



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR

THIRD YEAR 2ND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS & RESOURCE MANAGEMENT**

COURSE CODE: IAE 381

COURSE TITLE: AGRICULTURAL MARKETS & PRICE ANALYSIS

DATE: 22 ND SEPT. 2017

TIME: 8 AM – 10 AM

INSTRUCTIONS TO CANDIDATES

Answer all Questions in section A and any other two (2) Questions in section B.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

SECTION A = 30 MARKS

Q1.

- a) Explain the levels of price analysis (8 marks)
- b) Explain the role of prices in agriculture (4 marks)
- c) Explain the following terminologies as used in agricultural trade
 - i) Free on board (FOB) (2marks)
 - ii) Cost, insurance and freight (CIF) (2marks)

SECTION B = 40 MARKS

Q2.

With the aid of a well labeled graph, clearly illustrate and explain the welfare effects of a producer subsidy in a closed economy (20 marks)

Q3.

Imagine of a Country W which is considering imposing an import tariff on fertilizer.

- a) With the aid of a graph show the tax implications of such a policy on domestic producers and consumers (3 marks)
- b) Discuss the effects of such a policy (6 marks)
- c) Using hypothetical figures, analyze the welfare effect with and without the import tariff imposition (8 marks)
- d) Is such economy better off or worse off? Explain (3 marks)

Q4.

Case study:

In a move to halt runaway prices of basic commodities and also curb double digit inflation in Ethiopia, the horn of Africa country's government **moved to set a price floor** for 18 types of

basic commodities in the first week of January, 2011. The ministry of trade and industry (MOTI) has categorized 20 domestic items that will be covered in the controlling mechanism. From these are: edible oil, pasta and macaroni, meat ,sugar, tea leaves, bananas, oranges and wheat flour are some of the main processed and unprocessed agricultural commodities.

From imported items: Edible oil, pasta and macaroni, powder milk, rice and sugar will be controlled. MOTI also said the price of the items described above cannot be adjusted without prior knowledge of the Trade Bureau of the Regions and Ministry of Trade. Any business person shall display the price of their goods and services by posting such a list in a conspicuous place in his business premises or affecting price tags on the goods in a manner that includes custom duties, taxes and other lawful fees.

(source:<http://www.capitalethiopia.com>)

Required

- a) What would be its effect on producers and consumers (6 marks)
- b) What would be its overall implication in distorting or improving the market with the aid of a well labeled diagram (10 marks)
- c) Explain the alternative solutions to achieve the same objective (4 marks)