MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

AGB 413: AGRICULTURAL POLICY ANALYSIS

DATE: 18/8/2021   **TIME: 11.00-1.00 PM**

INSTRUCTIONS:
Answer **Question ONE** and **ANY TWO** other questions

QUESTION ONE (30 MARKS)

a) Explain four forces that cause change in agricultural policy   (4 marks)

b) Explain four characteristics of a good agricultural policy   (4 marks)

c) Explain factors to consider while applying the Structure-Conduct-Performance (S-C-P) in evaluating the effects of a market-based policy intervention   (6 marks)

d) Assume that an economy is made up of 2 people and produces only 2 goods, both supplied in a fixed supply. Using relevant illustrations, describe how the two goods can be distributed among the 2 individuals to maximize their welfare   (4 marks)

e) Use the data given in the table below:

	Revenue	Costs	
		Tradable inputs	**Domestic factors**
Private prices	30	10	15
Social Prices	30	10	25

Compute and interpret

i.   Private cost ratio   (2 marks)

ii.   Domestic resource cost ratio   (2 marks)

iii. Profitability coefficient   (2 marks)

f) The Kenya parliament is in the process of amending the Finance Bill to impose 25% excise duty on imported eggs, potatoes and onions to protect farmers from stiff competition from agricultural imports. Using appropriate diagrams, explain economic welfare effects of the proposed policy instrument (6 marks)

QUESTION TWO (20 MARKS)

a) Using appropriate examples, explain four non-tariff measures (NTMs) that affect international trade in agricultural commodities (4 marks)

b) Explain four pillars for agricultural transformation in Africa as anchored in the Comprehensive Africa Agriculture Development Programme (CAADP) (4 marks)

c) With appropriate diagrams, describe three price stabilization instruments that support maize producers in Kenya to remain in business (12 marks)

QUESTION THREE (20 MARKS)

a) Explain four main dimensions that determine success of implementation of agricultural policy (4 marks)

b) Using necessary illustration, explain welfare effect of an input policy (6 marks)

c) Describe any five potential private investment pathways as stipulated by the OECD framework for investment in agriculture (10 marks)

QUESTIONS FOUR (20 MARKS)

a) A good policy making process should consider participation of different stakeholders. Identify five stakeholders and their role in agricultural policy process (10 marks)

b) African Union signed the Malabo Declaration in 2014 to support agricultural development by allocating at least 10% of public expenditure to agriculture. In 2021/22 budget allocation, Kenyan government allocated 2.2% to agriculture sector. Describe five approaches that could strengthen political good will to support agricultural transformation by Kenyan government. (10 marks)

QUESTION FIVE (20 MARKS)

a) Explain any two policy instruments that a government can adopt to cushion poor and vulnerable consumers from increasing food prices under COVID-19 pandemic (10 marks)

b) Using relevant examples in Kenyan agricultural sector, describe five phases of agricultural policy formulation process (10 marks)