AGRICULTURE ECONOMICS (V)

This topic entails the following:

- Market and marketing
- Types of markets
- Supply and demand
- Marketing functions
- Problems of marketing
- Agricultural organizations

The following relevant questions and their answers in this topic will greatly motivate and help the user to comprehend and understand the required concepts and practices.

1. a) Explain the principle that govern the operations of farmers' co-operative societies

   b) Explain the role of agricultural cooperatives in Kenya

   c) Explain various functions of agricultural marketing

2. a) Give **four** marketing functions

   b) Outline **four** problems associated with marketing of agricultural products

3. State **two** roles of agricultural society of Kenya

4. (a) What is elasticity of demand for a commodity

   (b) Given that at a price of shs.1000 per bag, 20 bags of maize are demanded but when the price changes to shs.800 per bag, 22 bags are demanded. Calculate the elasticity of demand. Show your working

   (c)Outline **six** problems of marketing maize as an agricultural product

   (d) Determine **nine** principles governing cooperatives in Kenya

5. Outline **four** reasons why training is important in some crops

6. (a) Explain marketing activities in Agriculture

   (b) Discuss problems experienced in marketing of Agricultural products

7. What is elasticity of supply

8. How do the governments control prices of essential farm produce

b) Explain the roles of Agricultural co-operatives in Kenya

9. State the law of demand and supply.
10. What do the following initials stand for?
    (i) K.N.F.U – Kenya National Farmers Union
    (ii) H.C.D.A – Horticultural Crops Development Authority
11. (a) What is a co-operative society

    (b) List **two** functions of co-operatives

    (c) State and explain the nine principles of governing co-operatives

12. Give **four** factors which influenced the demand of tomatoes in the market

AGRICULTURE ECONOMICS (V)

1. a) the principle that govern the operations of farmers' co-operative societies

- Open membership
- Equal rights
- Share limit
- Neutrality
- Non- profit motive
- Loyalty
- Withdrawal of membership

b) the role of agricultural cooperatives in Kenya

- Provide education/ technical information to members
- Negotiate for higher prices for members products
- Market farmers produce
- Help to negotiate for loans for members without security
- Provide inputs to members at lower prices
- Invest and pay out returns to members in form of dividends
- Provide transportation, storage and use of machinery to farmers

c) various functions of agricultural marketing

- Advertising: They advertise farm products in order to increase demand
- Financing: Provide capital to carry out agricultural activities
- Transportation: Provide transport to farm produce to the areas of consumption
- Storage: store farm produce after harvest in order to minimize losses
- Selling: Sell on behalf of the farmer
- Packing: pack the farm produce to reduce storage space and make transportation easy
- Processing: process the farm produce in order to provide a variety, increase value and prolongs shelf life
- Grading: putting into grades to provide uniform standards

- Assembling: gathering the farm produce for bulking and transportation
- Insurance: Bearing risks by protecting farm damage

d) Explain five problems farmers face in marketing agricultural products

- Perishability: detoxation of quality
- Seasonability: affect price and storage problems
- Bulkiness: occupy large space hence problems of handling and storage
- Storage: lack of storage facilities on farms
- Poor transport system: Lead to spoilage of farm produce
- Change in market demand: time between planning and actual production create lack of market
- Lack of market information: concerning prices, how much to produce, where to sell goods; farmers end up disposing of the surplus at throw away prices
- Fluctuation in market price due to seasonality in nature of agricultural products
- Poor marketing systems for some produce: Result in lack of market

2. a) four marketing functions (4mks)

- Buying and assembling
- Transportation and distributing
- Storage
- Packing
- Processing
- Grading
- Marketing research
- Selling
- Financing
- Bearing risk

(4x1=4mks)

b) Outline four problems associated with marketing of agricultural products. (4mks)

- perishability
- seasoning
- bulkiness
- poor storage facilities
- poor transport system
- lack of market information
- limited elasticity of demand

3. Two roles of agricultural society of Kenya

- Promotes the agricultural industry
- Organizes national ploughing competitions
- Publish the Kenya farmer magazine
- Improve useful indigenous animals
- Publish a ‘stud’ book
- Hold competitive shows
- Hold trade fairs on livestock
- Demonstration on how to use agricultural machinery
- Encourage breeding and importation of pure breed stock

4. (a) Elasticity of demand for a commodity is the degree of responsiveness of demand to price

OR - The sensitivity of demand to change in price (1mk) (mark as a whole)

(b) Calculation of the elasticity of demand:- mk (4mks)

Elasticity of demand = $\frac{\%\ \Delta\ \text{Quantity}}{\%\ \Delta\ \text{price}}$

$\%\ \Delta\text{Quantity} = \frac{\text{Change in quantity}}{\text{Quantity}} \times 100$

$= \frac{(1000 - 800)}{800} \times 100 = 25\%$ mk

$\%\ \Delta\text{Price} = \frac{\text{Change in price}}{\text{price}} \times 100$

