MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

KBT 429: AGRICULTURAL POLICY ANALYSIS

DATE: 13/12/2017 **TIME: 11:00 – 1:00 PM**

INSTRUCTIONS:

Answer question ONE and ANY TWO questions

QUESTION ONE (30 MARKS)

a) With an illustration, explain four components of agricultural policy framework (4 marks)

b) Explain five institutional policies that aim to making market work for smallholder farmers. (5 marks)

c) Explain clearly how a certain welfare distribution in a society corresponds to the Pareto efficient point on the production possibility frontier. (5 marks)

d) Explain two main models in political economy that support protection of agricultural market . (6 marks)

e) i) Define divergence identity (2 marks)

ii) Using the following data in the table below, compute and interpret the following

	Revenue	Costs	
		Tradable inputs	Domestic factors
Private prices	35	15	15
Social Prices	35	15	25
Policy effects	0	0	-15

a) Private cost ratio (2 marks)

b) Domestic resource cost ratio (2 marks)

c) Nominal protection coefficient on tradable outputs (2 marks)

d) Profitability coefficient (2 marks)

QUESTION TWO (20 MARKS)

a) Discuss five emerging trends in agricultural policy discourse in Africa and globe. (10 marks)

b) The state introduced "import quota" to improve its balance of trade. As a policy analyst advice the government on the following

i. The welfare effects of an equivalent import quota (equivalent to a 10% tariff) (5 marks)

ii. The political feasibility of introducing an import quota (2 marks)

iii. The implications of different quota rationing mechanisms. (3 marks)

QUESTION THREE (20 MARKS)

a) Elaborate five phases of agricultural policy processes. (10 marks)

b) According to the Kenyan government assessment, the equilibrium price on the Maize market is too low and farmers are unable to meet the production cost.

i. Assume the government of Kenya implements a binding minimum price. Show in an appropriate diagram the effects on the price and quantities of maize on that market. (5 marks)

ii. Farmers complain that the minimum price in (i) above has decreased their revenues. Comment on the validity of their claim. (2 marks)

iii. In order to address farmers' concerns, the government buys the market surplus at the minimum price. Who benefits from this policy and who pays for this policy? (3 marks)

QUESTION FOUR (20 MARKS)

a) Explain the roles of five key stakeholders in agricultural policy processes. (10 marks)

b)

i. Assume that the government of Kenya introduces an input policy in agribusiness system. Describe in a graph the welfare effects of an input policy. (5 marks)

ii. In what kind of situation would only the consumers but not the producers benefit from such a policy? (2 marks)

iii. Explain three problems of faced during the implementation phase of an input policy in Kenya. (3 marks)

QUESTION FIVE (20 MARKS)

a) Explain five reasons why liberalized agricultural markets are not the prevailing choice of most governments. (10 marks)

b) There are serious emerging food safety issues such as Avian Flu, Cholera, and chemical contamination among others that have been encountered in the recent past in Kenya and globally. Explain five food safety standards that have been put into place to counter food safety issues globally (10 marks)