



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

THIRD YEAR 2ND SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE AGRICULTURE
ECONOMICS AND RESOURCE MANAGEMENT

COURSE CODE: AEC 326

COURSE TITLE: AGRICULTURAL MARKETS AND PRICE
ANALYSIS

DATE: 7TH OCTOBER 2021

TIME: 2 – 4 PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

Question 1

- 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) (3 Marks)
- (ii) Cost, insurance and freight (CIF) (3 Marks)
- d) State the components of the market structure, which together determine the conduct and performance of the market (5 Marks)
- e) Explain the challenges facing agricultural export development in Africa (7 Marks)

Question 2

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

Question 3

Imagine Kenya is considering to impose 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, analyse the welfare effect with and without the import tariff imposition (8 Marks)
- d) Is such economy better off or worse off? Explain (3 Marks)

Question 4

Describe the problems of marketing agricultural produce (20 Marks)

Question 5

- a) Explain the major sources of barriers to market entry (12 Marks)
- b) If trade is beneficial to trading nations, why restrict trade? (8 Marks)