$= \frac{(20 - 22)}{22} \times 100 = 9\%$ mk

$Ed = \frac{25}{9} = 2.8$ mk

(c) Six problems of marketing maize as an agricultural product

- Bulkiness
- Poor storage
- Seasonality of crops hence demand
- Perishability of farm produce
- Poor transport system
- Delayed payments
- Competition from cheap imports (1mk x any6pts = 6mks)

(d) Nine principles governing cooperatives in Kenya

- Open membership- voluntarily joining on payment of membership fees
- Equal rights – One man one vote run democratically
- Share limit – A member buys shares up to a specific maximum limit.
- Interest on shares – Any money distributed according to shares
- Withdrawal form ownership – voluntarily
- Loyalty – Members to be faithful and loyal
- Education – continuously educating its members
- Co-operative principle- cooperative members joint cooperative movement
- Non-profit motive – cooperatives are non-profit making organizations

5. Four reasons why training is important in some crops

- Facilitate field practices of spraying and harvesting
- Improves crop quality by preventing solving
- Enable crop grow in the required direction
- Improve yield
- Control pest and diseases

6 . a) - Buying and assembling – acquisitions from small scale farmers and accumulate

- Transporting and distribution – from area of production to areas of consumption and retailers
- Storage – kept to accumulate in amount before selling off or to wait for time of scarcity
- Packing- to protect agent damage, theft
- Processing – involve preparation of produce for consumption e.g. pasteurizing milk
- Grading and sorting – placing in groups according to size, colour e.t.c.
- Each group attracts different prices
- Packaging – presentation of produce in a way to attract consumers e.g. labeling, good packing materials
- Collecting marketing information – through media, on prices and demands of goods on markets
- Selling – Final presentation of produce to consumer's e.g. advertising, display e.t.c.
- Financing – availing capital for marketing activities
- Bearing risks – at each stage of marketing, apart is to bear the cost of uncertainties

b) - Marketing problems of agri products

- Perishability – short life cycle
- Seasonality – supply depends on the season/ vary with season
- Bulkiness – demand for more space Vs value
- Storage – need costly storage e,g. cold rooms, refrigeration
- Poor transport system especially in rural areas
- Changes in market demand – take long to produce hence cannot meet changes in market
- Limited elasticity of demand – restrict supply
- Lack of market information

7. Is the degree of responsiveness of supply to change in price

8. - Giving subsidies by reducing the cost of production inputs
   Fixes prices of the related products

b) The role of Agricultural Co-operatives in Kenya

- Co-operators pool their resources together to buy expensive machinery e.g. tractor for use by the members
- Provide education/ technical information to members
- Provide loans to members in form of inputs and cash
- Negotiate for higher prices for members
- Reduce overhead costs e.g. transportation, storage and use of machinery
- Bargain with supplier to give discount on seed, fertilizers and other farm inputs/ provide inputs at lower prices
- Provide employment for their members
- Benefit members from lower taxes charged
- Provide strong bargaining power for members on policy issues
- Market farmers produce

- Invest and pay out returns to members in form of dividends
- Help to negotiate for loans for members without security
- Some provide banking services to members

9. Law of demand – when the price of a good or service is low, many consumers are able and willing to buy it and vice versa

- Law of supply – when the price of commodity is high, many sellers are able to provide the commodity in market for sale. (mark as a whole)

10. (i) K.N.F.U – Kenya National Farmers Union
(ii) H.C.D.A – Horticultural Crops Development Authority

11. a)- It is an organization of people who have joined together voluntarily with a common purpose for a mutual economic benefit

b) Two functions of co-operatives
- Marketing farmers produce
- Negotiating for fair prices for farmers produce and also for Inputs
- Keeping records of the co-operative activities and informing the members accordingly
- Paying dividends to the members
- Giving loans in hand to the members
- Educating the members on matters relevant to their co-operative through field days, seminars, workshops and demonstrations

c) - Open and voluntary membership: Rights of anybody who fulfills the conditions set out by the laws of co-operative society
- Democratic control: All members have equal rights to say on the affairs of the co-operative
- Each member is only allowed one vote regardless of shares possessed
- Share limit: All members should have equal chances of buying shares
- Distribution of dividends: Any profits should be distributed to members as dividends depending on their share contributions
- Withdrawal of membership: Should be voluntary
- Selling of produce: Only members can sell their produce through the co-operatives
- Loyalty: members are bound to be loyal to their co-operative society
- Non- profit motive: Co-operatives are not supposed to be profit motivated. They should sell their products to members at seasonable prices
- Co-operative organization: The co-operative should join the co-operative movement from primary level to national or international level
- Co-operative should sell on cash – goods sold on credit are sometimes not paid for
- Continuous expansion: Co-operatives should aim at continuous expansion in terms of membership and physical facilities
- Neutrality: Co-operatives should be neutral in terms of religion, politics or language

12. four factors which influenced the demand of tomatoes in the market

- Quality of tomatoes
- Price of tomatoes
- Presence of other substitutes
- Price of the substitute