JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURE AND FOOD SCIENCES

UNIVERSITY EXAMINATION FOR THE BACHELOR OF BSc. AGRIBUSINESS MANAGEMENT

3RD YEAR 2ND SEMESTER 2023/2024 ACADEMIC YEAR

SIAYA CAMPUS

COURSE CODE: AEB 1308

COURSE TITLE: AGRICULTURAL PRICE ANALYSIS

VENUE: LR I   **STREAM (BSc Agri)**

**DATE: 16/04/2024**   **EXAM SESSION: 9.00 – 11.00 AM**

DURATION: 2 HOURS

INSTRUCTIONS:

1. **Answer QUESTION ONE and any other TWO questions**
2. **Show ALL your workings and be as NEAT as possible.**
3. **Candidates are advised not to write on the question paper.**
4. **Marks allocated to each question are shown at the end of the question**

QUESTION ONE: 30 Marks

1. Ashley owns an agricultural advertising agency which is currently making zero economic profits;
    i.   Does this imply that Ashley is not making any money?   (2 marks)
    ii.   Does this imply that unless Ashley shuts down business she will go bankrupt? The answer is no. Explain   (4 marks)
2. Emmanuel who deals in cereals from his farm sets his price below the equilibrium price as shown in the diagram below
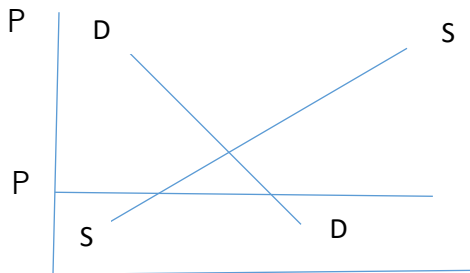
    i.   Indicate the quantity supplied and demanded at that price.   (2 marks)
    ii.   Indicate the excess demand.   (2 marks)
    iii. Explain the impact of this action on Emmanuel's cereal business. (6 marks)
3. Explain any four uses of price analysis.   (8 marks)
4. State any six considerations for pricing policies.   (6 marks)

QUESTION TWO (20MARKS)

a) State any two characteristics of perfect competition market.   (2 marks)
b) Explain the four factors comprising the general theory of price.   (8marks)

c) Explain any five causes of changes in agricultural prices.   (10 marks)

QUESTION THREE (20marks)

a) Explain any five pricing strategies you will use in selling your agricultural produce.
                                                                           (10 marks)
b) Explain how average pricing may fail to encourage the production of tender beef .
                                                                           (10 marks)

QUESTION FOUR (20marks)

a) Define production and explain the four forms of utility in relation to agricultural products. (10 marks)

b) Suppose the government is considering a ban on a specific pesticide. The ban would raise production costs and thus food prices. Harming the economy by £20 million. However, the ban would save lives due to fewer carcinogen in food. Explain how the government would use the value of a statistical life to determine if the ban benefit or harms society. (10 marks)

QUESTION FIVE (20marks)

a) Use the following marginal cost and marginal value formulas to solve the questions below

Marginal/Supply curve: P= 150+10(Q)

Marginal value/Demand curve: P= 800- 15(Q)

   i. Calculate the price and quantify using the formulas above assuming perfect competition. (3 marks)

   ii. Calculate the price and quantity using the formula above assuming a monopoly. (3 marks)

   iii. The number of beef packers (those who purchase live cattle and process then into consumable beef) has decreased dramatically over the last 30 years. The main reason is that beef packers have learned they can process beef at less cost if they build very large processing facilities. As a result, fewer beef packers are needed to process beef. Now there are only a few buyers of live-cattle but still thousands of sellers of live- cattle, Although this does bestow beef packers with market power and they can use this power to reduce the price they pay for live- cattle. Explain why live- cattle prices could actually rise due to these structural changes. (4 marks)

b) A farmer can make a counting profit of sh. 80,000 per year planting corn, sh. 60,000 per year planting Conola or sh. 40,000 per year planting sorghum. Assume only one crop will be planted. What is the opportunity cost of planting corn?. What are the economic profits of planting corn? (10 marks)