



# MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGB 314 : RISK MANAGEMENT IN AGRICULTURE

DATE: 6/12/2019

TIME: 11:00 – 1:00 PM

---

## INSTRUCTIONS

Answer question one and two other questions

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

- a) i) Define the term 'risk' as applied in agribusiness (3 marks)
- ii) If we know for certain that a loss will occur, is there risk? Yes/No? Explain. (3 marks)
- b) Outline the steps for effective risk control by agribusiness managers. (5 marks)
- c) Describe the various kinds of risks an agribusiness entrepreneur is likely to confront in their business. (5 marks)
- d) Explain 5 factors which will guide agribusiness managers in making decisions on risks to be retained in organizations and those to be transferred to other organizations (5 marks)
- e) Land sub-division and fragmentation is a common practice in Kenya. Describe the following:
- i) Two main kinds of risk(s) faced by agribusinesses due to this problem. (4 marks)
- ii) the strategies to manage the risk(s) identified in (i) above. (5 marks)

### QUESTION TWO (20 MARKS)

Farmer Joe has been growing food for family consumption much of his life. At times he has managed to produce surpluses of grain which he sold in the local market. The income from these sales slowly built up allowing him to diversify into a higher value farm enterprise; egg production.

Owing to poor rains last year, his maize harvest failed and some of his chickens died after contracting Newcastle disease. Farmer Joe was worried about what to do over the next season. He needed to take decisions that would not be risky and threaten the family food security.

Describe 5 risk reducing measures Farmer Joe could consider for each enterprise under the following categories:

- a) risk reducing technologies (5 marks)
- b) building trust (5 marks)
- c) joining a producer group (5 marks)
- d) contract pricing (5 marks)

### **QUESTION THREE (20 MARKS)**

The weather index insurance (WII) instrument is an alternative to traditional crop insurance used in developing countries. Fully define and describe the following:

- a) The differences between these two forms of insurance in agriculture. (10 marks)
- b) The advantages of weather index insurance for livestock farming systems in developing countries. (10 marks)

### **QUESTION FOUR (20 MARKS)**

- a) With typical examples, discuss the risks prevalent in the agricultural supply chains (10 marks)
- b) Explain 4 different techniques which agribusiness managers can use in risk identification. (10 marks)

### **QUESTION FIVE (20 MARKS)**

Farmers around the world cope with various risks in agriculture by following traditional as well as more modern farm practices.

- a) Describe 3 farm management practices that can be considered as tools for risk management. (6 marks)
- b) Describe the two main factors constraining financial markets for agriculture in developing countries. (7 marks)
- c) Describe how the marketing of farm commodities impacts the financial success and well-being of a farm family. (7 marks)