TABLE OF SPECIFICATIONS REVIEW SERIES

Agricultural Economics & Marketing Reviewer Based On TOS (Module D: Agriculture and Economic Growth) By Agriculture Review

Comprehensive 50-Item Practice Examination with Detailed Answer Key

Part I: Multiple-Choice Practice Questions (Items 1–50)

1. A vegetable grower in Benguet installs drip irrigation, greenhouse netting, high-yielding hybrid seeds, and triple cropping on a single half-hectare plot, whereas a cattle rancher in Bukidnon grazes beef herds with minimal purchased inputs across 400 hectares of natural grassland. How do economists distinguish these two agricultural systems?

- **a.** The vegetable farm practices extensive agriculture while the cattle ranch practices intensive agriculture
- **b.** The vegetable farm practices intensive agriculture using high capital and labor per unit of land, whereas the cattle ranch practices extensive agriculture relying on large land area with lower input intensity per hectare
- **c.** Both operations practice intensive agriculture because both sell output in commercial markets
- **d.** Both operations practice extensive agriculture because both rely on natural sunlight and rainfall

2. Over a decade, a developing nation records an annual 6 percent expansion in real gross domestic product driven by mining exports, yet rural poverty rates, child malnutrition, farm illiteracy, and income inequality worsen steadily. How would development economists evaluate this decade?

- **a.** The nation achieved comprehensive economic development without economic growth
- **b.** The nation achieved sustainable agricultural development
- **c.** The nation experienced quantitative economic growth without achieving genuine economic development
- **d.** The nation achieved neither economic growth nor output expansion

3. A hillside corn farmer abandons slash-and-burn cultivation in favor of contour hedgerows, crop rotation with nitrogen-fixing legumes, and integrated pest management so his farmland remains fertile for his grandchildren while generating steady household cash flow today. Which foundational concept is demonstrated by this shift?

- **a.** Sustainable agricultural development balancing present economic viability with long-term ecological integrity
- **b.** Short-run extractive extensive farming
- **c.** Import-substituting industrialization
- **d.** Pure mercantilist resource depletion

4. As a predominantly agrarian country modernizes over fifty years, farm productivity per worker quadruples through mechanization and improved varieties, releasing surplus rural labor into urban manufacturing and services while agriculture's percentage share of total national output gradually declines. What economic pattern is occurring?

- **a.** Agricultural collapse caused by declining food supply
- **b.** De-industrialization of the urban manufacturing sector
- **c.** Reversion to a traditional subsistence economy
- **d.** Normal structural transformation accompanying successful economic development

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5. During the early stages of national industrialization, why does raising agricultural productivity directly accelerate growth in non-agricultural urban industries?

- **a.** Higher farm productivity permanently eliminates the need for urban factories
- **b.** Higher farm productivity supplies affordable food to keep urban wages competitive, releases labor and savings for industry, earns foreign exchange, and creates rural purchasing power for manufactured goods
- **c.** Higher farm productivity forces urban workers to migrate back into manual subsistence farming
- **d.** Higher farm productivity automatically doubles import tariffs on industrial machinery

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6. When comparing two rice-producing provinces, Province A expands total palay harvest solely by clearing forested uplands to add new acreage while yields per hectare stagnate, whereas Province B doubles yields per hectare on existing irrigated fields through certified seeds and precision nutrient management. Which growth pattern is more sustainable under land scarcity?

- **a.** Province A's extensive area expansion because forest clearing prevents soil erosion
- **b.** Both approaches are equally sustainable regardless of remaining arable land
- **c.** Province B's intensive productivity-led growth because it raises output per hectare without destroying fragile upland ecosystems
- **d.** Province A's approach because extensive farming always maximizes capital efficiency

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7. A national development plan measures success not only by per capita income growth but also by improvements in rural life expectancy, average years of schooling among farmers' children, and access to clean drinking water. Which framework is being applied?

- **a.** Multidimensional economic and human development evaluation
- **b.** Purely nominal output accounting
- **c.** Short-run fiscal austerity tracking
- **d.** Exclusive balance-of-trade accounting

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8. Why does rapid population growth in a land-scarce agrarian country with stagnant farming technology frequently trap rural households in persistent poverty?

- **a.** Population growth automatically expands arable farmland proportionally
- **b.** Larger populations eliminate the need for agricultural research and irrigation
- **c.** Higher rural populations always raise per capita landholdings
- **d.** Farm output per worker and per capita income decline due to land fragmentation and diminishing returns when population grows faster than agricultural productivity

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9. In the 1960s and 1970s, several developing nations imposed high tariffs on foreign manufactured goods to shelter local factories while keeping domestic food prices artificially low and overvaluing their currencies, which penalized rural agricultural exports. Which development strategy caused this anti-agriculture bias?

