Agricultural Economics & Marketing Reviewer

By Agriculture Review

1. The law of diminishing returns in agricultural production states that when additional units of a variable input are added to fixed inputs, the marginal product of that input will eventually:

a) Increase at an increasing rate
b) Decrease after reaching a maximum point
c) Remain constant
d) Increase indefinitely

2. When the price elasticity of demand for a farm product is greater than 1, it implies that:

a) Demand is perfectly elastic
b) Consumers are relatively sensitive to price changes
c) Consumers are relatively insensitive to price changes
d) Demand is perfectly inelastic

3. In a perfectly competitive agricultural market, a single farmer is considered as:

a) A price maker
b) A price taker
c) A market regulator
d) A monopoly producer

4. Which of the following correctly represents the concept of equilibrium price in agricultural economics?

a) Price at which supply exceeds demand
b) Price at which demand exceeds supply
c) Price at which quantity demanded equals quantity supplied
d) Government-fixed minimum price

5. The World Trade Organization (WTO) Agreement on Agriculture primarily aims to:

a) Promote agricultural self-sufficiency among developing nations
b) Regulate international trade in agricultural products through fair competition
c) Subsidize farm inputs for all member countries
d) Encourage export restrictions on staple crops

6. The term “marketing margin” in agricultural marketing refers to:

a) The difference between farm-gate price and retail price
b) The total cost of production per unit output
c) The farmer’s profit after deducting all costs
d) The fixed marketing cost per kilogram of produce

7. In macroeconomic terms, the Gross Value Added (GVA) in agriculture represents:

a) The total market value of all intermediate inputs
b) The total income generated by the agricultural sector after deducting input costs
c) The volume of agricultural exports in a fiscal year
d) The total agricultural imports less domestic consumption

8. Which of the following is NOT considered a function of agricultural marketing?

a) Grading and standardization
b) Transportation and storage
c) Soil fertility management
d) Buying and selling

9. When the government sets a minimum support price (MSP) above the equilibrium price, it generally results in:

a) Shortage of agricultural products
b) Surplus of agricultural products
c) Equilibrium quantity remaining unchanged
d) Decrease in producer income

10. Under the law of comparative advantage, a country should specialize in producing agricultural goods that:

a) Require the least labor input
b) Have the highest domestic demand
c) Can be produced at a lower opportunity cost than other goods
d) Are heavily subsidized by the government

11. In the short run, at least one factor of production in agriculture is considered:

a) Variable
b) Fixed
c) Elastic
d) Substitutable

12. The production function in agriculture shows the relationship between:

a) Inputs used and output produced

b) Demand and supply of agricultural products

c) Cost of production and selling price

d) Marketing margin and profit

13. Which of the following best explains the law of variable proportions in farm production?

a) Output increases proportionately with all inputs

b) Output first increases at an increasing rate, then at a decreasing rate as more variable inputs are added to fixed inputs

c) Marginal product remains constant as input increases

d) Total product always decreases when inputs are increased

14. The opportunity cost of producing one additional ton of corn in a farm represents:

a) The total fixed cost of corn production

b) The foregone production of another crop due to limited resources

c) The cost of additional labor used in corn production

d) The marginal revenue from selling corn

15. In a perfectly competitive agricultural market, individual farmers maximize profit when:

a) Marginal cost equals marginal revenue

b) Average cost equals total revenue

c) Marginal product equals average product

d) Total revenue equals variable cost

16. In the long run, all factors of production in agriculture are considered:

a) Fixed

b) Variable

c) Inelastic

d) Sunk

17. The elasticity of supply in agriculture tends to be low in the short run because:

a) Farmers can easily change crops within a season

b) Land and other fixed resources cannot be adjusted quickly

c) Government controls market prices

d) Demand for farm products is highly elastic

18. In an oligopolistic market for fertilizers, pricing decisions by one firm usually affect:

a) Only small-scale farmers
b) The pricing strategies of other competing firms
c) Only government procurement agencies
d) The level of government subsidies

19. When the demand for rice decreases while supply remains constant, the equilibrium price will:

a) Increase
b) Decrease
c) Remain constant
d) Fluctuate randomly

20. A point inside the Production Possibilities Frontier (PPF) represents:

a) Efficient use of all resources
b) Unemployment or underutilization of resources
c) Unattainable production level
d) Optimal allocation of inputs

