

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN**

**UNIVERSITY EXAMINATIONS**

**2023/2024 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BSc. AGRIBUSINESS MANAGEMNT**

**COURSE CODE: AEC 312**

**COURSE TITLE: AGRICULTURAL MARKETS AND PRICE**

**ANANLYSIS DATE: 8/12/2023**

**TIME: 8-10 AM**

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**INSTRUCTIONS TO CANDIDATES**

Answer **ALL** questions:

**Time:** 2 hours

## SECTION A

- Q1. a) What are the objectives of pricing in agricultural production and marketing? (2 marks)
- b) What are the conditions for skimming the cream in agricultural pricing? (2 marks)
- c) What are the strategies employed in skimming the cream? (2 marks)
- d) Define and briefly describe penetration Pricing? (2 marks)
- e) Under what conditions can we apply penetration pricing? (2 marks)
- Q2. a) Describe psychological pricing as used in agricultural price tactics? (4 marks)
- b) Briefly describe illegal promotional pricing giving relevant examples? (3 marks)
- c) What is the effect of the following policy actions on agricultural product prices?
- i) Tax (1 mark)
- ii) Input subsidy (1 mark)
- iii) Price support (1 mark)
- Q3. a) What are price stabilization policies and what is their role in agricultural pricing? (2 marks)
- b) Explain four approaches to price stabilization in agricultural economics (3 marks)
- c) Briefly explain how monetary and fiscal policies affect agricultural prices (3 marks)
- d) How does public expenditure policies affect agricultural prices (2 marks)

## SECTION B

- Q4 (a) Explain how price elasticity of demand affects the demand for agricultural products? (3 marks)
- b) Briefly explain the agricultural problem (4 marks)
- c) State and explain the law of one price (2 marks)
- d) Briefly describe international trade restrictions giving relevant examples? (3 marks)
- e) How does International trade restrictions influence agricultural pricing in a country? (4 marks)

f) Briefly describe factor price policies for both traded and non-traded factors. (4 marks)

Q5 Use sketch diagrams to demonstrate the following:

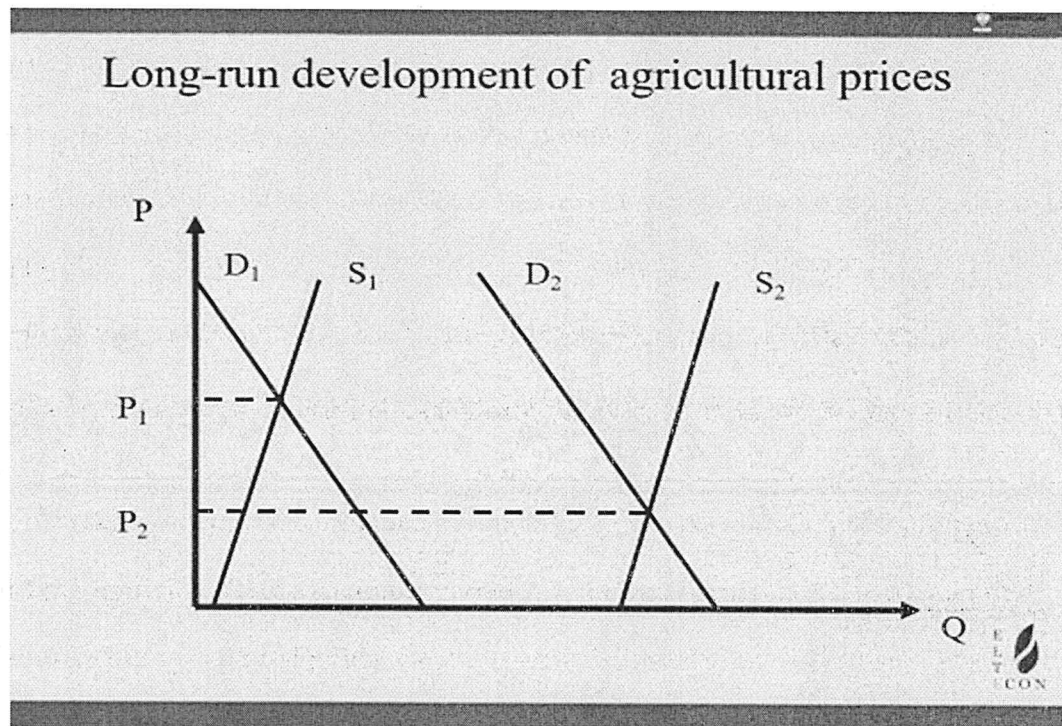
a) Producer and consumer surplus (4 marks)

b) The impact of price ceilings on the both producer and consumer surplus (8 marks)

c) The effect of imports on both consumer and producer surplus (4 marks)

d) The impact of a tax on both consumer and producer surplus (4 marks)

Q6



a) Use the figure above to explain price trends giving examples (10marks)

b) What causes agricultural price trends (5 marks)

c) Explain the  $P_1$  and  $P_2$  as shown on the graph (5 marks)

Q7. a) Briefly explain the cyclical price behavior giving relevant examples (10marks)

d) Explain the two phases of the cycle price cycle (10marks)