KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

KBT 207: AGRIBUSINESS PRICE ANALYSIS AND FORECASTING

DATE: Monday 2nd April 2012 **TIME:** 8.00a.m – 10.00a.m

Instructions: Answer Question 1 and any other 2 questions

1. (i) Explain the difference between price determination and price discovery. (5 marks)

   (ii) A group of farmers would like to market their vegetables to a supermarket chain in the capital city. Explain the pricing system that would be suitable for them. (5 marks)

   (iii) 'Maize is considered an important food crop in Kenya.'

   (a) Would the government be justified to give price floors? Explain your answer. (5 marks)

   (b) If the government puts a quota on the amount of maize imported, explain the changes that would occur in the maize market. (5 marks).

   (c) With the aid of a diagram, explain the effect on demand for maize if a per unit tax was added to the consumer. (5 marks).

   (iv) Explain why a demand curve will often exhibit elastic, inelastic and unitary elasticity along the same curve. (5marks)

   (v) Briefly discuss the importance of forecasting for an agribusiness firm. (5 marks)

   (vi) The price of a commodity falls from Shs.10 to Shs.8. Quantity demanded rises from 100 to 150 units.

   (a) What is the price elasticity of demand between the two prices? (2 marks)

   (b) Calculate the price volatility and explain your answer. (3 marks)

2. Write short concise notes on the following:

(i). Price skimming,

(ii). Psychological pricing,

(iii). Unorganized non collusive oligopoly (15 marks)

3. The data below refers to real coffee prices (in Kshs/Kg) between 1995 and 2010.

Year	Real prices	Year	Real prices
1995	117	2003	132
1996	116	2004	94
1997	100	2005	99
1998	93	2006	85
1999	98	2007	89
2000	105	2008	102
2001	92	2009	63
2002	87	2010	77

(i). Compute the regression line defining the trend in real prices of coffee. (8 marks)

(ii). Estimate the forecasted price for coffee in the years 2001 and 2002. (4 marks)

(iii). List the elements of a good forecast. (3 marks)

4. Using the data provided in question 3 above;
   (i). Calculate cyclical deviation from the trend line using a 3year moving average approach. (12 marks)
   (ii). Suppose the average trend is maintained, calculate the expected prices for the 3 year cycle beginning 2011. (3 marks)