21. Fiscal policy refers to the government's use of:

a) Interest rates and reserve requirements
b) Government spending and taxation to influence the economy
c) Money supply regulation by the central bank
d) Exchange rate adjustments to promote exports

22. In developing countries like the Philippines, agricultural growth contributes to economic development primarily by:

a) Increasing urban employment directly
b) Providing surplus labor, capital, and food to non-agricultural sectors
c) Reducing exports of raw materials
d) Decreasing agricultural productivity

23. The monetary policy tool most directly used by the Bangko Sentral ng Pilipinas (BSP) to control inflation that affects agricultural credit availability is:

a) Adjusting reserve requirements of banks
b) Setting tariffs on imported agricultural products
c) Increasing government expenditure on infrastructure
d) Subsidizing fertilizer and seed prices

24. Structural transformation in an economy typically involves:

a) A shift of resources from manufacturing to agriculture
b) A declining share of agriculture in GDP as industry and services expand
c) Increasing dependence on subsistence farming
d) Permanent stagnation in agricultural productivity

25. The term "terms of trade" in agricultural economics refers to:

a) Ratio of export prices to import prices
b) Ratio of farm income to agricultural investment
c) Difference between export and import quantities
d) Trade balance divided by GDP

26. When a country's currency depreciates, agricultural exports usually:

a) Decrease in international competitiveness
b) Increase in competitiveness and volume
c) Remain unaffected
d) Become more expensive for foreign buyers

27. The General Agreement on Tariffs and Trade (GATT) was primarily created to:

a) Promote protectionism in global agriculture
b) Reduce barriers to international trade and encourage free trade
c) Regulate domestic farm subsidies of non-member nations
d) Control the prices of major export crops

28. Trade liberalization in agriculture generally leads to:

a) Reduced competition among agricultural exporters
b) Increased global competition and market access
c) Higher tariffs and import quotas
d) Isolation of domestic producers from world prices

29. Which of the following policies would most likely encourage agricultural exports?

a) Increasing export taxes on farm goods
b) Reducing non-tariff barriers and improving logistics infrastructure
c) Imposing strict export quotas on staple crops
d) Introducing high import tariffs on fertilizers

30. A country experiences an agricultural trade surplus when:

a) The value of agricultural imports exceeds exports
b) The value of agricultural exports exceeds imports
c) Domestic production equals total consumption
d) Export and import values are equal

31. A farmer sells fresh tomatoes at farm-gate for ₱18/kg. The wholesaler buys and sells them to retailers at ₱24/kg. Retailers sell to consumers at ₱36/kg. What is the absolute marketing margin and the marketing margin as a percentage of the retail price (rounded to 1 decimal place)?

a) Margin ₱18/kg; 50.0%

b) Margin ₱12/kg; 33.3%

c) Margin ₱18/kg; 50.0% (i.e., retail − farm-gate = ₱18; 18/36 = 50.0%)

d) Margin ₱6/kg; 16.7%

32. Which channel of distribution for unprocessed rice involves the fewest intermediaries and generally gives the farmer the highest share of the final consumer price?

a) Producer → Consumer (direct marketing)

b) Producer → Retailer → Consumer

c) Producer → Wholesaler → Retailer → Consumer

d) Producer → Processor → Exporter → Consumer

33. A crate of mangoes has an average post-harvest loss of 12% during storage and transport. If a farmer harvests 1,000 kg, what is the expected marketable quantity (in kg) after accounting for these losses?

a) 880 kg

b) 1,120 kg

c) 970 kg

d) 1,000 kg

34. Under functional approach to agricultural marketing, which of the following lists contains only marketing functions?

a) Production planning, input supply, credit provision

b) Soil testing, seed breeding, field extension

c) Buying, grading, storage

d) Export negotiation, land titling, irrigation

35. A local standard states Grade A mangoes must have at least 18% total soluble solids (TSS). This standard primarily helps marketing by:

a) Increasing transportation costs

b) Reducing consumer choice

c) Reducing transaction costs and information asymmetry between buyers and sellers

d) Guaranteeing higher farm yields

36. A cooperative buys palay (paddy) from members at ₱17/kg. After milling, 1 kg palay yields 0.65 kg rice. If the cooperative sells rice at ₱40/kg, what is the cooperative's gross margin per kg of palay processed into rice (use conversion to express margin per kg palay rounded to ₱)?

