



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
THIRD YEAR SECOND SEMESTER 2013/2014 ACADEMIC YEAR

REGULAR

COURSE CODE: AAE 3324

COURSE TITLE: Agricultural Price Analysis

EXAM VENUE: LR 7

STREAM: BSc (Agribusiness Management)

DATE: 10/12/14

EXAM SESSION: 9.00 – 11.00AM

TIME: 2.00 HOURS

Instructions:

- 1. Answer ALL question in Section A (compulsory) and ANY 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]**

1. (a) Suppose that hot weather affects the market for cold orange juice. Using a graph, explain how this event affects the market for orange juice. [10 marks]

(b) Suppose that there is a drought and that the orange farms are partially destroyed. Using a graph, explain how this event affects the market for orange juice. [10 marks]
2. A market research has revealed the following about the market for fish. The demand curve is given by $Q^D=1600-300P$ and the supply curve is given by $Q^S=1400+700P$, where Q^D is the quantity demanded, Q^S is the quantity supplied and P is the price. At what price and quantity of fish does the market achieve equilibrium? [5 marks]
3. Using an example, explain what is meant by agricultural price cycle. [5 marks]

SECTION B **[40 MARKS]**

4. (a) What is meant by price discovery? Explain the different approaches of price discovery [17 marks]
(b) What are the roles of prices in competitive markets? [3 marks]
5. (a) Globalization has resulted into penetration of agricultural commodities, especially horticultural produce from Kenya to niche markets in Europe. What are the roles of standards and codes in a globalized world, with respect to Kenya's exportation of horticultural products? [5 marks]
(b) What approaches are used to implement standards and codes? [5 marks]
(c) Which issues are usually addressed in such schemes? [0 marks]
6. (a) Explain the following term. Give examples.
 - i. Commodity futures market. [3 marks]
 - ii. Predatory pricing. [3 marks]
 - iii. Cross price elasticity of demand. [2 marks]
(b) Who are the traders in futures markets and what roles do they play. [6 marks]
(c) Briefly explain the methods of price forecasting. [6 marks]