- **a.** Export-oriented agricultural diversification
- **b.** Import substitution industrialization
- **c.** Free-market laissez-faire trade
- **d.** Green Revolution extension reform

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10. A Southeast Asian country invests heavily in public agricultural research stations, rural irrigation networks, and farmer field schools to promote high-yielding semi-dwarf rice varieties paired with balanced fertilization. Which growth strategy is being implemented?

- **a.** Extensive frontier ranching
- **b.** Urban-biased industrial subsidization
- **c.** Technology-led agricultural productivity growth modeled on the Green Revolution
- **d.** Complete withdrawal from modern input markets

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11. Why does investing in rural farm-to-market roads, post-harvest cold storage, and municipal trading centers serve as a high-return strategy for rural economic development?

- **a.** It lowers marketing and transport costs, cuts physical spoilage losses, improves farmgate prices, and integrates isolated farmers into commercial value chains
- **b.** It eliminates the biological need for seeds and fertilizers in crop production
- **c.** It prevents rural farmers from selling produce outside their own village
- **d.** It guarantees fixed retail food prices without any market competition

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12. Rather than focusing exclusively on heavy urban steel mills while neglecting countryside livelihoods, a national planner coordinates simultaneous investments in farm productivity, rural agro-processing plants, and urban consumer industries so each sector supplies inputs and demand for the others. Which economic development strategy is illustrated?

- **a.** Pure autarky
- **b.** Unbalanced extractive growth
- **c.** Mercantilist bullion hoarding
- **d.** Balanced growth across agricultural and industrial sectors

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13. A tropical island nation shifts its development focus from exporting solely raw unrefined copra and raw sugarcane to building domestic processing plants for virgin coconut oil, desiccated coconut, and specialty muscovado for global markets. Which growth strategy is it pursuing?

- **a.** Subsistence retrenchment
- **b.** Export-oriented agro-industrial value addition and diversification
- **c.** Import substitution of raw agricultural staples
- **d.** Extensive shifting cultivation

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14. Why do development economists emphasize secure land property rights and formal land titling as an institutional strategy for boosting agricultural capital formation?

- **a.** Titled land automatically doubles annual rainfall on the farm
- **b.** Formal land titles exempt farmers from paying all market input prices
- **c.** Secure tenure encourages farmers to make long-term soil and irrigation investments and allows land to serve as collateral for formal bank credit
- **d.** Land titling prohibits farmers from hiring seasonal agricultural labor

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15. A provincial government allocates major funding to rural vocational schools, farmer literacy programs, agricultural extension agents, and rural health clinics rather than spending solely on physical concrete buildings. Which determinant of long-run economic growth is being strengthened?

- **a.** Human capital accumulation
- **b.** Depletable mineral extraction
- **c.** Short-run speculative trading
- **d.** Currency devaluation

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16. Why do microfinance institutions and rural agricultural cooperatives often succeed in delivering production credit to smallholder farmers where traditional urban commercial banks fail?

- **a.** Cooperatives print their own national legal tender currency
- **b.** Commercial banks are legally forbidden from lending to any agricultural enterprise
- **c.** Microfinance lenders never require borrowers to repay principal loans
- **d.** Group lending, social collateral, and local knowledge reduce information asymmetry and transaction costs for small borrowers lacking formal land titles

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17. Under the Philippine Agriculture and Fisheries Modernization Act, local governments and national agencies delineate Strategic Agriculture and Fisheries Development Zones across prime farming municipalities. What is the primary policy objective of designating these zones?

- **a.** Converting prime irrigated farmland rapidly into urban commercial malls
- **b.** Concentrating public investments in irrigation, post-harvest facilities, research, and extension in high-potential areas while protecting prime farmland from indiscriminate land conversion
- **c.** Banning private agribusiness firms from operating inside designated rural municipalities
- **d.** Requiring every farmer inside the zone to grow exclusively ornamental flowers

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18. Under the Comprehensive Agrarian Reform Law in the Philippines, why did policymakers pair land redistribution to landless tenants with mandatory support services such as credit, irrigation, and extension?

- **a.** Because redistributed land automatically becomes infertile upon title transfer
- **b.** Because agrarian reform beneficiaries are prohibited from selling crops in public markets
- **c.** Because land ownership alone does not raise farm productivity or household income unless new owners also gain access to working capital, inputs, technology, and markets
- **d.** Because support services are required only to collect land taxes from former landlords

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19. Under the Philippine Comprehensive Agrarian Reform Law, a landowner holds 25 hectares of agricultural land and has two children aged 18 and 20 who are actively tilling and managing portions of the farm. What is the maximum total area the landowner and those two qualified children may legally retain?

- **a.** 11 hectares, consisting of 5 hectares for the landowner plus 3 hectares each for the two qualified children
- **b.** 5 hectares total regardless of the number of farming children
- **c.** 25 hectares because any family with children is completely exempt from agrarian reform
- **d.** 15 hectares, consisting of 5 hectares each for the parent and every child

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20. Under the Philippine Rice Tariffication Law, quantitative import restrictions on rice were replaced with customs tariffs, and annual tariff revenues were earmarked for the Rice Competitiveness Enhancement Fund. Which four core interventions are funded by this dedicated program to help local rice farmers compete?

