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University Examinations 2013/2014

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR CERTIFICATE/DIPLOMA IN AGRICULTURE

BUS 0161 – PRODUCTION ECONOMICS AND AGRICULTURAL MARKETING

DATE: DECEMBER 2013 **TIME: $1\frac{1}{2}$HOURS**

INSTRUCTIONS: *Answer question **one** and any other **two** questions*

QUESTION ONE – 30 MARKS

(a) Define the following terms as used in Agricultural Production

(i) Agricultural Marketing (2Marks)

(ii) Opportunity cost (2Marks)

(iii)The Law of diminishing returns (2Marks)

(b) State any four agricultural marketing problems. (4Marks)

(c) Most farmers in Kenya are not concerned about the marketing mix, why? (4Marks)

(d) Mrs Mwangi buys milk from Mr. Mutuma's shop. Mr. Mutuma purchases milk from Gakurine farm. What are the objectives of:

(i) Mrs. Mwangi

(ii) Mr. Mutuma

(iii) Gakurine farm (11Marks)

(e) In preparation for the holiday season, the farm decides to increase its labour input from 4000 hours per week to 4100 hours per week. In return productivity increases from 8000 bags to 12000 bags per year. Calculate the farms average labour elasticity of output. (5Marks)

QUESTION TWO – 15 MARKS

(a) Discuss agricultural marketing functions. (10Marks)

(b) Differentiate between long run and short run time periods using relevant examples. (5Marks)

QUESTION THREE – 15 MARKS

Illustrate the stages of production. Which stage is rational and why? (15Marks)

QUESTION FOUR – 15 MARKS

Suppose a production function for a firm operating in a perfectly competitive labour market and a perfectly competitive output market is given by the following:

$Q = 100 + 10N – N^2/40$

(i) If the price of output produced by the firm is sh. 10 per unit, write the equation for the firm's value marginal physical product VMPP curve? (5Marks)

(ii) Calculate the optimal labour demand, the level of output and profits for the firm if the equilibrium wage is Kshs. 40. (10Marks)

QUESTION FIVE – 15 MARKS

Using isoquant and isorevenue curves, explain the least cost combination principle. (15Marks)