Agricultural Economics & Marketing Reviewer

By Agriculture Review

1. The law of diminishing returns in agricultural production states that:

a. Output increases proportionally with every additional unit of input used.
b. Beyond a certain point, adding more of a variable input to fixed inputs results in smaller increases in output.
c. The total production always increases with every additional input.
d. Production cost decreases indefinitely with increased input use.

2. In agricultural marketing, “market margin” refers to:

a. The total cost of production incurred by the farmer.
b. The difference between the retail price paid by the consumer and the price received by the producer.
c. The amount spent on farm inputs.
d. The markup added by farmers on their produce.

3. The function of grading and standardization in agricultural marketing primarily ensures:

a. Stabilization of production costs.
b. Fair pricing and quality assurance of agricultural products.
c. Improvement in soil fertility.
d. Reduction of government intervention in marketing.

4. The break-even point in farm budgeting occurs when:

a. Total cost is greater than total revenue.
b. Total revenue equals total cost.
c. Total revenue is less than total cost.
d. Marginal revenue is zero.

5. Under the Agriculture and Fisheries Modernization Act (AFMA) of 1997, one of the key goals is to:

a. Encourage import substitution and restrict export markets.
b. Modernize the agriculture and fisheries sectors to enhance productivity and competitiveness.
c. Reduce agricultural research and development programs.
d. Limit farmers’ access to credit and markets.

6. In agricultural finance, the “Five Cs of Credit” refer to character, capacity, capital, collateral, and:

a. Competition
b. Condition
c. Commitment
d. Cooperation

7. Which of the following best describes “oligopsony” in agricultural marketing?

a. A market with few sellers and many buyers.
b. A market with many sellers and few buyers.
c. A market with only one seller.
d. A market with perfect competition.

8. Farm management primarily deals with:

a. Analysis and decision-making for efficient use of farm resources to maximize returns.
b. Determining international agricultural trade policies.
c. Regulating input prices across different farms.
d. Monitoring national agricultural GDP growth.

9. In agricultural production economics, the stage of increasing returns occurs when:

a. Marginal product is declining but still positive.
b. Marginal product is increasing with additional input.
c. Marginal product is negative.
d. Total product is decreasing.

10. The role of the National Food Authority (NFA) in the Philippines includes:

a. Managing the importation and distribution of petroleum products.
b. Stabilizing the supply and price of staple grains, particularly rice and corn.
c. Supervising livestock auctions.
d. Setting minimum wage rates for agricultural laborers.

11. In agricultural marketing, “assembling” refers to the process of:

a. Collecting products from various producers for bulk sale or processing.
b. Breaking bulk into smaller quantities for retail sale.
c. Transporting goods directly from farmers to consumers.
d. Storing goods for price stabilization.

12. The most effective marketing channel for perishable farm commodities is usually:

a. Producer → Wholesaler → Retailer → Consumer
b. Producer → Consumer
c. Producer → Cooperative → Wholesaler → Retailer → Consumer
d. Producer → Exporter → Importer

13. Which of the following best explains the concept of "price elasticity of demand" in agricultural marketing?

a. The degree to which the quantity demanded responds to a change in price.
b. The responsiveness of price to supply shifts only.
c. The difference between wholesale and retail prices.
d. The rate at which prices increase over time.

14. The main objective of market intelligence in agricultural marketing is to:

a. Promote farm mechanization.
b. Collect, analyze, and disseminate information for better market decisions.
c. Monitor soil and water conditions.
d. Provide subsidies for farm equipment.

15. Which among the following is an example of a derived demand in agriculture?

a. Demand for fertilizers based on the demand for crops.
b. Demand for consumer goods unrelated to agriculture.
c. Demand for land ownership among urban residents.
d. Demand for imported agricultural machinery only.

16. In the context of agricultural marketing, "hedging" is primarily used to:

a. Insure crops against pest infestation.
b. Protect traders or producers from price fluctuations in the market.
c. Increase the size of agricultural holdings.
d. Ensure uniform product quality.