- **a.** Cash subsidies for urban malls, fuel rebates for airlines, export bonuses, and land conversion
- **b.** Direct retail price ceilings, mandatory import bans, free pesticides, and export tariffs
- **c.** Construction of urban expressways, commercial bank bailouts, livestock imports, and urban housing
- **d.** Farm mechanization, inbred rice seed development and distribution, expanded rice credit assistance, and rice extension and training services

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21. Under the amended Philippine Organic Agriculture Act, why was the Participatory Guarantee System legally recognized alongside expensive third-party certification bodies?

- **a.** To eliminate all quality standards for organic food sold in the Philippines
- **b.** To give smallholder organic farmers an affordable, peer-reviewed local certification mechanism so they can access domestic organic markets without prohibitive certification fees
- **c.** To allow synthetic chemical pesticides to be labeled as certified organic
- **d.** To restrict organic farming exclusively to foreign multinational plantations

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22. Under the Philippine Fisheries Code, coastal waters extending up to 15 kilometers from the shoreline are legally classified as municipal waters. How does this legal parameter protect smallholder fisherfolk and coastal ecosystems?

- **a.** By reserving municipal waters primarily for small-scale municipal fishers and empowering local governments to regulate gear and restrict destructive large commercial trawlers
- **b.** By prohibiting all fishing activity permanently within 15 kilometers of every coastline
- **c.** By granting foreign deep-sea fleets exclusive harvesting rights near shore
- **d.** By eliminating all licensing requirements for commercial purse-seine vessels

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23. A municipality heavily dependent on single-crop rainfed rice experiences severe income vulnerability whenever palay prices dip. Under the High-Value Crops Development Act, what policy strategy helps raise and stabilize rural farm incomes?

- **a.** Promoting crop diversification into higher-margin fruits, vegetables, coffee, cacao, and spices backed by market linkage and post-harvest support
- **b.** Prohibiting farmers from planting any crop other than traditional rice
- **c.** Eliminating all agricultural extension services in upland barangays
- **d.** Imposing export taxes on high-value fruits to keep them inside the barangay

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24. Why does the Philippine Agricultural and Fisheries Mechanization Law prioritize establishing farm machinery service centers, local fabrication standards, and after-sales support rather than merely distributing imported machines?

- **a.** To replace all rural farmers with urban corporate operators immediately
- **b.** To prohibit smallholder cooperatives from sharing tractors and harvesters
- **c.** To raise post-harvest grain losses during wet-season threshing
- **d.** To ensure machines fit local farm sizes, remain operational through spare parts and operator training, and sustainably cut labor bottlenecks and post-harvest losses

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25. In a typhoon-prone province, why do agricultural policymakers subsidize premiums for smallholder participation in the Philippine Crop Insurance Corporation?

- **a.** To guarantee that typhoons never damage standing rice crops
- **b.** To mitigate catastrophic weather risk so farmers can recover working capital, avoid debt traps, and remain creditworthy for the next planting season
- **c.** To discourage farmers from adopting flood-tolerant crop varieties
- **d.** To replace market prices with fixed government salaries for every resident

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26. Country X can produce either 10 tons of bananas or 5 tons of wheat per hectare, whereas Country Y can produce either 6 tons of bananas or 6 tons of wheat per hectare. According to David Ricardo's principle of comparative advantage, how should the two nations specialize and trade?

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a. Country X should produce both crops and refuse to trade because it yields more bananas
b. Country X should specialize in wheat and Country Y should specialize in bananas
c. Country X should specialize in bananas where its opportunity cost is lower at 0.5 ton of wheat per ton of bananas, while Country Y should specialize in wheat where its opportunity cost is lower at 1 ton of bananas per ton of wheat
d. Neither country can gain from trade because Country Y has identical yields for both crops

27. Under the Heckscher-Ohlin factor endowments theory of international trade, why does a tropical nation with abundant rural labor and warm climate naturally export hand-harvested mangoes and Cavendish bananas while importing mechanized wheat and soybeans from vast land-abundant temperate nations?

a. Nations gain a comparative advantage by exporting goods that intensively use their relatively abundant and cheaper factors of production while importing goods intensive in their scarce factors
b. Temperate countries are legally forbidden from eating tropical fruits
c. International trade occurs only when both nations have identical factor endowments
d. Tropical nations lack any domestic demand for bread or animal feed

28. When two agricultural trading partners eliminate trade barriers and specialize according to comparative advantage, what happens to their combined production and consumption possibilities?

a. Combined global output shrinks as domestic industries close
b. One nation gains exclusively at the exact peso-for-peso loss of the other nation
c. Both nations remain trapped strictly inside their pre-trade production possibilities frontiers
d. Total combined output expands, allowing both nations to consume commodity bundles beyond their individual domestic production possibilities frontiers

