Agricultural Economics & Marketing Reviewer By Agriculture Review

1. In agricultural economics, the Law of Diminishing Marginal Returns states that as successive units of a variable input are added to a fixed input, what will eventually happen?

1. Total production will become negative immediately
2. Average fixed costs will begin to rise
3. The marginal physical product of the variable input will decline
4. The price of the agricultural product will decrease

2. Which of the following best defines the concept of 'opportunity cost' in farm management?

1. The actual monetary cost of purchasing farm inputs
2. The value of the next best alternative forgone when a choice is made
3. The cost associated with depreciating farm machinery
4. The total fixed cost divided by total output

3. Gross Domestic Product (GDP) from the agricultural sector measures which of the following?

1. The total volume of agricultural exports minus imports
2. The total monetary value of all final agricultural goods and services produced within a country's borders in a specific time period
3. The net profit earned by all farmers in a country
4. The total amount of government subsidies provided to the agricultural sector

4. If a farmer's total fixed costs are P50,000 and total variable costs are P100,000, which of these costs will remain unchanged if the farmer decides to halt production temporarily?

1. Total variable costs
2. Total fixed costs
3. Both fixed and variable costs
4. Neither cost will remain unchanged

5. Price elasticity of demand measures the responsiveness of the quantity demanded of an agricultural product to a change in its:

1. Supply
2. Consumer income
3. Price
4. Cost of production

6. According to the theory of consumer behavior, a consumer reaches equilibrium and maximizes utility when they allocate their income such that:

1. The total utility of all goods consumed is equal
2. The marginal utility per dollar spent is equal for all goods consumed
3. They purchase only the cheapest goods available
4. Their savings equal their consumption expenditures

7. In the classical production function, a rational farmer will choose to operate in Stage II of production. What characterizes Stage II?

1. Marginal Physical Product (MPP) is increasing and greater than Average Physical Product (APP)
2. MPP is negative and Total Physical Product (TPP) is declining
3. APP is declining, and MPP is less than APP but still positive
4. TPP is increasing at an increasing rate

8. What is the primary purpose of an enterprise budget in farm management?

1. To estimate the costs, returns, and profitability of a single crop or livestock activity
2. To summarize the total financial position of the entire farm business at a specific point in time
3. To calculate the depreciation of all farm machinery
4. To track the daily cash inflows and outflows of the farm

9. To achieve maximum profit, a purely competitive agricultural firm should produce at an output level where:

1. Total Revenue is equal to Total Cost
2. Average Total Cost is minimized
3. Marginal Revenue equals Marginal Cost
4. Marginal Product is maximized

10. How does inflation generally affect agricultural producers who have existing fixed-rate long-term debt?

1. It benefits them by decreasing the real value of their debt
2. It harms them by increasing the real value of their debt
3. It has no economic impact on their debt obligations
4. It forces their interest rates to adjust upwards immediately

11. If the cross-price elasticity of demand between beef and pork is positive, this indicates that the two agricultural products are:

1. Complementary goods
2. Substitute goods
3. Inferior goods
4. Unrelated goods

12. An isoquant curve represents:

1. All combinations of two products that generate the same total revenue
2. All combinations of two inputs that produce the same level of output
3. The maximum utility a consumer can achieve with a given budget
4. The relationship between inflation and agricultural unemployment

13. The Marginal Rate of Technical Substitution (MRTS) measures:

1. The rate at which one input can be substituted for another while keeping total output constant
2. The rate at which consumer preference changes between two agricultural goods
3. The change in total cost when one more unit of output is produced
4. The percentage change in demand relative to a percentage change in price

14. If the price of rice increases by 10% and the quantity demanded decreases by 5%, what is the price elasticity of demand, and how is it classified?

1. -2.0, Elastic
2. -0.5, Inelastic
3. 0.5, Elastic
4. 2.0, Inelastic

15. In National Income Accounting, which of the following is EXCLUDED from the calculation of Agricultural GDP?

1. The value of harvested rice
2. The income of farm laborers
3. Government transfer payments (e.g., cash aid to farmers)
4. The value of agricultural exports

16. The '4 Ps' of agricultural marketing are fundamental to developing a marketing strategy. They consist of Product, Price, Promotion, and:

1. Packaging
2. People
3. Place
4. Positioning

17. The physical marketing function of transportation primarily creates which type of utility for agricultural goods?

1. Form utility
2. Time utility
3. Place utility
4. Possession utility

18. A market structure characterized by a single seller of a unique agricultural input with no close substitutes is called a:

