



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF AGRICULTURAL AND FOOD SCIENCES**

**UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN
AGRIBUSINESS MANAGEMENT,**

FOURTH-YEAR SECOND SEMESTER 2021/2022 ACADEMIC YEAR

REGULAR

COURSE CODE: AAE 3422/AEB 1404

COURSE TITLE: Agricultural policy analysis

STREAM: BSc (Agribusiness Management) & BSc (Agricultural education and extension)

DATE: August 2022

EXAM SESSION:

TIME: 2.00 HOURS

EXAM VENUE:

Instructions:

- 1. Answer ALL questions in Section A (compulsory) and ANY other TWO questions in Section B.**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

SECTION A [30 MARKS]

Answer ALL questions in Section A

1.
 - a. Explain TWO main reasons for government intervention in food and agriculture. [4 Marks]
 - b. Discuss the range of instruments that the government can use to intervene in food and agriculture. [6 Marks]
2.
 - a. Outline the economic parameters that define the market for an agricultural commodity. [3 Marks]
 - b. State the factors that limit each economic parameter. [6 Marks]
3.
 - a. Describe the components of a policy framework. [4 Marks]
 - b. Explain the hazard which would arise when a government decides to further one of its policy objectives? [1 Marks]
 - c. Explain the fundamental goals of the Kenyan government policy framework. [6 Marks]

SECTION B [40 MARKS]

Answer ANY TWO questions Section B

4.
 - a. Compare price determination in a market-oriented economy and price determination in a centrally-planned economy. [2 Marks]
 - b. Analyze the effects of subsidies on producers of an importable commodity. [6 Marks]
 - c. Describe categories of macro-economic policies that affect agriculture. [6 Marks]
 - d. Explain the causes of fragmentation in the factor markets. [6 Marks]
5. An agricultural system in Kenya has private and social prices as shown in table 1 below

Table 1: Prices in an agricultural system

| An agricultural system: Tradable commodity in KSHs per Kg | | | |
|--|-----------------|--------------------|---------------------|
| | Revenues | Input costs | Factor Costs |
| Private prices | 274.20 | 95.30 | 71.00 |
| Social prices | 227.90 | 117.90 | 79.70 |

- a. Calculate the divergences and explain the divergences' effects (implications) in the system. [8 Marks]
- b. Calculate and give the implication of the Nominal Protection Coefficient on Output. [2 Marks]
- c. Calculate and give the implication of the Nominal Protection Coefficient on input. [2 Marks]
- d. Calculate the effective protection coefficients (EPC) and the effective rate of protection. [2 Marks]

- e. Illustrate the importance of policy analysis matrix methodology to policy analysts and policymakers? [6 Marks]
- 6.
- a. Analyse the impact of food subsidy on objectives of policy analysis. [6 Marks]
 - b. Explain graphically and in detail the impact of minimum wage on
 - i. Formal labour markets [5 Marks]
 - ii. Informal labour markets [5 Marks]
 - iii. Integrated labour markets [4 marks]