MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE IN (AGRICULTURAL ECONOMICS AND RESOURCES MANAGEMENT; AGRIBUSINESS MANAGEMENT)

COURSE CODE: ARE 3104
COURSE TITLE: AGRICULTURAL MARKETS AND PRICE ANALYSIS

DATE: 28TH MARCH, 2022   TIME: 1100-1300   .

INSTRUCTIONS TO CANDIDATES
Question **ONE** is compulsory.
Answer any other **THREE** questions.

QUESTION ONE:

a) Differentiate between Price determination and price discovery mechanisms in agricultural markets. **(4 Marks)**

b) Outline the functional approach to the study of agricultural market organisation and performance. **(9 Marks)**

c) Why is time series analysis important for agricultural prices? **(4 marks)**

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:

Explain the role of input and output prices in agricultural production decisions.

(15 Marks)

QUESTION THREE:

Explain the following price setting strategies;

    a) Psychological pricing strategies **(8 Marks)**

    b) Geographical pricing strategies **(7 Marks)**

QUESTION FOUR:

a) Outline assumption of Cobb-Web model in explaining agricultural market phenomena.

(6 Marks)

b) The data below refers to real tea prices (in KShs/Kg) between 2002 and 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. **(7 Marks)**

ii) Estimate the forecasted price for tea in the years 2018 and 2019. **(2 Marks)**

QUESTION FIVE:

a) Justify why governments should sometimes intervene in agricultural markets.

(5 Marks)

b) Explain how a government can use subsidies and taxes to regulate agricultural markets. **(10 Marks)**

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