Agricultural Economics & Marketing Reviewer By Agriculture Review.

1. Which of the following best explains the principle of comparative advantage in agricultural trade?

a. A country should produce goods for which it has the lowest absolute cost
b. A country should specialize in goods it can produce at a lower opportunity cost than others
c. Trade should only occur if both countries have identical production costs
d. A country should import all goods it cannot produce efficiently

2. The World Trade Organization's (WTO) Agreement on Agriculture primarily aims to:

a. Reduce tariffs and trade barriers for agricultural products
b. Restrict agricultural exports to protect domestic industries
c. Promote government monopolies on agricultural trade
d. Increase import quotas for developing countries

3. The price elasticity of demand for most agricultural products is generally:

a. Perfectly elastic
b. Unitary elastic
c. Relatively inelastic
d. Perfectly inelastic

4. Which government agency in the Philippines is primarily responsible for stabilizing the price and supply of rice and corn?

a. Department of Agriculture (DA)
b. National Food Authority (NFA)
c. Bureau of Plant Industry (BPI)
d. Agricultural Credit Policy Council (ACPC)

5. In agricultural marketing, the difference between the price paid by the consumer and the price received by the farmer is known as:

a. Marketing margin
b. Producer surplus
c. Consumer surplus
d. Opportunity cost

6. Which of the following best describes the Law of Diminishing Returns in agricultural production?

a. Output increases at an increasing rate as inputs increase
b. Output eventually increases at a decreasing rate as additional inputs are applied
c. Output decreases when all inputs are doubled
d. Output remains constant regardless of input levels

7. Under the ASEAN Free Trade Area (AFTA), the Common Effective Preferential Tariff (CEPT) scheme was introduced to:

a. Increase tariffs among member countries
b. Reduce tariffs to promote free trade in the region
c. Ban exportation of agricultural goods
d. Establish trade barriers to protect local industries

8. The term “market integration” in agricultural economics refers to:

a. The process of farmers forming cooperatives
b. The coordination of different stages and locations of agricultural markets
c. The replacement of intermediaries in marketing channels
d. The introduction of subsidies to stabilize farm income

9. Which of the following policies helps reduce price fluctuations of agricultural products by storing surplus during bumper harvests and releasing stocks during shortages?

a. Price ceiling policy
b. Buffer stock policy
c. Subsidy policy
d. Tariff policy

10. The demand for imported agricultural inputs such as fertilizers and pesticides is considered:

a. Perfectly elastic
b. Inelastic in the short run
c. Unitary elastic
d. Perfectly inelastic

11. Under the WTO Agreement on Agriculture, which of the following categories refers to domestic support measures that are allowed without limits because they are decoupled from current production (i.e., do not distort production or trade)?

a. Amber Box
b. Blue Box
c. Green Box
d. Red Box

12. Which of the following is the primary economic rationale for a government to maintain a buffer stock scheme for a staple crop?

a. To permanently depress farm prices and favor consumers
b. To earn foreign exchange through exports
c. To smooth seasonal price fluctuations and enhance food security
d. To restrict domestic consumption in times of surplus

13. Marketable surplus of a farm commodity is best defined as:

a. Total production minus losses during storage
b. Quantity offered to the market after household consumption and seed requirements are met
c. Total production during the peak season only
d. Quantity allocated by the government for export

14. In partial budgeting for a proposed change in cropping pattern, which of the following items is NOT typically included?

a. Additional returns from the new enterprise
b. Reduced returns from the enterprise being replaced
c. Fixed overheads that remain unchanged by the change
d. Additional variable costs incurred due to the change

15. A highly negative price elasticity of demand (e.g., -2.5) for a farm product implies that:

a. A 1% fall in price raises quantity demanded by 2.5%
b. Demand is perfectly inelastic
c. Consumers do not respond to price changes
d. A price increase always increases total revenue

16. Which marketing channel would typically give the farmer the highest share of the consumer price (i.e., the smallest marketing margin), assuming competitive conditions and no premiums for quality?

