Agricultural Economics & Marketing

Reviewer By Agriculture Review

1. Which of the following best defines 'marketing margin' in agricultural marketing?

- **a)** The difference between producer price and consumer price
- **b)** The total volume of produce sold in a market
- **c)** The share of government taxes in farm income
- **d)** The cost of production per hectare

2. Which one of the following is NOT a utility created by agricultural marketing?

- **a)** Time utility
- **b)** Place utility
- **c)** Ownership utility
- **d)** Form utility

3. Marketable surplus of a farm commodity is defined as:

- **a)** The total production including seed and home consumption
- **b)** Production minus the amount retained for family consumption and seed
- **c)** The amount sold exclusively to government agencies
- **d)** The total imports of a commodity in a year

4. Which market structure is most commonly assumed for primary agricultural markets in textbook analysis of price determination?

- **a)** Monopoly
- **b)** Oligopoly
- **c)** Perfect competition
- **d)** Monopsony

5. Price spread between farm gate and retail price is mainly due to:

- **a)** Marketing costs and margins of intermediaries
- **b)** Difference in soil fertility across regions
- **c)** Seasonal rainfall variability only
- **d)** Crop genetic differences

6. Which of the following promotes price discovery and competition in agricultural markets?

- **a)** Exclusive long-term contracts with a single buyer
- **b)** Transparent auction platforms and well-functioning regulated markets
- **c)** High entry barriers for traders
- **d)** Complete absence of market information

7. Which government instrument is primarily used to protect farmers by guaranteeing a minimum price for certain crops?

- **a)** Export subsidy
- **b)** Minimum Support Price (MSP)
- **c)** Sales tax
- **d)** Import tariff

8. Which of the following is a primary function of agricultural cooperatives in marketing?

- **a)** To increase fragmentation of marketable surplus
- **b)** To provide collective bargaining, aggregation and reduce transaction costs
- **c)** To eliminate all private traders
- **d)** To set international exchange rates

9. In marketing efficiency analysis, the term 'price transmission' refers to:

- **a)** The lagged response of consumer demand to dietary changes
- **b)** How price changes at one market/location affect prices at another market/location
- **c)** The speed of electronic payments in wholesale markets
- **d)** The process of transmitting price information via radio only

10. Which of the following factors is LEAST likely to increase the marketing cost of a perishable horticultural crop?

- **a)** Lack of cold chain facilities
- **b)** Long distance to primary market
- **c)** Efficient grading and standardized packaging
- **d)** Multiple handling stages with many intermediaries

11. Grading in agricultural marketing primarily aims to:

- **a)** Increase the biological yield of crops
- **b)** Differentiate produce by quality to facilitate pricing and buyer choice
- **c)** Reduce soil erosion
- **d)** Replace packaging requirements

12. Which of the following best describes 'monopsony' in an agricultural context?

- **a)** Many buyers, many sellers
- **b)** Single seller and many buyers
- **c)** Many sellers and single dominant buyer
- **d)** Government-controlled price fixing

13. Which marketing channel typically gives the highest share of retail price to producers (other things equal)?

- **a)** Producer → local collector → wholesaler → retailer → consumer
- **b)** Producer → processor → retailer → consumer
- **c)** Producer → cooperative collection & direct retail/contract sales → consumer
- **d)** Producer → exporter → foreign wholesaler → foreign retailer

14. Standardization in marketing primarily facilitates:

- **a)** International price volatility
- **b)** Easier comparison and trade across markets
- **c)** Increased post-harvest losses
- **d)** Decreased shelf-life of products

15. Which of the following is an example of forward marketing that reduces price risk for farmers?

- **a)** Spot sale at harvest
- **b)** Sale through a forward contract at a predetermined price
- **c)** Storing produce illegally to wait for higher prices
- **d)** Selling only to local middlemen without written agreement

16. A high marketing efficiency implies:

- **a)** Large marketing margins and high consumer prices
- **b)** Better services provided per unit of marketing cost
- **c)** Elimination of all intermediaries
- **d)** Lower agricultural productivity

17. Which of the following is typically a function of market information systems in agriculture?

- **a)** Increase information asymmetry between buyers and sellers
- **b)** Provide timely price and demand signals to farmers and traders
- **c)** Replace physical transport networks
- **d)** Control rainfall patterns using forecasts

18. Which of the following best explains the role of value addition in agricultural marketing?

- **a)** It reduces the product's shelf life
- **b)** It increases the product's worth through processing, grading, or packaging
- **c)** It primarily benefits only exporters
- **d)** It is irrelevant to consumer preferences

