

**CHUKA**



**UNIVERSITY**

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**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS**

**AGEC 333: AGRICULTURE PRICE ANALYSIS**

**STREAMS: AGECE Y3S1**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 03/12/2019**

**11.30 AM – 1.30 PM**

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**INSTRUCTIONS:**

- Answer ALL Questions in Section A and any Three in Section B
- Answer each question on separate pages

**SECTION A**

**QUESTION ONE**

- (a) Explain the meaning of market failure [2 marks]
- (b) Explain the eight conditions under which market forces will unlikely to operate efficiently. [8 marks]
- (c) Explain five economic roles of prices. [5 marks]
- (d) With the aid of a well labelled diagram, discuss the welfare effect of a tariff. [10 marks]

**SECTION B**

**QUESTION TWO**

- (a) Explain the five factors that are likely to influence banana farmers in Tharaka Nithi county in making a choice between the markets to sell their produce? [10 marks]
- (b) Explain five determinants of transaction costs in a market institution. [5 marks]

**QUESTION THREE**

- (a) Explain five advantages and five disadvantages of standardization/grading of agricultural products offered for sale in the markets. [10 marks]
- (b) Discuss five ways how sanitary and phytosanitary restrictions can influence the price of an agricultural commodity of an importing country. [5 marks]

**QUESTION FOUR**

- (a) Define Boarder price [2 marks]
- (b) Explain five problems likely to be encountered when using border price as a benchmark in setting and evaluating domestic price. [5 marks]
- (c) Explain four ways in which the government can use to lower the market price of a commodity. [8 marks]

**QUESTION FIVE**

- (a) With an aid of diagrams, differentiate between price determination and price discovery. [5 marks]
  - (b) With the aid of diagrams, explain the following classification of goods according to their tradability.
    - (i) Non-tradables [3 marks]
    - (ii) Exportable [3 marks]
    - (iii) Importables [4 marks]
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