29. An agricultural importer brings in milled rice valued at 25 pesos per kilogram under a 20 percent ad valorem tariff, paying 5 pesos per kilogram in duty. If the world price of rice later surges to 40 pesos per kilogram, how does the 20 percent ad valorem tariff behave compared to a fixed 5-peso specific tariff?

a. The ad valorem tariff drops to 2 pesos per kilogram while the specific tariff rises to 8 pesos
b. The ad valorem tariff automatically rises to 8 pesos per kilogram because it is calculated as a percentage of import value, whereas the specific tariff stays fixed at 5 pesos per kilogram
c. Both tariffs rise automatically to 10 pesos per kilogram
d. The ad valorem tariff disappears once world price exceeds 30 pesos

30. When a small importing country imposes a protective import tariff on frozen pork, how are domestic economic welfare groups affected?

a. Domestic pork consumers gain from lower prices while domestic swine farmers lose revenue
b. Both domestic consumers and domestic producers gain equally with zero efficiency loss
c. Domestic swine producers gain higher prices and producer surplus and the government earns tariff revenue, while domestic consumers suffer higher prices and the economy incurs a net deadweight loss
d. Government tariff revenue falls to zero while imports double

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31. How does a quantitative import quota on sugar differ from an equivalent import tariff that restricts imports by the exact same physical volume?

a. Under a tariff the government collects customs revenue directly, whereas under an unauctioned import quota the scarcity windfall or quota rent typically accrues to private license holders or foreign exporters
b. An import quota lowers domestic sugar prices below world prices while a tariff raises them
c. An import quota creates zero deadweight loss while a tariff creates massive inefficiency
d. A tariff completely bans all imports whereas a quota allows unlimited duty-free entry

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32. Japanese customs authorities require Philippine fresh mango exports to undergo strict vapor heat treatment and fruit fly quarantine inspection before entering Japan. How are these health and pest-control import requirements classified in international trade?

a. Ad valorem customs duties
b. Export subsidies
c. Currency devaluations
d. Sanitary and phytosanitary non-tariff measures

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33. A wealthy foreign nation pays generous export subsidies to its dairy farmers, enabling them to sell milk powder in a developing country at prices well below their actual cost of production and driving local smallholder dairy farmers out of business. What trade distortion is occurring, and what remedial tariff may the importing country legally impose?

a. Fair comparative advantage requiring elimination of all local dairy farms
b. Subsidized dumping, which the importing country may offset with countervailing or anti-dumping duties after formal injury investigation
c. Voluntary export restraint requiring the importer to subsidize foreign milk further
d. Tariff escalation requiring higher taxes on domestic cattle feed

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34. An industrialized country charges a 0 percent tariff on raw imported cacao beans from the Philippines but imposes a 25 percent tariff on finished imported Philippine chocolate bars. What trade practice is illustrated, and how does it affect developing-country agro-processing?

a. Free-trade neutrality encouraging chocolate factories to relocate to the Philippines
b. Reverse dumping that raises raw cacao prices above finished chocolate
c. Tariff escalation, which grants high effective protection to foreign processors and discourages developing countries from moving up into value-added processing
d. A sanitary quarantine measure targeting cocoa pests

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35. Proponents of protecting a newly established domestic dairy processing sector argue for temporary tariffs until local farms and plants achieve economies of scale and technical mastery to compete globally. Which classic rationale for temporary trade protection is being invoked?

- **a.** Infant industry argument
- **b.** Absolute advantage argument
- **c.** Purchasing power parity argument
- **d.** Balanced-budget argument

36. When the World Trade Organization succeeded the General Agreement on Tariffs and Trade following the Uruguay Round, what major structural reform did the Agreement on Agriculture introduce for member nations?

- **a.** Permanent legalization of unlimited export subsidies and arbitrary import bans
- **b.** Elimination of all food safety and plant quarantine standards worldwide
- **c.** Creation of a single global currency for all farm commodities
- **d.** Conversion of non-tariff barriers into transparent bound tariffs, minimum market access commitments, and disciplines on trade-distorting domestic and export subsidies

37. Under the World Trade Organization Agreement on Agriculture, why are government expenditures on agricultural research, pest control, farm-to-market roads, and extension training exempted from reduction commitments?

- **a.** They are classified under the Amber Box as heavily trade-distorting price supports
- **b.** They are classified under the Green Box because they cause minimal or no distortion to production and international trade
- **c.** They are banned only for developing countries while allowed for wealthy nations
- **d.** They count strictly as illegal export dumping subsidies

38. Under the World Trade Organization's Most-Favored-Nation principle, if a member country lowers its general tariff on imported frozen beef from 15 percent to 10 percent for one trading partner outside a formal regional trade bloc, what must it do for all other member nations?

- **a.** Raise tariffs to 25 percent on all other member countries to maintain balance
- **b.** Negotiate secret bilateral side payments with each exporting country
- **c.** Extend that exact same 10 percent tariff rate equally and without discrimination to all other member nations
- **d.** Impose an immediate import quota to cancel out the tariff cut

39. Which sequence correctly ranks the stages of regional economic integration from the loosest form of cooperation to the deepest level of integration?