19. Which indicator would you use to measure spatial market integration between two markets?

- **a)** Correlation/co-integration of prices between the two markets
- **b)** Difference in rainfall patterns
- **c)** Number of local festivals
- **d)** Average farm size

20. Which of these is a common constraint faced by smallholder farmers in accessing markets?

- **a)** Lack of market information and poor transport
- **b)** Excessive access to formal credit at low interest
- **c)** Too many storage and cold-chain facilities close by
- **d)** Overregulation that simplifies market entry

21. Which of the following is a direct marketing channel that typically reduces the number of intermediaries?

- **a)** Producer → Retailer → Consumer
- **b)** Producer → Consumer (farm-gate or farmers' market)
- **c)** Producer → Wholesaler → Retailer → Consumer
- **d)** Producer → Exporter → Foreign Retailer

22. Which of the following best describes 'price support' as a policy tool?

- **a)** Government buying surplus to maintain farm prices
- **b)** Increasing import quotas
- **c)** Deregulating domestic market information
- **d)** Encouraging monopolistic traders

23. Which of the following methods is commonly used to compute marketing margin?

- **a)** Retail price minus producer price
- **b)** Producer price plus transportation cost
- **c)** Farm gate price times quantity produced
- **d)** Government support payments only

24. Which one is an example of vertical integration in agribusiness?

- **a)** A cooperative of smallholders pooling produce for collective sale
- **b)** A firm owning farms, processing plants and retail outlets
- **c)** Multiple traders operating independently in a market
- **d)** A government setting import tariffs

25. Which of the following reduces post-harvest losses most directly?

- **a)** Improved harvesting, handling, storage and cold chain facilities
- **b)** Increasing tariffs
- **c)** Limiting farmer cooperatives
- **d)** Virtual absence of grading

26. What does 'price elasticity of demand' measure in agricultural marketing?

- **a)** How price responds to changes in supply
- **b)** The responsiveness of quantity demanded to a change in price
- **c)** The income level of consumers
- **d)** The cost of transportation per km

27. Which of the following best describes 'horizontal integration' among farmers?

- **a)** A single firm controlling processing, distribution and retail
- **b)** Farmers of the same commodity pooling resources or coordinating production/marketing
- **c)** Traders opening branches in multiple countries
- **d)** Government forming a price stabilization fund

28. Which of the following is an indirect marketing cost?

- **a)** Transportation
- **b)** Storage losses
- **c)** Opportunity cost of farmer's time spent in marketing
- **d)** Commission charges

29. Which of the following best explains 'market failure' in agricultural markets?

- **a)** When markets operate perfectly without any externalities
- **b)** When private markets fail to allocate resources efficiently due to externalities, public goods or asymmetric information
- **c)** When producers always get full consumer price
- **d)** When there's overabundance of storage facilities

30. Which of these tools is commonly used to stabilize prices and support farmers during bumper harvests?

- **a)** Government buffer stock operations
- **b)** Reducing irrigation facilities
- **c)** Eliminating all cooperatives
- **d)** Increasing post-harvest losses

31. Which statement about intermediaries in agricultural marketing is most accurate?

- **a)** Intermediaries always decrease farmers' welfare
- **b)** Intermediaries perform functions like aggregation, risk-bearing and provide market access, but can also capture excessive margins if uncompetitive
- **c)** Intermediaries are irrelevant where road networks exist
- **d)** Intermediaries are always public sector entities

32. Which of the following is a consequence of lack of standard grades for a commodity?

- **a)** Easier comparison of quality across markets
- **b)** Difficulty in price negotiation and potential market distortions
- **c)** Improved export competitiveness
- **d)** Lower post-harvest losses

33. Which financing mechanism specifically links credit to a contracted buyer or processor?

- **a)** Input loans unrelated to sales
- **b)** Contract farming credit or buyer-linked credit
- **c)** Unsecured personal loans
- **d)** Export subsidies

34. Which of these is an advantage of regulated agricultural markets (APMC-type markets) historically?

- **a)** Guaranteed competition among buyers in a transparent auction place
- **b)** Guaranteed lower consumer prices always
- **c)** Permanent elimination of middlemen
- **d)** Increase in post-harvest spoilage

35. Which of the following best characterizes a futures market for an agricultural commodity?

- **a)** A market where immediate physical delivery is the only option
- **b)** A centralized marketplace for standardized contracts to buy/sell a commodity at a future date
- **c)** A method to increase transaction costs
- **d)** A guaranteed income scheme for farmers