1. Monopoly
2. Monopsony
3. Oligopoly
4. Perfect competition

19. The marketing margin (or price spread) is defined as:

1. The profit made by the farmer after deducting production costs
2. The difference between the price paid by the final consumer and the price received by the producer
3. The total cost of transporting goods from farm to market
4. The tax imposed by the government on agricultural sales

20. Which of the following is classified as an 'exchange function' in agricultural marketing?

1. Grading
2. Storage
3. Buying and selling
4. Financing

21. When many farmers in a region have to sell their sugarcane to a single sugar mill because there are no other buyers, the mill operates as a:

1. Monopoly
2. Monopsony
3. Oligopsony
4. Perfect competitor

22. A poultry firm that owns its own feed mills, breeder farms, hatcheries, grow-out operations, and processing plants is exhibiting:

1. Horizontal integration
2. Conglomerate diversification
3. Vertical integration
4. Perfect competition

23. Market intelligence, risk-bearing, standardization, and financing are categorized as which type of marketing functions?

1. Exchange functions
2. Physical functions
3. Facilitating functions
4. Production functions

24. Which of the following best describes an oligopoly market structure in agribusiness?

1. Many small firms producing identical products
2. A single firm controlling the entire market
3. A few large firms dominating the market, where the actions of one affect the others
4. Many firms producing differentiated products

25. Storage of agricultural commodities primarily adds value by creating:

1. Form utility
2. Time utility
3. Place utility
4. Possession utility

26. Producer's surplus is economically defined as:

1. The excess inventory a farmer is unable to sell at the market
2. The difference between the actual price a producer receives and the minimum price they would have been willing to accept
3. The total profit a producer makes in a fiscal year
4. The amount of goods produced beyond the national consumption requirement

27. An example of horizontal integration in agricultural marketing is:

1. A dairy processing company buying a fleet of refrigerated delivery trucks
2. A retail grocery chain purchasing a commercial vegetable farm
3. A farm machinery manufacturer buying a fertilizer company
4. A cooperative of independent rice millers merging with another cooperative of rice millers

28. The 'Cobweb Model' in agricultural economics is primarily used to explain:

1. The spatial integration of international grain markets
2. The cyclical price and quantity fluctuations of agricultural products due to lagged supply responses
3. The horizontal integration of multinational agribusiness firms
4. The relationship between interest rates and farm bankruptcy

29. Perfect competition requires all of the following conditions EXCEPT:

1. Homogeneous products
2. Perfect market information
3. Significant barriers to entry
4. A large number of buyers and sellers

30. If the farm-gate price of a kilogram of tomatoes is P20, and the retail price at the supermarket is P80, the marketing efficiency can be analyzed by looking at the price spread. What is the farmer's share of the consumer peso?

1. 20%
2. 25%
3. 75%
4. 80%

31. A tax imposed by a government on imported agricultural goods is known as a:

1. Quota
2. Subsidy
3. Tariff
4. Embargo

32. Which of the following is a universally recognized core principle of cooperative organizations?

1. Profit maximization for the board of directors
2. Voting power proportional to capital investment
3. Democratic member control (one member, one vote)
4. Restricted and exclusive membership

33. When a government implements a price floor (support price) for rice that is set above the market equilibrium price, what is the most likely outcome?

1. A market shortage of rice
2. A market surplus of rice
3. Equilibrium is maintained
4. Demand for rice will drastically increase

34. The economic principle that states a country should specialize in producing and exporting goods for which it has a lower opportunity cost than its trading partners is called:

1. Absolute advantage
2. Competitive advantage
3. Comparative advantage
4. Economies of scale

35. What is the primary socioeconomic objective of land reform and agrarian restructuring programs?

1. To maximize corporate farming profits
2. To transition agricultural land into industrial zones
3. To redistribute land ownership to tenant farmers and landless workers to promote equity
4. To increase the tax revenue collected from large estates

36. A government payment made to farmers to supplement their income, manage supply, or influence the cost of agricultural commodities is called a:

1. Tariff
2. Quota
3. Subsidy
4. Tax deduction

37. Trade liberalization in the agricultural sector involves:

1. Increasing tariffs to protect local farmers
2. Implementing stricter import quotas
3. Reducing or removing trade barriers to allow freer movement of goods between countries
4. Banning the export of domestic agricultural products

38. At the end of the fiscal year, a cooperative distributes a portion of its net surplus back to its members based on the volume of their transactions with the cooperative. This distribution is known as a:

1. Capital gain
2. Patronage refund
3. Stock dividend
4. Retained earning

39. What is the fundamental difference between an import quota and an import tariff?

1. A quota generates direct revenue for the government, while a tariff does not
2. A tariff sets a strict physical limit on the volume of imports, while a quota taxes them
3. A quota sets a strict physical limit on the volume of imports, while a tariff imposes a tax without capping the exact volume
4. They are identical policies with different names

40. Under the World Trade Organization (WTO) Agreement on Agriculture (AoA), trade negotiations are structured around three main pillars. Which of the following is NOT one of those pillars?