- **a.** Free trade area, customs union, common market, and economic union
- **b.** Economic union, common market, customs union, and free trade area
- **c.** Customs union, free trade area, economic union, and common market
- **d.** Common market, free trade area, customs union, and economic union

40. How does a customs union differ fundamentally from a simple free trade area like the Association of Southeast Asian Nations Free Trade Area?

- **a.** A free trade area shares a single currency whereas a customs union does not
- **b.** A customs union prohibits trade in agricultural goods among member nations
- **c.** A free trade area allows free labor migration whereas a customs union bans migration
- **d.** Both remove internal tariffs among members, but a customs union additionally adopts a unified common external tariff against all non-member countries

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41. When a regional trade bloc eliminates internal tariffs among members, a high-cost domestic sugar industry in Member Country A is replaced by lower-cost, more efficient sugar imports from Member Country B. Which welfare-enhancing effect of economic integration is occurring?

- **a.** Trade diversion
- **b.** Trade creation
- **c.** Tariff escalation
- **d.** Balance of payments crisis

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42. Conversely, if a member of a regional customs union stops importing cheap, efficient beef from a low-cost non-member nation and switches to buying higher-cost beef from a tariff-free partner inside the bloc solely because of the bloc's high external tariff, what economic effect occurs?

- **a.** Trade creation improving global resource allocation
- **b.** Export-led technological spillover
- **c.** Trade diversion shifting purchases from a more efficient global producer to a less efficient bloc partner
- **d.** Complete elimination of deadweight welfare loss

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43. In one year, a country exports 60 billion dollars in merchandise goods and 30 billion dollars in services, imports 85 billion dollars in merchandise goods and 20 billion dollars in services, and receives 25 billion dollars in net overseas worker remittances. What are its merchandise trade balance and overall current account balance?

- **a.** A merchandise trade deficit of 25 billion dollars and a current account surplus of 10 billion dollars
- **b.** A merchandise trade surplus of 25 billion dollars and a current account deficit of 10 billion dollars
- **c.** A merchandise trade deficit of 15 billion dollars and a current account deficit of 15 billion dollars
- **d.** Both a merchandise trade surplus and a current account surplus of 35 billion dollars

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44. A multinational food processing corporation invests 80 million dollars to construct a new pineapple cannery and cold-storage plant in Mindanao. In which main section of the Philippine balance of payments is this long-term capital inflow recorded?

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a. Merchandise trade balance under the current account
b. Secondary income transfers under the current account
c. Net errors and omissions
d. Financial account as inward foreign direct investment

45. Why must a nation's overall balance of payments mathematically sum to zero under double-entry international accounting, even when newspapers report a large current account deficit?

a. Because every country is legally forced to export the exact dollar value it imports each month
b. Because any current account deficit is offset by net capital and financial inflows from abroad or by drawing down central bank official reserve assets
c. Because services and remittances are excluded from international accounting
d. Because central banks erase trade deficits by rewriting historical customs invoices

46. A Mindanao banana exporter receives payment of 10,000 United States dollars for a container shipment. If the Philippine peso depreciates from 50 pesos per dollar to 56 pesos per dollar, how does this exchange rate shift affect the exporter and a local swine feed miller importing 10,000 dollars of soybean meal?

a. The exporter loses 60,000 pesos in revenue while the feed miller saves 60,000 pesos
b. Neither agribusiness is affected because both contracts are denominated in dollars
c. The exporter gains 60,000 pesos in domestic revenue improving export competitiveness, while the feed miller's peso import cost rises by 60,000 pesos
d. Both the exporter and the feed miller gain 60,000 pesos simultaneously

47. Under a freely floating exchange rate system, if the Philippines suddenly imports far more foreign wheat, fertilizer, and machinery than it earns from exports and overseas remittances, how will foreign exchange market forces adjust the Philippine peso?

a. Higher demand for foreign currency relative to supply causes the peso to depreciate, which gradually makes Philippine exports cheaper abroad and foreign imports pricier domestically
b. The peso appreciates sharply until imports become completely free
c. The exchange rate remains permanently frozen until Congress passes a new currency law
d. Foreign exporters automatically cut their dollar prices in half

48. Suppose the Philippine peso appreciates sharply from 58 pesos per dollar to 48 pesos per dollar due to surging foreign portfolio investment inflows. How does this currency appreciation affect domestic import-competing agricultural producers such as local onion and hog raisers?

a. Imported onions and pork become much more expensive in pesos, shielding local farmers
b. Domestic farm exports become far cheaper for foreign buyers in dollar terms
c. Exchange rate appreciation has zero impact on domestic food markets
d. Imported onions and pork become cheaper in peso terms, intensifying foreign price competition against domestic farmers

49. Under a managed float exchange rate regime, when speculative capital outflows threaten to cause a disorderly plunge in the value of the peso, what foreign exchange market intervention does the central bank typically execute?

