

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: ECO 416**

**COURSE TITLE: AGRICULTURAL ECONOMICS I**

**DATE: 9TH FRBRUARY, 2018**

**TIME: 2.00 P.M- 5.00 P.M**

**INSTRUCTIONS TO CANDIDATES:**

Answer question **ONE** and any other **THREE** questions.

**QUESTION ONE (25 MARKS)**

1. Explain the following terms;
2. Market margin, (2 marks)
3. Marketed surplus, (2 marks)
4. Marginal rate of product substitution, (2 marks)
5. Inequalities, (2 marks)
6. Moral hazard. (2 marks)
7. Explain any **one** model for analyzing farmer’s behavior under uncertainty. (4 marks)
8. Assume that the possible revenue from two projects/investments and their expected probability is as given below:

|  |  |  |  |
| --- | --- | --- | --- |
| Project  | State of economy (situation) | Probability of occurrence | Possible outcome of the project |
|  X | Boom  | 0.25 | 1400 |
| Normal  | 0.50 | 1200 |
| Recession | 0.25 | 1000 |
|  Y | Boom  | 0.25 | 1800 |
| Normal | 0.50 | 1200 |
| Recession  | 0.25 | 600 |

 The farm operator has Kshs.4000. He has 2 project/investment opportunities i.e.; project X and Y.

 **Required;**

1. Compute the expected revenue for each project. (2 marks)
2. Calculate the standard deviation of each project. (2 marks)
3. For the farm operator to avoid risk, which project should he/she chose? Give reason (s). (2 marks)
4. Use a hypothetical example to show how a linear programming (LP) model is designed. (5 marks)

**QUESTION TWO (15 MARKS)**

1. Explain the different preferences for risks by individual farmer. (6 marks)
2. Discuss the typical farm management decisions a farm operator makes. (9 marks)

**QUESTION THREE (15 MARKS)**

1. Explain the role marketing intelligence play in the field of agriculture. (9 marks)
2. Differentiate between the concepts; price efficiency, economic efficiency and technical efficiency. (6 marks)

**QUESTION FOUR (15 MARKS)**

1. Discuss the different types of production responses in an input-output product relationship. (10 marks)
2. Explain briefly the importance of agricultural economics. (5 marks)

**QUESTION FIVE (15 MARKS)**

1. Describe any **four** principles of combining enterprises in a product-product decision (s). (8 marks)
2. Suggest the remedial measures that farm operators can apply to reduce marketing cost. (7 marks)