

4. We read several articles in class this semester discussing the controversial issue of using an increasing quantity of corn to produce fuel (ethanol and biodiesel). As an agricultural economist you have been asked by the U.S. Congress to testify how this may affect agricultural consumers and producers. What are the key points of your testimony? Be sure to discuss the potential magnitude this may have on grain and livestock farmers and food prices. Is this the major reason for changes in food prices or are there other factors having a greater impact on food prices. (10 points)

5. Fill in the blanks using some, but not necessarily all, of the following terms. Note: Some terms may be used more than once (**derived, primary, production, marketing, farm-level, secondary, retail level**). (4 points)

The demand for farm products (such as wheat) is “_____” from consumer demand (for bread and bakery products) and thus is commonly referred to as the _____ or farm-level demand curve. This curve will change when one of the _____ demand shifter variables such as income, population, or tastes and preferences change or when _____ costs change.

6. Which one of the following will NOT shift the primary demand curve for cranberries (3 points)?
- an effective advertising campaign by the U.S. Cranberry Association
 - an increase in transportation costs
 - a research study indicating the health benefits of consuming cranberries
 - an increase in the introduction of new beverage products using cranberries
7. Farm level prices are determined by the intersection of (3 points)
- derived demand and primary supply
 - primary demand and retail supply
 - derived supply and primary demand
 - derived demand and primary demand
8. Why is contracting increasing relative to other price discovery systems? (3 points)
- More discriminating consumers who demand quality, uniformity and product information
 - Food safety issues/increased regulation
 - Enables firms to better control supply, quality, rapidly changing consumer demand and take advantage of food marketing technologies and marketing efficiencies
 - All the above

9. In addition to evaluating the number of buyers and sellers, identify two other variables or characteristics that an economist uses to evaluate an industry's market structure. (4 points)
10. In class we discussed that agricultural producers are increasingly selling their commodities to firms that possess imperfect market structure characteristics, while consumers are generally buying food (groceries and meals) from firms that possess imperfect market structure characteristics – both of which result in pricing and operational inefficiencies. (4 points each)
- Briefly describe what is meant by the terms pricing and operational efficiency.
 - Briefly describe or illustrate graphically how price may be determined by a firm competing in an imperfectly competitive marketing environment.
 - Identify a concern that food consumers may have for imperfectly competitive markets and a concern that agricultural producers may have for this type of market structure.
 - As a CEO for one of these imperfectly competitive agribusinesses, provide two reasons why this type of market structure may be beneficial to either agricultural producers or food consumers instead of a consumers/producers participating in a perfectly competitive market.

11. Answer one of the following two questions. (4 points)

Farmers markets are becoming more popular as farmers are selling produce and other food items directly to consumers. Typically farmers are able to sell their products at these markets for a premium (i.e., higher price) than what they would receive from selling their goods to a large agribusiness using some other price discovery method. Provide two reasons why this price premium typically occurs.

Recall that price discrimination is the ability of a firm to sell the same product at different prices in different locations. Identify the two market conditions that a food exporter must have present for this marketing concept to benefit their company.

12. We discussed in class how agricultural contracting is increasing as a form of price discovery for agricultural products.

a. As a livestock producer, identify two benefits and two concerns that you might have of this type of price discovery for your commodity. (4 points)

b. As an economist, identify two benefits and two concerns that consumers might have about this type of price discovery. (4 points)

c. As a marketing manager for a large agribusiness, provide an argument to your management team of two potential benefits of moving to this type of price discovery system for your food business. (2 points)

Read the following statements. Indicate if the statement is True or False. If the statement is False, correct the statement to make it True. (3 points each)

13. True or False? The demand curve for an oligopolist is likely steeper (i.e., less elastic) than the demand curve for a firm in a monopolistic competition marketplace.

14. True or False? A decrease in food processing costs (a marketing input) will shift both the derived supply and the derived demand to the right, causing the marketing margin to decrease, assuming a competitive market.

15. True or False? A livestock auction that consists primarily of three buyers whose actions are interdependent is a good example of an oligopoly.

16. True or False? A relatively high concentration ratio for the top four firms (CR4) would indicate that it is fairly easy for a new firm to enter the industry.

17. True or False? Organic food companies are attempting to shift the primary demand curve for organic food products to the right and make it more elastic which enables them to have more pricing power.

18. True or False? A marketing contract is a formal agreement among buyers and sellers which specifies required production practices, along with delivery and payment terms and where the contractor, not the farmer retains ownership throughout the length of the contract.