- **a.** Purchases foreign dollars using newly printed pesos to push the peso down further
- **b.** Sells United States dollars from its official international reserves in exchange for pesos to support the peso's value and smooth volatility
- **c.** Bans all agricultural exports until foreign exchange reserves double
- **d.** Replaces the national currency with bartered agricultural commodities

50. If domestic inflation in Country A runs at 12 percent per year while inflation in its trading partner Country B is only 2 percent per year under a fixed nominal exchange rate, how does Country A's real exchange rate and agricultural export competitiveness change?

- **a.** Country A's real exchange rate depreciates, making its farm exports dramatically cheaper abroad
- **b.** Both countries maintain identical export competitiveness because the nominal exchange rate is fixed
- **c.** Country A's real exchange rate appreciates because its domestic production costs and prices rise faster than foreign prices, eroding its agricultural export competitiveness
- **d.** Country B's agricultural exports automatically become uncompetitive in Country A

Part II: Detailed Answer Key & Rationales

No.	Answer	Correct Option & Detailed Explanation
1	b	**The vegetable farm practices intensive agriculture using high capital and labor per unit of land, whereas the cattle ranch practices extensive agriculture relying on large land area with lower input intensity per hectare.** Intensive farming maximizes yield per unit area by applying substantial capital, labor, irrigation, and inputs on small parcels, whereas extensive farming achieves output across vast landholdings with low input ratios per hectare.
2	c	**The nation experienced quantitative economic growth without achieving genuine economic development.** Economic growth refers narrowly to an expansion in real output or GDP, whereas economic development requires broad-based improvements in living standards, poverty reduction, health, education, and equity.
3	a	**Sustainable agricultural development balancing present economic viability with long-term ecological integrity.** Soil-conserving practices like contour hedgerows, legume rotation, and integrated pest management preserve the natural resource base for future generations while maintaining farm profitability today.
4	d	**Normal structural transformation accompanying successful economic development.** As farm labor productivity rises, fewer workers are needed to feed the population, freeing labor and capital for industry and services while agriculture's relative share of GDP declines despite growing in absolute output.

No.	Answer	Correct Option & Detailed Explanation
5	b	**Higher farm productivity supplies affordable food to keep urban wages competitive, releases labor and savings for industry, earns foreign exchange, and creates rural purchasing power for manufactured goods.** In classical development economics (Johnston-Mellor linkages), agriculture supports industrialization through food, labor, capital, foreign exchange, and domestic market demand contributions.
6	c	**Province B's intensive productivity-led growth because it raises output per hectare without destroying fragile upland ecosystems.** Once arable land frontiers are exhausted, sustainable output expansion depends on total factor productivity and yield gains on existing farmland rather than environmentally destructive deforestation.
7	a	**Multidimensional economic and human development evaluation.** Modern development frameworks (such as the Human Development Index) evaluate income alongside longevity, educational attainment, and access to basic social services.
8	d	**Farm output per worker and per capita income decline due to land fragmentation and diminishing returns when population grows faster than agricultural productivity.** Without technological progress or off-farm job creation, adding more labor to fixed farmland reduces marginal and average labor productivity, depressing rural per capita incomes.
9	b	**Import substitution industrialization.** Import substitution policies protected urban manufacturing behind high tariff walls while artificially depressing farm prices and overvaluing exchange rates, turning domestic terms of trade against agriculture.
10	c	**Technology-led agricultural productivity growth modeled on the Green Revolution.** The Green Revolution combined biological innovation (high-yielding modern varieties) with water control (irrigation), fertilizers, and extension to dramatically boost staple grain yields.
11	a	**It lowers marketing and transport costs, cuts physical spoilage losses, improves farmgate prices, and integrates isolated farmers into commercial value chains.** Rural market infrastructure reduces transaction costs and post-harvest waste, narrowing the farm-to-retail price spread and raising net returns received by producers.
12	d	**Balanced growth across agricultural and industrial sectors.** Balanced growth harmonizes investments in agriculture and industry so that rising farm incomes generate demand for industrial goods while industry supplies farm inputs and processes raw output.
13	b	**Export-oriented agro-industrial value addition and diversification.** Processing raw primary commodities into differentiated, higher-value products captures greater domestic value added, creates rural manufacturing jobs, and stabilizes export earnings.
14	c	**Secure tenure encourages farmers to make long-term soil and irrigation investments and allows land to serve as collateral for formal bank credit.** Clear property rights reduce expropriation risk, incentivize multi-year capital improvements, and unlock lower-cost formal credit by providing bankable collateral.

