



UNIVERSITY OF SWAZILAND
FINAL EXAMINATION PAPER

1st SEMESTER 2009/2010

**PROGRAMME: BSc AGRICULTURAL ECONOMICS &
 AGRIBUSINESS MANAGEMENT**

COURSE CODE: AEM 403

TITLE OF PAPER: AGRICULTURAL MARKETING

TIME ALLOWED: TWO (2) HOURS

**INSTRUCTIONS: Candidates are required to answer QUESTION 1 and any
 other TWO of the THREE remaining questions.**

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BY THE CHIEF INVIGILATOR.**

QUESTION 1

While farmers and consumers in Swaziland sometimes do meet directly in markets, most foods move through a complex processing and distribution system. Thus it is not surprising that prices in retail stores are much higher than the prices of farm products paid to farmers. Consequently, substantial research has been done in agricultural economics regarding these distortions.

- a) Discuss the meaning of these distortions, graphically and in details all the differentials. [20 marks]
- b) The conceptual literature suggests that these distortions depend among other things, on the supplies and prices of inputs to the marketing sector. Show empirically the steps followed in deriving the complete aggregate retail-level demand model:

$$p = b_0 + b_1q, b_1 < 0 \quad [20 \text{ marks}]$$

QUESTION 2

- a) Distinguish between price determination and price discovery in the dairy industry of Swaziland [15 marks]
- b) Discuss the different mechanisms of price discovery found in the dairy markets [5 marks]
- c) Outline the effectiveness of alternative price discovery mechanisms in reducing transaction costs in the dairy industry. [10 marks]

QUESTION 3

- a) **The National Marketing Board is a government-owned company that markets vegetables supposedly from smallholder farmers in Swaziland. The Board has been losing market shares to private traders. You are a local agricultural consultant and have been contracted to develop a marketing plan for the Board. Outline in detail the data you would collect and the analysis you would carry out. [15 marks]**
- b) **Graphically illustrate what effect an increase in the price of beef would have on the price movement of pork over a period of years, assuming the market demand for pork is less elastic than market supply. [15 marks]**

QUESTION 4

Theoretically contracts are agreements which are made binding by the law of the countries and will enforce and entered into by two or more persons, in which only one of them undertakes to deliver something, or to do or not to do something. However, in life there are many agreements which are not necessarily contracts.

- a) **For an agreement to be a valid and binding one, it must comply with at least five conditions. Discuss these in detail. [10 marks]**
- b) **How does one repudiate a contract that has been entered into? [10 marks]**
- c) **The delivery of a thing is important because ownership passes from the seller to the buyer at the moment of delivery. Explain at least six transactions that determine that a delivery has taken place and ownership has passed. [10 marks]**