



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS

**BACHELOR OF AGRICULTURAL ECONOMICS AND
RESOURCE MANAGEMENT/AGRIBUSINESS
MANAGEMENT**

COURSE CODE: ARE 3106

COURSE TITLE: AGRICULTURAL MARKETING II

DATE: 8TH APRIL, 2022

TIME: 1100-1300

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

QUESTION ONE

a) Discuss four main features of a perfectly competitive market. How is price of a commodity determined under it? **(6 marks)**

b) A monopolist company plans to produce 100 units of a commodity and observes that the price elasticity of demand of output is 0.5. what advice would you give to the monopolist? **(4 marks)**

c) Given a hypothetical the following data set for an agricultural commodity

Q	1	2	3	4	5	6	7	8	9
Price	50	45	40	35	30	25	20	15	10

Compute:

i) Price Elasticity **(3 marks)**

ii) Total Revenue **(2 marks)**

iii) Marginal Revenue **(2 marks)**

d) Explain how competition is not viable in the case of natural monopoly how has government sought to promote competition in this case? **(8 marks)**

QUESTION TWO

a) Explain the conditions of short run equilibrium for an agribusiness company under perfect market competition. **(4marks)**

b) A Butchery operating in a purely competitive environment is faced with a market price of kshs 500/= per kg of red meat. The butchery total short run cost function: $TC = 6000 + 400Q - 20Q^2 + Q^3$. Should it sell the meat at the above price in the short run? **(6 Marks)**

c) A monopoly agribusiness firm has the following demand and total cost function:

$$Q = 360 - 20P \text{ (demand function)}$$

$$TC = 6Q + 0.05Q^2 \text{ (cost function)}$$

Find out how much the firm will produce and what price it will charge.

(5 marks)

QUESTION THREE

- a) Explain three main roles of government in influencing oligopolistic agricultural markets to achieve economic efficiency and protect the interest of consumers. **(8 marks)**
- b) Describe public interest theory of regulation? What price policy measures do government influence the price mechanism. **(7 Marks)**

QUESTION FOUR

- a) Write short notes on following methods of calculating price elasticity of demand for a commodity:
- i). Point elasticity formula **(1 mark)**
 - ii). Midpoint method **(1mark)**
 - iii) Cross elasticity of demand **(1 mark)**
- b) Suppose the following demand function for coffee in terms of price of tea is given by; $Q_c = 100 + 2.5P_t$
Where Q_c is the quantity demand of coffee in packs of 250gms and
 P_t = is the price of tea per 250gms pack
Determine the cross elasticity of demand when the price of tea rises from kshs 50/= per 250gms pack to ksh 55/= per 250gms pack.
(12 marks)

QUESTION FIVE

- a) Explain how government regulate oligopolistic firms from merging and reducing competition in agricultural products markets. **(7 marks)**
- b) If Energy Regulatory Authority (ERC) in Kenya sets the price of petrol equal to marginal costs, what problem will arise in agricultural products markets? How does this regulation solve this problem? **(8 marks)**

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