No.	Answer	Correct Option & Detailed Explanation
15	a	**Human capital accumulation.** Investments in education, technical skills, extension knowledge, and health enhance worker productivity and capacity to adopt modern agricultural technologies.
16	d	**Group lending, social collateral, and local knowledge reduce information asymmetry and transaction costs for small borrowers lacking formal land titles.** Peer monitoring and joint liability substitute for physical collateral while lowering screening and collection costs per small loan.
17	b	**Concentrating public investments in irrigation, post-harvest facilities, research, and extension in high-potential areas while protecting prime farmland from indiscriminate land conversion.** Under RA 8435 (AFMA), Strategic Agriculture and Fisheries Development Zones serve as focal areas for infrastructure modernization and land-use protection.
18	c	**Because land ownership alone does not raise farm productivity or household income unless new owners also gain access to working capital, inputs, technology, and markets.** Without support services, newly titled beneficiaries lack liquidity and technical capacity, risking low yields and distress sale or pawning of awarded lands.
19	a	**11 hectares, consisting of 5 hectares for the landowner plus 3 hectares each for the two qualified children.** Under RA 6657 (CARL), a landowner may retain up to 5 hectares, plus 3 hectares for each child who is at least 15 years old and actually tilling the land or directly managing the farm (5 + 3 + 3 = 11 hectares).
20	d	**Farm mechanization, inbred rice seed development and distribution, expanded rice credit assistance, and rice extension and training services.** RA 11203 (Rice Tariffication Law) channels RCEF funds specifically into mechanization, inbred seeds, credit, and extension to reduce palay production costs and raise yields.
21	b	**To give smallholder organic farmers an affordable, peer-reviewed local certification mechanism so they can access domestic organic markets without prohibitive certification fees.** RA 11511 amended RA 10068 to recognize Participatory Guarantee Systems (PGS), lowering certification barriers for small farmers while maintaining organic integrity.
22	a	**By reserving municipal waters primarily for small-scale municipal fishers and empowering local governments to regulate gear and restrict destructive large commercial trawlers.** Under RA 8550 (as amended by RA 10654), the 15-kilometer municipal water zone safeguards nearshore breeding grounds and prioritizes small-scale municipal fisherfolk livelihoods.
23	a	**Promoting crop diversification into higher-margin fruits, vegetables, coffee, cacao, and spices backed by market linkage and post-harvest support.** RA 7900 (High-Value Crops Development Act) encourages diversification away from low-margin monocropping to boost farm profitability and resilience against single-commodity price drops.

No.	Answer	Correct Option & Detailed Explanation
24	d	**To ensure machines fit local farm sizes, remain operational through spare parts and operator training, and sustainably cut labor bottlenecks and post-harvest losses.** RA 10601 (AFMech Law) emphasizes after-sales service, local manufacturing standards, and training so machinery adoption remains durable and technically appropriate.
25	b	**To mitigate catastrophic weather risk so farmers can recover working capital, avoid debt traps, and remain creditworthy for the next planting season.** Crop insurance transfers covariate weather risks away from vulnerable smallholders, stabilizing farm investment and encouraging adoption of modern inputs.
26	c	**Country X should specialize in bananas where its opportunity cost is lower at 0.5 ton of wheat per ton of bananas, while Country Y should specialize in wheat where its opportunity cost is lower at 1 ton of bananas per ton of wheat.** In Country X, 1 ton of bananas costs 5/10 = 0.5 ton of wheat (versus 6/6 = 1 ton in Country Y). In Country Y, 1 ton of wheat costs 6/6 = 1 ton of bananas (versus 10/5 = 2 tons in Country X). Each specializes where opportunity cost is lowest.
27	a	**Nations gain a comparative advantage by exporting goods that intensively use their relatively abundant and cheaper factors of production while importing goods intensive in their scarce factors.** The Heckscher-Ohlin theorem explains trade patterns through relative factor endowments: labor-abundant countries export labor-intensive crops while land-abundant countries export land- and machine-intensive grains.
28	d	**Total combined output expands, allowing both nations to consume commodity bundles beyond their individual domestic production possibilities frontiers.** Specialization according to comparative advantage increases global production efficiency, expanding the consumption possibilities frontier of every trading partner.
29	b	**The ad valorem tariff automatically rises to 8 pesos per kilogram because it is calculated as a percentage of import value, whereas the specific tariff stays fixed at 5 pesos per kilogram.** At 20% of 40 pesos, the ad valorem duty equals 8 pesos/kg, automatically adjusting with inflation or world price swings, whereas a specific tariff charges a constant peso amount per physical unit.
30	c	**Domestic swine producers gain higher prices and producer surplus and the government earns tariff revenue, while domestic consumers suffer higher prices and the economy incurs a net deadweight loss.** A tariff transfers surplus from consumers to domestic producers and the treasury, while generating production and consumption deadweight efficiency losses.
31	a	**Under a tariff the government collects customs revenue directly, whereas under an unauctioned import quota the scarcity windfall or quota rent typically accrues to private license holders or foreign exporters.** While both restrict imports and raise domestic prices, tariffs channel the price wedge to public revenue, whereas unauctioned quotas transfer scarcity rents to import permit holders.
32	d	**Sanitary and phytosanitary non-tariff measures.** Sanitary and phytosanitary (SPS) measures are science-based regulatory standards designed to protect human, animal, and plant health from pests and diseases across borders.