17. The marketing function that adds "place utility" to agricultural products is:

a. Transportation
b. Storage
c. Grading
d. Financing

18. A perfectly competitive market for agricultural goods is characterized by:

a. Homogeneous products and free entry and exit of buyers and sellers.
b. Product differentiation and government price control.
c. Few sellers controlling the market supply.
d. One dominant buyer and many sellers.

19. In agricultural production, the “isoquant” represents:

a. All combinations of inputs that yield the same level of output.
b. The cost curve of a farm enterprise.
c. The profit-maximizing combination of resources.
d. The rate of technological progress on farms.

20. The marketing cost that includes storage, spoilage, and depreciation of equipment is known as:

a. Fixed cost
b. Variable cost
c. Marketing margin
d. Physical cost

21. The Agriculture and Fisheries Modernization Act (AFMA) of 1997 in the Philippines aims to:

a. Reduce agricultural subsidies and privatize public lands.
b. Promote sustainable development, modernization, and competitiveness in the agriculture and fisheries sectors.
c. Restrict foreign investment in agribusiness.
d. Focus solely on industrial and manufacturing growth.

22. Which government agency is responsible for implementing agrarian reform in the Philippines?

a. Department of Agriculture (DA)
b. Department of Agrarian Reform (DAR)
c. Department of Trade and Industry (DTI)
d. National Food Authority (NFA)

23. The Comprehensive Agrarian Reform Program (CARP) primarily aims to:

a. Increase the agricultural exports of the Philippines.
b. Redistribute agricultural lands to landless farmers and farmworkers.
c. Regulate food prices in domestic markets.
d. Promote urban housing development.

24. The principle of opportunity cost in agricultural economics refers to:

a. The actual cost of all farm inputs.
b. The value of the next best alternative foregone when a choice is made.
c. The total cost minus total revenue.
d. The cost of unutilized land resources.

25. Which of the following best describes "agricultural protectionism" in economic policy?

a. Free and unrestricted trade of agricultural goods.
b. Use of tariffs, quotas, or subsidies to protect domestic agriculture from foreign competition.
c. Reduction of all government support for farmers.
d. Encouraging full privatization of farm resources.

26. A positive externality in agriculture occurs when:

a. A farmer's activity benefits others without being compensated.
b. A farm's operation causes pollution to nearby areas.
c. A subsidy is removed from the market.
d. Farmers compete in monopolistic conditions.

27. The basic economic problem of scarcity in agriculture arises because:

a. Resources are limited but human wants are unlimited.
b. Resources are unlimited but human wants are few.
c. Farmers prefer not to maximize production.
d. Government restricts production deliberately.

28. Which of the following statements correctly describes the role of agriculture in economic development?

a. Agriculture serves as a source of capital, labor, and raw materials for industrial growth.
b. Agriculture reduces the need for technological innovation.
c. Agriculture slows down overall national income growth.
d. Agriculture plays no role in export diversification.

29. The GDP contribution of the Philippine agriculture sector is usually around:

a. 5–6%
b. 9–10%
c. 15–20%
d. 25–30%

30. The term "agribusiness" refers to:

a. Only the activities of primary crop producers.
b. The totality of all operations involved in the production, processing, and distribution of agricultural products.
c. The study of agricultural history and land reform.
d. Only post-harvest marketing and retailing.

