



# MACHAKOS UNIVERSITY

University Examinations 2018/2019

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT AND TRADE

AGB 413: AGRICULTURAL POLICY ANALYSIS

DATE: 9/5/2019

TIME: 2:00 – 4:00 PM

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## INSTRUCTIONS

Answer question ONE and ANY TWO questions

### QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Explain the following terms as used in agricultural policy
- i) Policy process (2 marks)
  - ii) Buffer stock schemes (2 marks)
  - iii) Import restrictions (2 marks)
  - iv) Divergence identity (2 marks)
- b) Explain four main dimensions of an input policy that encourage adoption and use of technology (4 marks)
- c) Using relevant diagram, explain four components of agricultural policy framework. (4 marks)
- d) Describe three objectives of agricultural policy (6 marks)
- e) Using the following data in the PAM matrix below, compute and interpret the following

	Revenue	Costs	
		Tradable inputs	Domestic factors

Private prices	45	25	25
Social Prices	40	25	35

- i) Private cost ratio (2 marks)
- ii) Nominal protection coefficient on tradable inputs (2 marks)
- iii) Effective protection coefficient (2 marks)
- iv) Profitability coefficient (2 marks)

**QUESTION TWO (20 MARKS)**

- a) Describe main components of framework for investment in agricultural sector. (10 marks)
- b) The government of Kenya introduced a tariff to improve its balance of trade. As a policy analyst, advice the government on the following
  - i) The possible welfare effects of a tariff on welfare using necessary illustration (6 marks)
  - ii) Two reasons why the government should impose a tariff (2 marks)
  - iii) The winners and losers of a trade tariff (2 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain the roles of five key actors in agricultural policy process. (10 marks)
- b)
  - i) Discuss five emerging policy issues facing agribusiness development in Kenya. (5 marks)
  - ii) Suggest appropriate policy interventions to address each policy issue mentioned in (i) above (5 marks)

**QUESTION FOUR (20 MARKS)**

- a) Using examples in Kenya, describe five phases of agricultural policy process. (10 marks)
- b) There is political pressure to calm equilibrium price of maize flour to cushion low-income consumers from ever increasing prices. As a policy analyst advice the government on:
  - i) The appropriate policy instrument to impose and why (2 marks)

- ii) The welfare effects of the proposed policy instrument in (i) above using appropriate diagram (6 marks)
- iii) Will the proposed policy instrument hurt producers of maize and why (2 marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain three macro-economic policies and how they affect agribusiness value chain (10 marks)
- b) Using appropriate examples and graphs, explain the concept of pareto optimality as used in welfare economics (10 marks)