No.	Answer	Correct Option & Detailed Explanation
33	b	**Subsidized dumping, which the importing country may offset with countervailing or anti-dumping duties after formal injury investigation.** WTO trade remedies allow importing members to impose countervailing duties against actionable foreign export subsidies or anti-dumping duties when below-cost sales cause material injury to domestic producers.
34	c	**Tariff escalation, which grants high effective protection to foreign processors and discourages developing countries from moving up into value-added processing.** By imposing zero or low duties on raw commodities and steep tariffs on processed goods, importing nations lock raw-material exporters out of higher-margin downstream manufacturing.
35	a	**Infant industry argument.** The infant industry argument justifies temporary protection so emerging domestic industries can gain experience, scale economies, and productivity before facing full international competition.
36	d	**Conversion of non-tariff barriers into transparent bound tariffs, minimum market access commitments, and disciplines on trade-distorting domestic and export subsidies.** The Uruguay Round Agreement on Agriculture established the three pillars of market access (tariffication), domestic support disciplines, and export competition rules.
37	b	**They are classified under the Green Box because they cause minimal or no distortion to production and international trade.** Public general services such as research, extension, pest control, and rural infrastructure strengthen long-term productivity without distorting market price signals, placing them in the WTO Green Box.
38	c	**Extend that exact same 10 percent tariff rate equally and without discrimination to all other member nations.** Under the Most-Favored-Nation (MFN) rule, any tariff concession granted to one WTO member must immediately and unconditionally be extended to all other WTO members (outside recognized preferential trade agreements).
39	a	**Free trade area, customs union, common market, and economic union.** Integration deepens progressively: removing internal tariffs (FTA), adding a common external tariff (customs union), freeing labor and capital mobility (common market), and harmonizing fiscal/monetary policies (economic union).
40	d	**Both remove internal tariffs among members, but a customs union additionally adopts a unified common external tariff against all non-member countries.** In an FTA, each member maintains its own independent external tariff schedule toward non-members, whereas a customs union establishes a single external tariff wall.
41	b	**Trade creation.** Trade creation occurs when economic integration shifts production from a higher-cost domestic supplier to a lower-cost partner within the trade bloc, improving efficiency and consumer welfare.
42	c	**Trade diversion shifting purchases from a more efficient global producer to a less efficient bloc partner.** Trade diversion happens when preferential tariff removal causes a member to replace low-cost imports from an efficient non-member with higher-cost imports from a protected partner inside the union.

No.	Answer	Correct Option & Detailed Explanation
43	a	**A merchandise trade deficit of 25 billion dollars and a current account surplus of 10 billion dollars.** Merchandise trade balance = $60B exports minus $85B imports = -$25B (deficit). Services balance = $30B minus $20B = +$10B. Adding +$25B in net remittances yields a current account balance of -$25B + $10B + $25B = +$10B (surplus).
44	d	**Financial account as inward foreign direct investment.** Cross-border equity investments establishing lasting management control and physical productive assets (such as a processing plant) are recorded under foreign direct investment in the financial account.
45	b	**Because any current account deficit is offset by net capital and financial inflows from abroad or by drawing down central bank official reserve assets.** Double-entry balance of payments accounting records every international transaction with equal credit and debit entries, meaning Current Account + Capital Account + Financial Account + Official Reserves = 0.
46	c	**The exporter gains 60,000 pesos in domestic revenue improving export competitiveness, while the feed miller's peso import cost rises by 60,000 pesos.** At 50 PHP/USD, $10,000 equals 500,000 pesos; at 56 PHP/USD, $10,000 equals 560,000 pesos. Depreciation boosts exporters' local-currency receipts by 60,000 pesos while raising importers' costs by 60,000 pesos.
47	a	**Higher demand for foreign currency relative to supply causes the peso to depreciate, which gradually makes Philippine exports cheaper abroad and foreign imports pricier domestically.** Under flexible exchange rates, excess demand for foreign exchange bids up the price of foreign currency (peso depreciation), automatically helping restore external trade equilibrium.
48	d	**Imported onions and pork become cheaper in peso terms, intensifying foreign price competition against domestic farmers.** When fewer pesos are required to buy one dollar, foreign agricultural commodities become cheaper in domestic currency, pressuring farmgate prices for import-competing producers.
49	b	**Sells United States dollars from its official international reserves in exchange for pesos to support the peso's value and smooth volatility.** Selling foreign currency reserves absorbs excess pesos in the foreign exchange market, increasing demand for the peso and curbing sharp depreciation.
50	c	**Country A's real exchange rate appreciates because its domestic production costs and prices rise faster than foreign prices, eroding its agricultural export competitiveness.** When the nominal exchange rate is fixed and domestic inflation (12%) exceeds foreign inflation (2%), Country A's goods become relatively more expensive abroad, causing real exchange rate appreciation and loss of competitiveness.