

**AEC 305 Final Exam Review  
(Fall 2008)**

**1. Review Answer Keys for Exam I, Exam II, and Exam III**

- a. Functional, Institutional and Behavioral Approaches to Study Ag Marketing Issues
- b. Market Power vs Economics of Scale in Affecting Food Prices
- c. Distinguish Between the Marketing Bill, Marketing Margin, and Market Basket
- d. Index Number Components and Interpretation
- e. Real vs Nominal Prices
- f. Demand and Supply Elasticities – What do they Measure? Interpretation of Elasticities
- g. Price Flexibility Coefficient
- h. Relationship of Price Elasticity of Demand and Total Revenue
- i. Substitutes vs Complimentary Goods
- j. Normal vs Inferior Goods
- k. Movement vs Shifts in Supply and Demand Schedules
- l. Factors Impacting Supply and Demand Elasticities
- m. Derived vs Primary Demand/Supply
- n. Recent Supply and Demand Factors Impacting Food Prices
- o. Classification Criteria for Distinguishing Various Market Structure Models
- p. Perfectly Competition vs. Imperfect Competition Models, Benefits and Concerns
- q. Market Structure, Conduct and Performance Model
- r. Concentration Ratios
- s. Non-Price Competition
- t. Brand Advertising vs Generic Commodity Promotion (Check-off) Programs: Differences/Goals
- u. Pricing and Operational Efficiency
- v. Distinguish between Price Determination and Price Discovery
- w. Identify Various Price Discovery Systems and What Factors Affect Adoption of a System.
- x. Vertical Integration: Benefits and Concerns
- y. Distinguish between a Marketing Contract and a Production Contract
- z. Identify some Advantages and Concerns of Contracting (Sellers vs Buyers vs Consumers)

**2. Markets Over Space**

- a. Recall that Markets Over Space are Linked by Transportation Costs. Trade Will Occur Between Markets When the Price Difference Between the Two Markets Covers the Transportation Costs.
- b. Trade Will Cause Prices to Increase in the Exporting Market and Decrease in the Importing Market Leading to Winners and Losers (Producers vs Consumers).
- c. Be able to Derive the Quantity Produced, Consumed and Traded in a Trade Equilibrium Model (Understand the concepts behind the 3 panel graphics, and be able to derive algebraically)
- d. Identify Economic Factors that Affect Trade and the U.S. Major Ag Export Customers?
- e. What is an Exchange Rate? Recall how Exchange Rates Affect Exports and Imports. Be able to use Exchange Rates to Convert the Prices of Goods in Different Countries.

**3. Markets Over Time**

- a. Recall that Markets Over Time are Linked by Storage Costs. Storage Will Occur when Price Expectations less Current Prices Exceed the Cost of Storage.
- b. What Factors Affect Storage Costs? What Factors Impact Price Expectations?
- c. Recall that Storage Will Affect Prices in Future and Current Marketing Periods, Depending on the Cost of Storage and the Volume Stored.
- d. Have a General Understanding of the Temporal Equilibrium Model (3 panel graph presented in class).
- e. Distinguish Between Seasonal Price Changes and Cyclical Price Changes
- f. Be Able to Construct and Interpret Seasonal Price Index Values