



STRATHMORE UNIVERSITY BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

END OF SEMESTER EXAMINATIONS

MMA 8107: ECONOMICS OF AGRIBUSINESS

Date: Friday, 22nd February 2019

Time: 3 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Attempt **Question ONE** and **ANY THREE** other questions

Question 1 (Compulsory) (40 Marks)

- a) With the help of well Labelled diagrams, discuss the short run, the intermediate run and the long run supply and demand dynamics of coffee prices in New York after bad weather (A freeze or drought) in Brazil. **(15 Marks)**
- b) Using relevant examples and indifference curves differentiate perfect complements and perfect substitutes **(10 Marks)**
- c) Differentiate the concept of consumer surplus and producer surplus and demonstrate the welfare implications of a drought **(15 Marks)**

Question 2 (20 Marks)

- a) Look at the short-run production function given in the table below. The current market price for your output is 5.

L	Q
0	0
1	20
2	38
3	54
4	64
5	70

If the current wage rate for labor was 75, how many units would you employ to maximize profits? **(10 Marks)**

b) The following table gives the relationship between quantities and different cost measures for a competitive firm. Recall that MC stands for Marginal Cost and ATC stands for Average Total Cost. At a price of 15 what quantity should this firm supply to maximize its profits and what profits will the firm earn? (Assume you cannot have fractions of units – so you must pick a whole number.) **(5 Marks)**

c) With the help of a graph discuss the breakeven point of a perfectly competitive firm **(5 Marks)**

Question 3 (20 Marks)

The debate over trade policy is often contentious. Whenever a policy creates winners and losers, the stage is set for a political battle. Discuss the common arguments by Nations for restricting International trade for agricultural products.

Question 4 (20 Marks)

Discuss the typical real roots of the farm problems that leads to government interventions in agriculture.

Question 5 (20 Marks)

What can agriculture do for development? Discuss