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**2<sup>ND</sup> SEM. 2004/2005**

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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**PROGRAMME:                   DEGREE IN AGRICULTURE (AEM OPTION) IV  
                                          DEGREE IN AGRICULTURAL EDUCATION IV**

**COURSE CODE:                AEM 408**

**TITLE OF PAPER:             AGRICULTURAL MARKETING**

**TIME ALLOWED:              TWO (2) HOURS**

**INSTRUCTION:                ANSWER ALL THREE (3) QUESTIONS**

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GRANTED BY THE CHIEF INVIGILATOR**

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**QUESTION ONE**

- a. Assume two separate areas within Swaziland, an urban area (Manzini) and a rural area (Hathikulu) both of which produce and consume a staple food crop such as maize. The areas are subject to different demand and supply forces in their maize markets. The Manzini area is densely populated with a high level of maize demand and a relatively low level of production. By contrast, the Hathikulu is less densely populated and has favourable production conditions such that at any given price demand for maize is relatively low and supply is relatively high compared to that in Manzini area. Using two separate graphs and related description, illustrate how the free –market price differentials between the surplus and deficit areas could be eliminated.

**(15 Marks)**

- b. A common form of government intervention such as maize pricing policy adopted by National Agricultural Marketing Board of Swaziland could lead to efficiency loss of pan-territorial pricing you have just described above. Why?

**(10 Marks)**

- c. A market system is a form of organization of the economy in which decisions on resource allocation are left to the independent decisions of individual producers and consumers acting in their own best interests without central direction. With this in mind, describe the roles played by price in the market system.

**(15 Marks)**

**QUESTION TWO**

- a. I once witnessed an argument between two friends Mr. Simelane and Mr. Twala concerning marketing margins. According to Mr. Simelane, the only way any government can reduce the high marketing margin of any crop is for the government to provide enough incentives to the farmers to increase the level of production of such crops. Mr. Twala, on the other hand, argued that by doing so would rather increase the marketing margin than decreasing it. Because their debate on the issue was so very fascinating to me, I followed with keen interest. After they had paused for a while, they asked me of my personal opinion. I supported Mr. Simelane's views. Which of them would you support? Give reasons for your choice of answer.

**(18 Marks)**

- b. It is not unusual to encounter the view that the farmer's share of the retail price of food products is too small, and that retail-farm-gate margins are excessive and include elements of excess profit. As marketing expert, explain with convincing reasons whether or not you concur with those who bluntly argue in this direction

**(12 Marks)**

### **QUESTION THREE**

In his study of vegetable market in the country, Mr. Twala solicited information on prices and quantities of cauliflower from 80 randomly selected vegetable sellers in Mahlanya. His analysis revealed that above the price of E4.00 per unit of cauliflower, demand is slightly inelastic, while below the price of E4.00 demand is slightly elastic.

- a. Graphically illustrate what might the demand for the cauliflower look like.

**(12 Marks)**

- b. If Mr. Shongwe, one of the sampled farmers approaches Mr. Twala for an advice with regards to how he can maximize his total revenue by either raising or lowering the price, what should Mr. Twala tell him? Use the graph you have just produced to illustrate your points.

**(18 Marks)**