36. Which of the following marketing practices can help smallholders capture greater value?

- **a)** Selling mixed, ungraded produce to anonymous traders
- **b)** Forming producer groups to access collective bargaining, grading and direct market linkages
- **c)** Avoiding certification and quality standards
- **d)** Destroying produce to reduce supply

37. The term 'value chain' in agriculture refers to:

- **a)** Only production activities on the farm
- **b)** All activities from input supply, production, processing, marketing to retail that add value to a product
- **c)** The measurement of soil nutrients
- **d)** A chain used to bind sacks in markets

38. Which of the following is an effect of improved market infrastructure (roads, storage, cold chain) on farmers?

- **a)** Increased isolation from markets
- **b)** Reduced post-harvest losses and better price realization
- **c)** Lower bargaining power
- **d)** Increased perishability

39. Which of the following is a common reason for high price volatility in agricultural markets?

- **a)** Perishability, seasonality and inelastic short-run supply/demand
- **b)** Perfectly elastic supply at all times
- **c)** Fixed annual production across years
- **d)** Absence of any weather-related shocks

40. Which of the following best describes 'contract farming'?

- **a)** Informal spot sales to local traders
- **b)** An arrangement where farmers produce according to buyer specifications under a contract
- **c)** Government purchase at MSP only
- **d)** Renting land for urban development

41. Which measure can improve farmers' access to market information and reduce asymmetric information?

- **a)** Strengthening local market information systems and mobile-based price services
- **b)** Banning farmer access to market reports
- **c)** Prohibiting communication between buyers and sellers
- **d)** Limiting competition among traders

42. Which of the following is an example of non-price competition in agricultural marketing?

- **a)** Lowering the posted price below competitors
- **b)** Improving packaging, branding and quality differentiation
- **c)** Collusion to fix prices
- **d)** Reducing farm production area

43. Which of the following best describes 'marketing efficiency' measured by the Palmer or Acharya method?

- **a)** Ratio of consumer price to marketing cost
- **b)** Ratio of value of output to marketing cost or ratio of net returns to marketing cost depending on formulation
- **c)** Measurement of rainfall per season
- **d)** Government expenditure on agriculture

44. Which approach reduces the number of transactions and improves farmers' bargaining power?

- **a)** Encouraging individual fragmented sales
- **b)** Promoting aggregation through farmer producer organizations (FPOs) or cooperatives
- **c)** Discouraging storage facilities
- **d)** Increasing post-harvest handling by multiple agents

45. In an open market, which factor most directly lowers the share of producers in final consumer price?

- **a)** High efficiency in transport and fewer intermediaries
- **b)** High number of intermediaries capturing large margins relative to services provided
- **c)** Strong farmer cooperatives with direct market linkages
- **d)** Efficient grading and storage

46. Which policy instrument is most likely to encourage export-oriented agricultural production?

- **a)** Export subsidies or tax incentives for exporters
- **b)** High export tariffs
- **c)** Strict bans on export
- **d)** Removal of quality standards for export

47. What is the main purpose of contract specifications in contract farming?

- **a)** To increase ambiguity in transactions
- **b)** To clearly specify quality standards, delivery schedules and price terms
- **c)** To eliminate all forms of buyer responsibility
- **d)** To avoid any form of monitoring

48. Which of the following can improve farmers' access to credit linked to marketing?

- **a)** Strengthening warehouse receipt systems that allow collateralized loans
- **b)** Prohibiting receipts for stored produce
- **c)** Ignoring storage infrastructure
- **d)** Increasing information asymmetry

49. Which of the following marketing reforms typically aims to increase competition and reduce barriers to trade for farmers?

- **a)** Allowing trade outside regulated market yards and promoting private markets
- **b)** Restricting sales only to a single licensed trader
- **c)** Increasing licensing fees for new traders
- **d)** Mandating only in-person auctions

50. Which of these is a critical success factor for integrating smallholders into high-value supply chains?

- **a)** Access to quality inputs, extension, quality standards compliance and assured market linkages
- **b)** Total isolation from buyers and processors
- **c)** Avoiding certification or traceability systems
- **d)** Frequent crop destruction to reduce supply

Answer Key

1. a
2. c
3. b
4. c
5. a
6. b
7. b
8. b
9. b
10. c
11. b
12. c
13. c
14. b
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36. b
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46. a
47. b
48. a
49. a
50. a