MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMENCE

Department of Agriculture Economics and Development

INTRODUCTION TO AGRICULTURE ECONOMICS

CODE: AEDT101

SESSIONAL EXAMINATIONS
SEPTEMBER 2021

DURATION: 3 HOURS

EXAMINER: Ms. P. Dube

INSTRUCTIONS

1.   *Answer **any four** questions*

2.   *Each question carries 25 marks*

3.   *Total marks 100*
(Graph paper to be provided)

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Question 1

a) Define the following terms:
   i)   Derived demand for inputs   **[2]**
   ii) Least Cost combination   **[2]**
   iii) Equi-marginal principle   **[2]**
   iv) Microeconomics   **[2]**

b) Outline at least eight (8) features of agricultural production that distinguishes it from industrial production.   **[8]**

c) With the aid of a well labeled diagram explain the concept of opportunity cost, choice, scarcity, allocative efficiency and production efficiency
                                                                              [9]

Question 2

a) The table below shows the production cost and the corresponding quantities of mushrooms for a Women Cooperative Group in Chigodora growth point.

Quantities of potatoes produced (kg)	Total Cost ($)
0	100
10	200
20	280
30	330
40	360
50	450
60	600
70	770

Using the information provided on the table above determine:

i) The fixed cost and explain your answer   **[2]**
ii) The variable costs of producing 30 kg of potatoes   **[2]**
iii) The average cost of producing 40 kg of potatoes   **[2]**

b) Using the information in the table above, draw **one** graph showing the following
   i)   Total costs (label the curve TC)

ii)   Total variable costs (label the curve VC)

iii)   Total fixed costs (label the curve FC)   **[16]**

c) With reference to the graph you have constructed in part (b) does the graph resemble the short run or the long run? Explain your answer.   **[3]**

Question 3

a) Discuss the following laws of returns:

   i.)   Law of increasing returns

   ii.)   Law of constant returns

   iii.)   Law of decreasing returns   **[9]**

b) Mr Dickson recently introduced a plantation for oranges in Headlands. Discuss the possible economies of scale and **diseconomies** of scale that the plantation may experience should it expand its scale of production in the long run.

                                                                 [16]

Question 4

a) Differentiate between:
   i)   Implicit Cost and Explicit Cost
   ii)   Fixed and Sunken cost   **[4]**

b) With the aid of a diagram discuss why a rational firm should produce or not produce in stages I, II and III.   **[8]**

c) Consider the production function $Y=100+2x-x^2$
   i)   Find the level of X at which Y is reaches the maximum output.
                                                                 [4]

   ii)   Calculate the elasticity of production, APP and MPP when X=30.
                                                                 [6]

   iii)   Find the level of X maximizing net returns (i.e. profit) when P_x=$1 and P_y=$10.   **[3]**

Question 5

a) Suppose you have been recently employed as an agri-business loans officer at CBZ. A group of farmers approach you for advice on different type of loans to secure to start up a farm business. Discuss at least four types of loans you would advise them to take. **[9]**

b) State and explain three stages of farm business analysis. **[6]**

c) Enlist three advantages and two problems associated with farm of financial analysis. **[10]**

Question 6

a) State and explain 5 categories of risk and uncertainty in agriculture. **[10]**

b) Briefly explain the following concepts as they apply to farm management:
   i)   Time flexibility   **[2]**
   ii) Cost flexibility   **[2]**
   iii) Product flexibility   **[2]**
   iv) Liquidity   **[2]**
   v)   Diversification   [2]

c) Briefly outline five factors that influence farm management decisions
                                                                     [5]

END OF EXAMINATION