along demand curve (4 marks)
   c) Distinguish between contract farming and agricultural commodity future markets (4 marks)
   d) Discuss five methods of price determination (10 marks)
   e) Clearly explain how government intervene in pricing farm products (10 marks)
   f) Using graphs where appropriate, explain different types of price elasticity of demand (10 marks)

Section B (Answer any two questions)

2. a) Explain how the National Cereal and Produce Board (NCPB) stabilizes cereal prices and farmers income in Kenya (7 Marks)
   b) Discuss factors that cause long term agricultural price variability in Kenya (8 Marks)

3. Thugul Ltd is an agribusiness company involved in both agricultural production and marketing of agricultural produce. Currently, Thugul trades in onion, pepper, tomatoes and spinach. The company works closely with other farmers some of whom are contracted while others are not. Despite the fact that the company has never failed to buy the farmers' produce at any given season, recently some farmers have resorted to selling to other traders. During an urgent management meeting convened by the Chief Executive Officer of the Company to address the challenge, pricing was cited as one of the factors that could lead to such anomaly. Assume you have been hired by the company as an Agricultural Price Analyst, take the management through different pricing options and recommend the best given the scenario. (15 Marks)

4. a) High marketing margins indicates inefficiency in the market operations. As the expert, explain how you will reduce the market margins to improve efficiency (4 marks).

   b) The following information relate to Thugul Farm for one acre onion farm.

      Land preparation Kshs. 3000
      Seedlings KShs. 5000
      Farm LabourKShs. 6000
      Fuel in the farm KShs. 3000
      Fertilizer KShs. 2500
      Insecticides KShs. 1500
      Transportation Kshs. 10,000
      Packaging Kshs 4000
      Loaders Kshs. 300
      Off loaders Kshs. 300
      Administrative cost KShs. 100,000

Additional information

- Yield per acre is 20 tons.
- Thugul Farm Enterprises comprises of Onion farm, tomato farm and Beans farm.
- 20% profit is expected from the onion farm enterprise.

Required:

Using cost plus pricing method;

i. Calculate the farm gate price per Kg of onion. (8 marks)
ii. What are the demerits of cost plus pricing (3 marks)

5 a) Explain the determinants of agricultural produce consumers would want to buy (7 marks)

  b) Explain the determinants of quantity producers would supply in the market(8 marks)