a) ₱9/kg palay

b) ₱7/kg palay

c) ₱15/kg palay

d) ₱0/kg palay

37. A well-functioning Market Information System (MIS) for vegetables is most likely to reduce which of the following farmer problems?

a) Post-harvest physiological deterioration

b) Lack of access to credit

c) Price uncertainty and exploitation by intermediaries

d) Soil nutrient depletion

38. Which pricing method is most appropriate when a processor sells a branded packaged product (e.g., processed fruit jam) and seeks to recover fixed promotion and packaging costs?

a) Marginal-cost pricing

b) Cost-plus (markup) pricing

c) Peak-load pricing

d) Penetration pricing only

39. A retailer adds packaging and promotion worth ₱4/kg and handles distribution costs of ₱6/kg. If the farm-gate price was ₱22/kg and wholesaler margin was ₱5/kg, what is the retailer's margin if retail price to consumer is ₱ Forty (₱40/kg)?

a) ₱3/kg

b) ₱7/kg

c) ₱9/kg

d) ₱10/kg

40. In consumer behaviour analysis for fresh vegetables, an observed shift of demand curve to the right (holding price constant) is most plausibly explained by which factor?

a) Decrease in consumers' income

b) Higher storage losses

c) A negative health advisory against the vegetable

d) Increased consumer preference due to health campaign

41. The government's guaranteed minimum price at which it buys rice from farmers through the National Food Authority (NFA) is an example of which policy instrument?

a) Price ceiling

b) Price floor

c) Tariff reduction

d) Import quota

42. The major objective of agricultural price support programs implemented by the government is to:

a) Reduce exportable surplus of major crops

b) Stabilize farmers' income and encourage production

c) Limit access of consumers to subsidized food

d) Discourage use of fertilizers and irrigation

43. A sudden fall in global sugar prices causes lower domestic cane prices and farmer income. This situation reflects which type of agricultural risk?

a) Production risk

b) Technological risk

c) Market risk

d) Policy risk

44. In a typical value chain analysis for mangoes, the actor responsible for quality control and export packaging is usually the:

a) Farm labourer

b) Input supplier

c) Export consolidator or processor

d) Agricultural technician

45. The "Rice Competitiveness Enhancement Fund (RCEF)" in the Philippines, established under the Rice Tariffication Law (RA 11203), mainly aims to:

a) Replace rice import restrictions with tariffs and support local productivity

b) Abolish the National Food Authority's procurement function entirely

c) Control retail rice prices through subsidies to traders

d) Reduce the rice area and shift to high-value crops

46. When farmers join together to form a marketing cooperative, their collective action primarily helps them to:

a) Increase individual transportation costs

b) Strengthen bargaining power and reduce dependence on middlemen

c) Avoid access to credit institutions

d) Eliminate the need for quality standards

47. Globalization has led to Philippine agriculture being more exposed to world market fluctuations. Which of the following is a direct impact of globalization on agricultural marketing?

a) Increased isolation of domestic markets

b) Reduced need for grading and quality standards

c) Greater competition and higher quality requirements for exports

d) Elimination of market intermediaries

48. A government subsidy on fertilizer inputs effectively lowers production costs. Which of the following outcomes is most likely, ceteris paribus?

a) Supply of crops decreases and price rises

b) Supply curve shifts to the right, reducing market prices

c) Demand curve shifts to the left

d) Consumer spending on food decreases

49. A government decision to impose a temporary ban on onion imports to protect local farmers represents which type of policy measure?

a) Fiscal policy

b) Trade policy

c) Monetary policy

d) Land reform policy

50. A farmer diversifies production by planting vegetables along with rice to reduce income volatility. This strategy best represents:

a) Market power expansion

b) Risk management through diversification

c) Price fixing strategy

d) Government intervention mechanism

Answer Key

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