

AEC 305 Exam II Review
(November 5, 2004 – Seay Auditorium (11:45-12:50))

Chapter 5: Supply Concepts

- 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?
- Be able to calculate and interpret a price elasticity of supply?
- What factors affect the price elasticity of supply?

Chapter 6: Models of Market Behavior

- Understand the difference between primary and derived demand. What is the difference between derived and primary supply? Be sure to know what shifts each of the curves?
- Define a marketing margin?
- Be able to show the marketing margin graphically

Chapter 7: Alternative Market Structures

- Identify the classification criteria for distinguishing alternative market structures
- Be sure to understand the differences in classification criteria for various market structures.
- How do the supply and demand curves facing individual firms vary in the perfect competition models vs imperfect competition models?
- What is the difference between an oligopolist and an oligopsonist? What about a monopolist vs. a monopsonist?
- What two factors must be present for a firm or an industry to successfully practice price discrimination?
- What is price discrimination and what has to be present in order for it to be effective?
- Be able to define and calculate concentration ratios such as CR-4, and CR-8, and the Herfindahl index.

Structure-Conduct-Performance – Caves

- Identify the main variables that an industrial organization economist evaluates in terms of market structure, market conduct, and market performance.
- Recall that market concentration does allow for firms to achieve economies of scale to hold down costs, but it can also increase the market power of an industry to charge prices considerably above the price in a more competitive industry. This leads to the theoretical debate (and sometimes legal debate) over whether market concentration is good or bad for society.
- Graphically illustrate the goal of advertising. What is the difference between brand name and generic advertising?
- Identify the four market performance goals which we discussed in class to maximize economic welfare
- Be able to distinguish between pricing and operational efficiency.
- Why do agricultural producers have concerns over the increased number of agribusiness mergers in recent years?