1. Market Access
2. Domestic Support
3. Export Competition
4. Currency Devaluation

41. In international agricultural trade policy, the Aggregate Measure of Support (AMS) is used to quantify:

1. The total volume of goods exported by a country
2. The monetary value of trade-distorting domestic subsidies given to the agricultural sector
3. The environmental impact of imported goods
4. The total tariff revenue collected by customs

42. If a government imposes a strict price ceiling on basic commodities (like pork) that is well below the free-market equilibrium price, what economic consequence typically follows?

1. A surplus, leading to massive spoilage
2. A shortage, potentially leading to black markets and rationing
3. Increased production by farmers due to guaranteed sales
4. An immediate drop in consumer demand

43. The Food and Agriculture Organization (FAO) defines Food Security as having four main dimensions or pillars. These are Availability, Access, Utilization, and:

1. Affordability
2. Stability
3. Sustainability
4. Distribution

44. The primary economic goal of sustainable agriculture is to:

1. Maximize short-term crop yields regardless of ecological impact
2. Completely eliminate the use of all mechanized farm equipment
3. Meet society's current food and textile needs without compromising the ability of future generations to meet their own needs
4. Ensure that all agricultural production is strictly for local consumption

45. An agricultural management concept utilizing GPS, IoT sensors, and data analytics to observe, measure, and respond to inter and intra-field variability in crops is known as:

1. Subsistence farming
2. Regenerative agriculture
3. Precision farming
4. Extensive agriculture

46. While sustainable agriculture aims to maintain the current state of natural resources, regenerative agriculture specifically focuses on:

1. Replacing natural soil with hydroponic solutions
2. Rehabilitating and enhancing the entire ecosystem, particularly by improving soil health and biodiversity
3. Maximizing the use of synthetic chemical fertilizers to restore yields
4. Transitioning all farmland into protected wildlife reserves

47. In the context of global food systems, 'supply chain resilience' refers to:

1. The ability of the food supply chain to withstand, adapt to, and rapidly recover from disruptions like extreme weather or pandemics
2. The practice of relying entirely on a single supplier to minimize contract costs
3. The complete elimination of intermediaries between farmers and consumers
4. The speed at which food spoils during transportation

48. When conducting a Cost-Benefit Analysis (CBA) for investing in climate-resilient crop varieties, an agricultural economist calculates the Net Present Value (NPV). What is the decision rule for a financially viable project?

1. Accept the project if the NPV is exactly zero
2. Accept the project if the NPV is less than the discount rate
3. Accept the project if the NPV is greater than zero
4. Reject the project if the NPV is positive

49. In assessing the financial viability of an agricultural infrastructure project (like a solar-powered irrigation system), the Internal Rate of Return (IRR) is defined as:

1. The interest rate charged by the bank for the project loan
2. The discount rate that makes the Net Present Value (NPV) of all cash flows from the project equal to zero
3. The total profit divided by the total initial investment
4. The annual depreciation rate of the project's physical assets

50. When an agricultural activity causes unintended environmental costs to a third party (e.g., fertilizer runoff causing an algae bloom that harms local fishermen), this market failure is economically termed a:

1. Positive externality
2. Negative externality
3. Public good
4. Tragedy of the commons

Answer Key

1. C	**14.** B	**27.** D	**40.** D
2. B	**15.** C	**28.** B	**41.** B
3. B	**16.** C	**29.** C	**42.** B
4. B	**17.** C	**30.** B	**43.** B
5. C	**18.** A	**31.** C	**44.** C
6. B	**19.** B	**32.** C	**45.** C
7. C	**20.** C	**33.** B	**46.** B
8. A	**21.** B	**34.** C	**47.** A
9. C	**22.** C	**35.** C	**48.** C
10. A	**23.** C	**36.** C	**49.** B
11. B	**24.** C	**37.** C	**50.** B
12. B	**25.** B	**38.** B	
13. A	**26.** B	**39.** C	