a. Farmer → Local trader → Wholesale market → Processor
b. Farmer → Commission agent → Exporter
c. Farmer → Retailer → Consumer (direct farmgate retail)
d. Farmer → Rural collector → Urban wholesaler → Retailer

17. Which of the following is a common indicator used to test spatial market integration between two regional markets for the same commodity?

a. Coefficient of variation of production
b. Correlation of price series (and cointegration tests)
c. Growth rate of exports
d. Average storage loss percentage

18. In farm credit appraisal, which ratio best indicates a borrower's ability to meet short-term obligations from current assets?

a. Debt-equity ratio
b. Gross margin ratio
c. Current ratio
d. Return on assets (ROA)

19. Which pricing strategy is most appropriate for a perishable horticultural product with a very short shelf-life at the farmgate?

a. Skimming price with long-term contracts
b. Cost-plus pricing with fixed mark-up
c. Dynamic/market-responsive pricing to clear stocks quickly
d. Two-part tariff charging storage fees plus unit price

20. When measuring the performance of a primary agricultural market, which of the following best captures marketing efficiency (assuming quality-adjusted prices)?

a. Absolute marketing margin without relation to costs
b. Ratio of consumer price to producer price only
c. Marketing efficiency index that accounts for both marketing costs and price spread
d. Volume of transactions irrespective of costs and margins

21. A country that can produce both rice and corn but chooses to import corn because it can produce rice more efficiently is practicing the principle of:

a. Absolute advantage
b. Comparative advantage
c. Economies of scale
d. Input substitution

22. The "Amber Box" under the WTO Agreement on Agriculture refers to policies that:

a. Have minimal or no trade-distorting effects
b. Are considered trade-distorting and subject to reduction commitments
c. Encourage export subsidies for developing countries
d. Provide unrestricted support for environmental programs

23. A perfectly inelastic supply curve for an agricultural product in the short run implies that:

a. Producers can immediately increase output when prices rise
b. Output remains fixed regardless of price changes
c. Supply decreases as prices increase
d. Producers are perfectly responsive to price signals

24. The measure used to evaluate the sensitivity of export earnings to changes in world prices is called:

a. Income elasticity of demand
b. Price elasticity of export supply
c. Terms of trade elasticity
d. Cross elasticity of demand

25. The price support policy for palay in the Philippines aims primarily to:

a. Discourage domestic production to favor imports
b. Stabilize farm incomes and ensure fair producer prices
c. Lower consumer prices through subsidies
d. Eliminate intermediaries from the marketing chain

26. Which marketing function ensures that farm commodities are moved from surplus to deficit regions efficiently?

a. Facilitating function
b. Physical function
c. Standardization function
d. Risk-bearing function

27. The theory that agricultural terms of trade tend to deteriorate over time relative to industrial goods was proposed by:

a. Engel and Fisher
b. Schultz and Lewis
c. Prebisch and Singer
d. Heckscher and Ohlin

28. A large positive correlation between domestic and world prices of corn indicates:

a. Poor transmission of price signals
b. Strong market integration
c. Government price intervention
d. Import substitution policy

29. If the domestic price of sugar is higher than the world price, the effective rate of protection for sugar producers is:

a. Negative
b. Zero
c. Positive
d. Unrelated to tariffs

30. The law of one price holds true in agricultural trade only when:

a. Transaction costs are zero and markets are perfectly integrated
b. Producers and consumers are in the same location
c. The government fixes all agricultural prices
d. Markets are segmented and price discrimination exists

31. In the context of agricultural marketing, the term "marketable surplus" refers to:

a. Portion of the crop kept for family consumption
b. Total production of the farm
c. Portion of output available for sale after meeting farmer's own needs
d. Marketed portion plus seed reserve

32. The Agricultural Price Commission in the Philippines was replaced by which agency responsible for recommending farmgate price policies?

a. National Food Authority (NFA)
b. Philippine Council for Agriculture and Fisheries (PCAF)
c. Bureau of Agricultural Statistics (BAS)
d. Department of Agriculture Price Review Board

33. In microeconomics, the "law of diminishing marginal returns" assumes that:

a. All factors of production are variable
b. At least one factor of production remains fixed
c. All inputs increase proportionally
d. Production cost decreases with more inputs

