JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE

AGRIBUSINESS MANAGEMENT,

FOURTH YEAR SECOND SEMESTER 2016/2017 ACADEMIC YEAR

REGULAR

COURSE CODE: AAE 3422

COURSE TITLE: AGRICULTURAL POLICY ANALYSIS

EXAM VENUE: LAB 14   **STREAM: BSc (Agribusiness Management)**

DATE: 21/12/16   **EXAM SESSION: 2.00 – 4.00PM**

TIME: 2.00 HOURS

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 objective?
   [1 Marks]
   c. Explain the fundamental goals of the Kenyan government policy frame work.
   [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 a subsidies to producers of an importable commodity. [6 Marks]
   c. Describe categories of macro-economic policies affect agriculture. [6 Marks]
   d. Explain the causes of fragmentation in the factor markets. [6 Marks]

5. An agricultural system in Kenya have 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 analyst and policy makers? [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]