

AEC 305 Exam II Review
(November 9, 2007 – A7 (11:50 -1:00))

Supply Concepts (Schrimper, Chapter 5)

- Be able to distinguish between a movement along a supply curve and a shift in the supply curve? What factors shift the farm-level supply curve and in which direction?
- Be able to calculate and interpret a price elasticity of supply?
- What factors affect the price elasticity of supply?

Models of Market Behavior (Schrimper, Chapter 6)

- Understand the difference between primary and derived demand. What is the difference between derived and primary supply? Using this framework, be able to illustrate how farm level and consumer level prices are determined. Be sure to know what shifts each of the curves?
- Define a marketing margin and be able to show the marketing margin graphically.

Alternative Market Structures (Schrimper, Chapter 7)

- Be sure to understand and identify the differences in the classification criteria for various market structures (e.g., number of buyers/sellers, product differentiation, ease of entry/exit)
- How do the supply and demand curves facing individual firms vary in the perfect competition models vs imperfect competition models?
- Be able to discuss and/or show graphically how price and quantity are determined in each market structure model. Recall that economists utilize a variety of models to describe pricing behavior in an oligopoly market structure.
- What is the difference between an oligopolist and an oligopsonist? What about a monopolist vs. a monopsonist?
- What is price discrimination and what has to be present in order for it to be effective?

Structure-Conduct-Performance – Various Handouts

- Identify the main variables that an economist evaluates in terms of market structure, market conduct, and market performance.
- Review the starred (*) definitions on the handout “Food Market Structure: Glossary”
- Be able to define and calculate concentration ratios such as CR-4 and CR-8.
- Graphically illustrate the goal of advertising. What is the difference between brand name and generic advertising?
- Be able to distinguish between pricing and operational efficiency.
- Discuss some of the concerns and benefits of imperfect competition for both producers and consumers.

Price Discovery (Chapter 8)

- Distinguish between price determination and price discovery.
- Identify and briefly distinguish among various price discovery systems.
- What is vertical integration? Provide an example in agricultural markets.
- Why is contracting increasing relative to other price discovery systems?
- Distinguish between a marketing contract and a production contract.
- Identify some advantages and concerns of contracting (sellers vs buyers vs consumers).