



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2018/2019 ACADEMIC YEAR  
THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS AND  
RESOURCE MANAGEMENT**

**COURSE CODE: ARE 3104**

**COURSE TITLE: AGRICULTURAL MARKETING AND PRICE  
ANALYSIS**

**DATE: 5<sup>TH</sup> DECEMBER 2018**

**TIME: 8.30 – 10.30 A.M.**

**INSTRUCTIONS TO CANDIDATES**

Question **ONE** is compulsory.

Answer any other **THREE** questions.

**QUESTION ONE**

- a. Differentiate between the following :
  - i. Price determination and price discovery (4 Marks)
  - ii. Cyclical and seasonal price movements (4 Marks)
- b. why is the cobweb model relevant for agricultural price forecasting(5Marks)
- c. what are the uses of consumer price index? (4Marks)
- d. The price of a commodity falls from Kshs. 10 to Kshs. 8. Quantity demanded rises from 100 to 150 units
  - i. What is the price elasticity of demand between the two prices? (4 Marks)
  - ii. Calculate the price volatility and explain your answer (4 Marks)

**QUESTION TWO**

Discuss the economic role of prices in;

- a. Organizing agricultural production. (9 Marks)
- b. Short run rationing of products. (6 Marks)

**QUESTION THREE**

Explain the following price setting strategies;

- a) Psychological pricing strategies (8 Marks)
- b) Geographical pricing strategies (7 Marks)

**QUESTION FOUR**

The data below refers to real tea prices (in kshs/ kg) from 2002 to 2017

Year	Real prices	Year	Real prices
2002	117	2010	132
2003	116	2011	94
2004	100	2012	99
2005	93	2013	85
2006	98	2014	89
2007	105	2015	102
2008	92	2016	63
2009	87	2017	77

- i. Compute the regression line defining the trend in prices of tea. (9 Marks)
- ii. Estimate the forecasted price for tea in the years 2018 and 2019. (6 Marks)

**QUESTION FIVE**

Explain the following concepts of the study of market organization and performance

- a. Market structure. (5 Marks)
- b. Market conduct (5 Marks)
- c. Market performance (5 Marks)