31. In agricultural marketing, the concept of "price spread" refers to:

a. The difference between retail price and wholesale price
b. The difference between producer's price and consumer's price
c. The fluctuation of prices in international markets
d. Seasonal variations in farmgate prices

32. The "Law of One Price" in agricultural markets assumes that:

a. All sellers charge the same price irrespective of location
b. Identical goods will sell for the same price in all markets when transport cost is zero
c. Government fixes a uniform minimum price for crops
d. Price discrimination is common in rural markets

33. The marketing margin is best defined as:

a. The difference between the total marketing cost and producer's price
b. The profit margin earned by middlemen
c. The difference between the price paid by consumers and received by producers
d. The margin allowed by banks on credit to farmers

34. In the context of market structure, a perfectly competitive agricultural market is characterized by:

a. Few sellers and many buyers
b. Homogeneous products and many buyers and sellers
c. Product differentiation and brand loyalty
d. Government price control on all products

35. The term “marketable surplus” refers to:

a. Total production minus family consumption and seed requirements
b. Total production before meeting any family needs
c. The stock retained by farmers for the next season
d. Total quantity sold to middlemen and processors

36. Which of the following is NOT an essential function of agricultural marketing?

a. Grading and standardization
b. Buying and assembling
c. Production and cultivation
d. Transportation and storage

37. Which of the following represents the correct order of marketing channels in agricultural produce?

a. Producer → Commission Agent → Wholesaler → Retailer → Consumer
b. Consumer → Retailer → Wholesaler → Producer
c. Producer → Retailer → Wholesaler → Consumer
d. Wholesaler → Producer → Consumer → Retailer

38. The “Cobweb Model” in agricultural economics explains:

a. The long-term price equilibrium under perfect competition
b. Price fluctuations caused by time lag between production decisions and actual output
c. The pattern of price determination under monopoly
d. The government’s control over agricultural pricing

39. In agricultural markets, arbitrage refers to:

a. Buying in one market and selling in another to profit from price differences
b. Storing produce for future sale
c. Manipulating prices by withholding stocks
d. Fixing minimum support prices

40. Which of the following statements about futures trading in agricultural commodities is TRUE?

a. It completely eliminates price risk for farmers
b. It helps in price discovery and hedging against future price fluctuations
c. It is illegal for food grains and pulses
d. It involves direct physical delivery of goods on every contract

41. The demand for agricultural products is generally considered:

a. Perfectly elastic
b. Relatively inelastic
c. Perfectly inelastic
d. Highly elastic in the long run

42. Which of the following best explains “hedging” in agricultural marketing?

a. Speculating on future price increases
b. Entering into futures contracts to reduce price risk
c. Storing goods to manipulate market prices
d. Withholding produce to control supply

43. In agricultural marketing, the term “vertical integration” refers to:

a. Collaboration between farmers at the same level of production
b. The coordination of production, processing, and marketing functions under one organization
c. Price agreements among wholesalers
d. Government regulation of input subsidies

44. Which type of market is characterized by a single buyer and many sellers?

a. Monopoly
b. Oligopoly
c. Monopsony
d. Duopoly

45. The demand curve for an individual farm product is:

a. Perfectly elastic under perfect competition
b. Perfectly inelastic under monopoly
c. Upward sloping under duopoly
d. Relatively inelastic under perfect competition

46. “Farm Management” primarily deals with:

a. Efficient allocation of farm resources for profit maximization
b. Agricultural policy formulation
c. Distribution of agricultural products in markets
d. International trade of farm goods

47. The “Engel’s Law” in agricultural economics states that:

a. As income increases, the proportion of income spent on food decreases
b. As income increases, food expenditure remains constant
c. Food expenditure rises faster than income
d. The elasticity of demand for food is unity

48. “Parity price” in agricultural economics refers to:

a. Price at which total revenue equals total cost
b. Price that gives a fair return to farmers relative to prices of goods they buy
c. Minimum support price fixed by the government
d. International reference price for export commodities

49. The “Indifference Curve” in agricultural economics represents:

a. Different combinations of two goods providing the same satisfaction
b. The budget constraint faced by consumers
c. The relationship between price and demand
d. The cost structure of a farm enterprise

50. The “Income Elasticity of Demand” for food products in developing countries is generally:

a. Greater than one
b. Equal to one
c. Less than one
d. Zero

Answer Key

1. b)
2. b)
3. b)
4. b)
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43. b)
44. c)
45. a)
46. a)
47. a)
48. b)
49. a)
50. c)