

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

AGBM 831: AGRICULTURAL MARKETING

STREAMS: MSC (AGEC) YISI

TIME: 3 HOURS

DAY/DATE: THURSDAY 09/08/2018

11.30 AM – 2.30 PM

INSTRUCTIONS:

- **Answer Question One and Two other Questions**
- **Each question has 20 marks**

QUESTION ONE (20 MARKS)

- (i) Discuss three disadvantages of leaving the allocation of a country's resources to the price mechanism. [6 marks]
- (ii) Discuss the rationing function of price explaining why it is necessary for price to serve this function in agricultural market economy. [4 marks]
- (iii) Giving two examples in Kenya, explain how a price ceiling or price floor undermine the rationing and allocation function of prices. [4 marks]
- (iv) Discuss three consequences of quotas as a means of trade restriction. [6 marks]

QUESTION TWO

- (i) Is a monopoly industry necessarily bad for consumers and the economy, as the structure-conduct performance framework would seem to suggest? Discuss. [4 marks]
- (ii) Explain three reasons why market failure is common in developing countries. [6 marks]
- (iii) Explain five contemporary issues in Marketing affecting today's agribusiness in the world. [10 marks]

QUESTION THREE

- (i) Discuss four stumbling blocks to international trade and how they affect agriculture marketing in developing countries. [8 marks]
- (ii) Discuss the Three advantages of vertical integration by firms on the structure of the market. [6 marks]
- (iii) Explain three challenges that firms who integrated vertically have in product differentiation. [6 marks]

QUESTION FOUR

- (i) Imagine that the Kenyan government has the choice of having an industry be a pure monopoly, or having it be dominated by one big firm but with a competitive fringe of smaller firms. Which one will the government choose, and why? [5 marks]
 - (ii) In particular, in which type of industry will there be a larger consumer surplus. [5 marks]
 - (iii) Markets are said to have failed when they do not exist at all or when they are unable to allocate resources efficiently. Discuss the potential causes of market failure in the developing countries like Kenya. [10 marks]
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