



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
SECOND YEAR SECOND SEMESTER 2019/2020 ACADEMIC YEAR
REGULAR

COURSE CODE: AAE 3221

COURSE TITLE: AGRIBUSINESS INDUSTRIAL ORGANIZATION

EXAM VENUE: **STREAM: (BSc. Agribusiness Management)**

DATE: **EXAM SESSION:**

TIME: 2HOURS

Instructions

- 1. Answer ALL questions 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]

Answer ALL questions from this Section.

1. Monopoly is a market structure where there is only seller of a good or service with no close substitutes or where production is under the control of a single supplier.
 - a) Can a monopolist determine both price and quantity of the product he wishes to sell? Explain. **[2marks]**
 - b) Why is a monopolist marginal revenue less than average revenue? **[2marks]**
 - c) Explain how the government through its legal barriers can encourage monopoly in a country? **[6marks]**

2. Oligopoly market structure is unique in the sense that its pricing and output decisions takes into account the expected competitors' reactions, implying the policies of the firm are interdependent.
 - a) Explain the concept of interdependence and price rigidity in oligopoly. **[8marks]**
 - b) What are the main two types of advertising that an agribusiness firm can pursue? **[2marks]**

3. Differentiation consists of creating differences in the organization's product or service offering by creating something that is perceived as unique and valued by the customers.
 - a) Outline different forms of differentiation suitable for agribusiness firms. **[4marks]**
 - b) Explain any three sectors involved in agribusiness. **[6marks]**

SECTION B [40 MARKS]

Answer any TWO QUESTIONS in this Section.

4. A price discriminating firm has got the following:
 $Q_1 = 32 - 0.4P_1$
 $Q_2 = 18 - 0.1 P_2$
 $Q = 50 - 0.5P$
 $C = 50 + 4Q$
 $Q = (Q_1 + Q_2)$
 - a) Find the equilibrium prices, quantities and maximum profit. **[8marks]**
 - b) Which market has the highest price? **[2marks]**
 - c) Is it justifiable for a monopolist to use price discrimination in his pricing decisions? Explain. **[4marks]**
 - d) Distinguish between the following terms as used in agribusiness:
 - i. Forward and Backward vertical integration **[2marks]**

- ii. Explicit and Tacit Collusion **[2marks]**
- iii. Price skimming and Price bundling **[2marks]**

5. Game theory attempts to provide an answer to a rational course of action for an individual confronted with a situation whose outcome depends not only upon his own actions but actions of others who in turn are faced with similar problems of choosing a rational course of action.

a) Explain type of business problems game theory might be helpful? **[6marks]**

b) Consider two companies, ABC and XYZ, competing in a market for a product in which price is a key consideration in the purchasing decisions of a consumer. They have certain expected gains from charging a high or low price relative to the price charged by the other. If both decide to charge low price, each will get a return of 500 each while if both go for high, each will receive 900. However, if either charges high or low, each will receive either 1500 or 350 respectively.

a) Fill in the pay-off matrix below and advice the company managers accordingly. **[10marks]**

		Company XYZ	
		Low price	High price
Company ABC	Low price		
	High price		

c) Giving examples, explain why non price competition is suitable for imperfect market structures. **[4marks]**

6. Makkio Enterprise is an agribusiness firm dealing in poultry. The firm has been purchasing inputs such as feed from the local agrovets but at the same time selling the chicken to middlemen and hotels within the vicinity. Due to high cost of production and dwindling market opportunities, the firm management has been contemplating formulation of their own feed using the locally available feed ingredients. At the same time, the firm has taken upon itself to market its chicken and where possible add value,

consequently, opening eateries specializing in chicken and chicken products a part from delivering orders to customers thus cutting down on middlemen.

- a) Identify with justifications, the strategies being pursued by Makkio Enterprises. **[4marks]**
- b) Advise the management on the dangers of pursuing the strategies identified in (a) above. **[6marks]**
- c) The firm keeps broilers, layers and *kienyeji* chicken and wants to target different markets and consumers using different attributes of the three types of the chicken being kept. Currently, healthy lifestyle, food security and efficiency in production have been topical issues being propagated by policy makers. It is always the firm's policy to add a margin of 10% on the cost.
- i. Identify the pricing method being pursued by the firm. **[2marks]**
- ii. As an agribusiness specialist, advise the management on some of the differentiation strategies they can pursue. **[6marks]**
- iii. What type of advertising will be suitable for this kind of products? **[2marks]**