

Recall that our second exam will be on Monday, October 27th . I will start handing out exams at 11:50 and you will have until 12:55 to complete the exam. Exam questions will be short answer-type questions (Define or describe certain marketing terms, multiple choice, true/false (correct if false), short answer, simple calculations and interpretation.) There will not be many calculations on the exam, but calculators will be available. No one will be allowed to use their phones, blackberries, etc. We are very tight in our classroom. I'll remind each of you that any cheating will result in an automatic E for the course and potentially other serious consequences. The first exam is worth 20% of your final grade. In addition to the powerpoint slides, be sure to review the assigned readings from Rhodes and Schrimper, web materials, and the non-powerpoint handouts from class. Recall that the first exam in previous years included the chapter on demand, plus the second exam had some other materials that we have not covered ... so just focus on what I have outlined below.

Demand Concepts (Schrimper, Chapter 4, and Rhodes, pp. 97-112)

- Understand the difference between a movement along vs. a shift in a demand schedule. What variables cause a shift in a demand schedule? In which direction? Understand the difference between a change in quantity demanded vs a change in demand. Recall that the market demand schedule is simply a horizontal aggregation of individual demand schedules.
- Recall that elasticities measure the responsiveness of one variable relative to another variable. Be able to calculate and interpret own-price, cross-price, and income elasticities, along with the price flexibility coefficients. Distinguish between a substitute good vs a complementary good? What about a normal vs an inferior good? Be sure to understand the difference between an elastic demand vs inelastic demand. What factors affect the own-price elasticity of demand?
- Understand the relationship of the own-price elasticity of demand to changes in total revenue (price x quantity). Recall that if demand is elastic, price and total revenue move in the opposite direction (i.e. an increase in price results in a decrease in total revenue, holding all other factors constant). Conversely, if demand is inelastic, price and total revenue move in the same direction (i.e. an increase in price results in an increase in total revenue, holding all other factors constant).
- Recall that disappearance reflects consumption or use. Note that a change in demand (shifting the demand curve) does not necessarily mean that we have had a change in consumption. Likewise we can have an increase in consumption that does not evolve from a change in demand. Be sure to be able to use the total supply and total demand identities to determine the disappearance of a particular commodity or food item.

Supply Concepts (Schrimper, Chapter 5, Rhodes, pp. 40-43)

- Identify some ways that agricultural supply differs from the supply of other consumer goods.
- Understand the difference between a movement along vs. a shift in a supply schedule. What variables cause a shift in a demand schedule? In which direction? Understand the difference between a change in quantity supplied vs a change in supply. Recall that the market supply schedule is simply a horizontal aggregation of individual supply schedules.
- Be able to calculate and interpret a price elasticity of supply. Be sure to understand the difference between an elastic supply vs inelastic supply. What factors affect the price elasticity of supply?

Price and Quantity Determination at the Farm and Retail Levels/Marketing Margins (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.
- Recall that most agricultural commodities tend to have very inelastic supply and demand which leads to volatile prices. Since supply, especially in the short-run, tends to be more inelastic than demand, one can expect more price volatility at the farm level compared to the consumer or retail level.