34. The "Cobweb theorem" is used to explain price fluctuations in agricultural commodities due to:

a. Delayed supply response to price changes
b. Perfectly elastic demand curve
c. Constant production costs
d. Government price control

35. The concept of "consumer surplus" was introduced by which economist?

a. Adam Smith
b. Alfred Marshall
c. David Ricardo
d. John Maynard Keynes

36. A marketing function that involves storage of agricultural produce to balance supply with demand is known as:

a. Grading function
b. Standardization function
c. Physical function
d. Facilitating function

37. “Price elasticity of demand” measures the responsiveness of:

a. Supply to changes in input prices
b. Demand to changes in price
c. Income to changes in production
d. Production to changes in land area

38. Which of the following is an example of a “Derived Demand” in agricultural economics?

a. Demand for fertilizers due to demand for crops
b. Demand for food grains for household consumption
c. Demand for milk for nutrition
d. Demand for land for farming

39. In agricultural production, “risk premium” refers to:

a. The expected cost of natural calamities
b. Extra return expected by farmers for bearing risk
c. Government subsidy for risky crops
d. Insurance reimbursement for crop loss

40. The concept of “agribusiness supply chain” emphasizes:

a. The flow of goods and services from producers to consumers
b. Only farm-level production activities
c. The export policies of agricultural products
d. The role of government agencies in trade regulation

41. Which of the following best describes “effective rate of protection” (ERP) for an agricultural sector?

a. The nominal tariff on imported inputs used by the sector
b. The percentage change in export volume due to a tariff
c. The protection received by domestic value added, considering tariffs on outputs and inputs
d. The difference between producer and consumer prices

42. Which agricultural policy instrument is typically used to protect domestic producers from sudden cheap imports while allowing temporary access for consumers?

a. Tariff-rate quota (TRQ)
b. Production quota
c. Direct export subsidy
d. Input vouchers for farmers

43. When measuring market integration between two cities, a cointegration relationship between their price series implies:

a. No long-run relationship exists between prices
b. Prices in the two cities move independently
c. There is only a short-run correlation but no equilibrium link
d. Prices share a stable long-run equilibrium relationship despite short-run deviations

44. In a simple farm enterprise budget, which of the following items is treated as an implicit (opportunity) cost rather than an explicit cash cost?

a. Wages paid to hired labor
b. Imputed rent on family labor or owned land
c. Purchase of seed and fertilizer
d. Transportation charges to market

45. Which of the following is the primary purpose of a commodity exchange (e.g., agricultural futures market)?

a. To provide credit to small farmers
b. To eliminate all price volatility in spot markets
c. To allow price discovery and risk management through forward/futures contracts
d. To set government-mandated producer prices

46. The Prebisch–Singer hypothesis concerns long-term trends in:

a. Terms of trade between primary commodity exporters and manufactured goods producers
b. Short-term price volatility for perishable goods
c. Elasticity of demand for food during recessions
d. Farm-level technical efficiency

47. A sudden depreciation of the domestic currency will most likely have which immediate effect on agricultural exports and imports (other things equal)?

a. Reduce export competitiveness and increase imports
b. No effect on trade flows
c. Lower domestic producer prices for exportables
d. Make exports cheaper in foreign currency and imports more expensive in domestic currency

48. Which of the following best reduces the price-risk faced by small farmers when market information is poor?

a. Increasing perishable crop production
b. Participating in farmer cooperatives with collective marketing
c. Ignoring market prices and selling locally only
d. Relying solely on informal moneylenders for credit

49. Which statement about price elasticity of demand for staple foods is generally correct in developing country contexts?

a. Income elasticity is typically higher than price elasticity
b. Price elasticity is usually unitary for staples
c. Short-run price elasticity is often inelastic while long-run elasticity may be higher
d. Elasticity for staples is always greater than 2

50. Which of the following best defines "market information system" in agricultural marketing?

a. A system that collects, processes and disseminates timely price, supply and demand information to stakeholders
b. A network of traders who fix prices
c. Government stores for buffer stocking
d. A financial institution giving loans to exporters

Answer Key

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