THE COOPERATIVE UNIVERSITY OF KENYA

EXAMINATION FOR THE BACHELOR OF SCIENCE IN AGRIBUSINESS

Year 2 sem 1 **time :two hours**

Instructions: answer question one and any other two questions

Bafs 2112: agricultural economics

INSTRUCTIONS

Answer question one and any other two questions.

Question One

i)Outline the factors that cause a shift in demand of agricultural products.(5 Marks)

ii)What is the importance of the concept of elasticity in agriculture?(5 Marks)

ii)Explain the three concepts of return to scale.(5 Marks)

iii)Explain the difference between principle of absolute advantage and that of comparative advantage.(5 Marks)

iv) discuss the impact of agricultural policy actions on agricultural productivity in Kenya

(10 marks)

QUESTION 2

Question Two

The following is a hypothetical production function for a small scale coffee farmer in Meru.
Land Labor Total Product (TP)

Land size	**Production in tonnes**
1. 0	**0**
1. 1	6
1 .2	16
1. 3	24
1. 4	30
1 .5	34
1 .6	34
1 .7	32

1 .8	26

From the above hypothetical illustration:

i)Calculate the average and marginal product of labor.(4 Marks)

ii)Illustrate with a well labeled graph the three stages of production and with reasons identify the rational stage of production.(5 Marks)

iii) Identify and state the economic law derived from this production function and state its assumptions.(6 Marks)

iv) Discuss the concept of product substitution and its impact on agricultural production (5 marks)

Question 3

According to the GEA report (UNEP, 2014), Agriculture is the mainstay of Kenyan economy, contributing to 24 per cent of national GDP valued at KSh 342 billion (USD 4.5 billion) and another 27 per cent indirectly valued at KSh 385 billion (USD 5.1 billion) in 2012 (GoK, 2012). This sector in Kenya is large and complex, with a multitude of public, parastatal, non-governmental and private actors, accounting for 65 per cent of Kenya's total exports (GoK, 2012). Moreover, the sector employs over 40 per cent of the total population and over 70 per cent of the rural population. Agriculture also provides livelihoods (employment, income, and food security needs) for more than 80 per cent of the Kenyan population (FAO, 2010)

I) Outline the role of agricultural policy on Kenya's agricultural sector (14 marks)

ii)Give examples of agricultural policies that have contributed to the growth of the sector in the 21st century (6 marks)

QUESTION 4

Agriculture has a great potential in ensuring increased economic growth and development in our country and this can be extrapolated by transitioning from subsistence agriculture to agribusiness

Required

I. Discuss the role of agriculture in economic development (8 marks)
II. Outline the role of environmental policies on development of the agricultural sector in Kenya (12 marks)

QUESTION 5

Agricultural trade involves the buying and selling of products that have been produced through the forestry and farming industries. It can give consumers greater access to a variety of agriculture goods, often at more affordable prices.

1) Outline the salient features of international trade (8 marks)

11) Discuss the role of agricultural trade in enhancing agricultural production in the east African region (12 marks)