



MACHAKOS UNIVERSITY

University Examinations 2018/2019

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF EDUCATION

AGB 205: AGRICULTURAL MARKETING

DATE: 23/4/2019

TIME: 2:00 – 4:00 PM

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Define the following terms:
- i) Price discovery (2 marks)
 - ii) Marketing mix (2 marks)
 - iii) Secular market (2 marks)
 - iv) Behavioral system approach (2 marks)
 - v) Price elasticity (2 marks)
- b) i) Explain two roles of agricultural marketing to the economy of a developing country such as Kenya. (2 marks)
- ii) Given that the demand for maize is given by $P=40-0.2Q_d$ and the supply for maize is given by $P=10+0.1Q_s$. Determine the equilibrium price and quantity in the maize market. (3 marks)
- c) i) With the aid of a diagram explain the effect of price ceiling on market equilibrium price in the wheat market. (3 marks)
- ii) Explain two functions of agricultural marketing channels in the wheat markets in Kenya. (2 marks)

- d) i) Describe two causes of market failure in the agricultural markets in Kenya. (2 marks)
- ii) Using appropriate Examples Explain the difference vertical integration and horizontal integration. (3 marks)
- e) i) Describe three characteristics of an oligopoly agricultural market in Kenya. (3 marks)
- ii) Explain two roles of ICT in agricultural marketing. (2 marks)

QUESTION TWO (20 MARKS)

- a) The annual sales for different vegetable firms are represented in the table below.

Firm	Sales (Ksh)	
A	40,000	
B	15,000	
C	23,000	
D	6,000	
E	54,000	

- i) Determine the HHI of the vegetable industry (4 marks)
- ii) Describe two types of competition in the vegetable market (2 marks)
- iii) Explain two factors that are likely to determine the demand of vegetables in Baringo (4 marks)
- b) There are two firms in an industry, each with a marginal cost of Ksh.20. The total demand is given by the following function $P = 200 - q_1 - q_2$
- i) Calculate the Cournot equilibrium in the market (5 marks)
- ii) Calculate the Stackelberg equilibrium in the market (5 marks)

QUESTION THREE (20 MARKS)

- a) A dairy company in Molo is planning to introduce a new yoghurt brand into the market. Use the 4Ps of marketing to describe the strategies that they can use in developing a market for their product. (8 marks)
- b) Describe three advantages of marketing through a cooperative society (6 marks)
- c) Explain three effects of the legal environment in agricultural marketing (6 marks)

QUESTION FOUR: (20 MARKS)

- a) Using relevant examples, Describe the main forms of product classification in agricultural marketing (5 marks)
- b) You have been appointed as a marketing manager for a flour company in Kenya. The company has some challenges in developing flour products for the local market. Identify four strategies that could be used to improve the marketing of flour. (8 marks)
- c) Describe the characteristics that make agriculture markets different from other markets. (7 marks)

QUESTION FIVE (20 MARKS)

- a) Explain four importance of international trade in agriculture within the developing countries like Kenya. (5 marks)
- b) Describe the main areas that are covered by the Agreement on Agriculture (AoA) in international trade. (5 marks)
- c) The demand function of a perfect competitive market is given by $Q_d = 240 - 6P$, where Q_d is quantity demanded and P is the price. The cost function in the market is given by $TC = 450 - 10Q_s + 2Q_s^2$. TC represents total cost while Q_s represents the quantity supply
- i) Calculate the average cost curve (5 marks)
- ii) Find the minimal average costs (5 marks)