



Strathmore
UNIVERSITY

STRATHMORE UNIVERSITY BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

END OF SEMESTER EXAMINATIONS

MMA 8102: AGRIBUSINESS POLICY

Date: Thursday, 7th February 2019

Time: 3 Hours

Instructions

1. This question paper consists of FOUR (4) questions.
2. Answer ALL questions.

Question 1 (20 Marks)

- a) The table above shows the farm budget analysis for large scale maize producers in Kenya in 2018 compared to 2017. Column 1 represents 2018 and column 2 2017. Study it and answer the questions that follow

Cost of maize production in Kenya in 2017

| | Trans Nzoia | | Uasin Gishu | |
|--|--------------------|--------------|--------------------|--------------|
| Maize yields (90kg bags/acre) | 24 | 19 | 24 | 20 |
| Seed | 2,020 | 1,810 | 1,878 | 1,810 |
| Fertilizer | 4,791 | 6,800 | 6,313 | 6,200 |
| Pesticides & fungicides | 1,283 | 1,500 | 1,528 | 1,010 |
| Herbicides | 3,450 | 1,100 | 2,550 | 1,500 |
| Machinery | 9,903 | 10,150 | 7,281 | 9,500 |
| Labor | 6,062 | 5,946 | 6,775 | 6,042 |
| Transport (crop output) | 2,125 | 1,200 | 775 | 840 |
| Others (gunny bags, sisal twines) | 1,483 | 777 | 2,137 | 820 |
| Working capital | 2,178 | 2,050 | 2,047 | 1,941 |
| Production costs | 33,296 | 31,332 | 31,284 | 29,662 |
| Production costs per bag | 1,387 | 1,649 | 1,331 | 1,483 |
| Land rent | 10,000 | 12,000 | 10,000 | 12,000 |
| Total production costs (with land rent) | 43,296 | 43,332 | 41,284 | 41,662 |
| Total production costs per bag (with land rent) | 1,804 | 2,281 | 1,757 | 2,083 |

- b) Using evidence from the table, identify four policy issues and make recommendations that if implemented would reduce the cost of production for the farmers. **(8 Marks)**

- c) Study the table below that shows the computation of a single-commodity PAM for High Yielding Paddy and answer the questions that follow.

| | Revenues | Costs | | Profits |
|-------------|-----------|---------|-----------|-----------|
| | | Input | Factor | |
| Private | 7,230,000 | 966,000 | 2,082,500 | 4,181,500 |
| Social | 5,784,000 | H | 2,142,500 | I |
| Divergences | J | -55,000 | -60,000 | K |

- (i) Work out the social costs H, social profit I, divergences J and net welfare transfer K. **(4 Marks)**
- (ii) Work out the profitability coefficient, Nominal protection coefficients for output and inputs, Effective protection coefficient and subsidy ration for producers and interpret the results of the high productivity, wet season paddy PAM. **(8 Marks)**

Question 2 (20 Marks)

- (i) The role of governments in agriculture and agribusiness development appears contradictory. While it is supposed to create a conducive investment environment in agriculture sector, they have implemented policies that have contributed towards market failure in agriculture and agribusiness environment. Account for the contradictory roles of the government using political economy models. **(12 Marks)**
- (ii) One of the aims of fertilizer subsidy programs was to increase maize production and productivity in Kenya. However, over time, Kenya has continued to be a food deficit country. As a policy expert, briefly describe how you would assess the arguments for and against this government policy. **(8 Marks)**

Question 3 (20 Marks)

- a) In the recent times, exciting development worldwide have created the impression that agriculture is no longer the cornerstone of Kenya Economy.
- (i) Identify and describe THREE emerging trends that influence agriculture. **(6 Marks)**
- (ii) What are the main objectives of policy formulating agricultural trade policies policy in developing countries? **(4 Marks)**
- b) Monopoly's are known to be inefficient in an economy.
- (i) Using a suitable illustration, explain the inefficiencies associated with monopolistic firms **(6 Marks)**

- (ii) Describe how a policy framework would be important in analyzing the policy effects of a monopolistic firm. **(4 Marks)**

Question 4 (20 Marks)

- a) Agribusiness development plays an important role towards the realization of a food secure country under Jubilee government in Kenya, it is necessary to establish long term agribusiness trade policies. Describe how you would establish sector specific long term agricultural trade policies **(12 Marks)**
- b) Strathmore Business School is planning to hold a workshop on the contribution of agribusiness development to food and nutrition security in Kenya.
- (i) Briefly describe the criteria you will use to identify the stakeholders who will be in attendance **(4 Marks)**
- (ii) Highlight the dimensions of food and nutrition security would you expect to be discussed during the workshop **(4 Marks)**