

**Final Exam Review
(Fall 2006)**

1. Review Exam 1 and Exam II (Both exams and review sheets).

- a. Distinguish Between the Marketing Bill, Marketing Margin, and Market Basket
- b. Index Number Components and Interpretation
- c. Real vs Nominal Prices
- d. Elasticity Estimation and Interpretation (Own, Cross, Income, and Price Flexibility Coefficient)
- e. Relationship of Price Elasticity of Demand and Total Revenue
- f. Substitutes vs Complimentary Goods
- g. Normal vs Inferior Goods
- h. Movement vs Shifts in Supply and Demand Schedules
- i. Derived vs Primary Demand/Supply
- j. Classification Criteria for Distinguishing Market Structure Models
- k. Perfectly Competition vs. Imperfect Competition Models
- l. Market Structure, Conduct and Performance Model

2. Price Discovery (Chapter 8)

- a. Distinguish between Price Determination and Price Discovery
- b. Identify Various Price Discovery Systems
- c. Distinguish between a Marketing Contract and a Production Contract
- d. Identify some Advantages and Concerns of Contracting (Sellers vs Buyers vs Consumers)

3. Markets Over Space (Chapters 9 – 12)

- a. Recall that Markets Over Space are Linked by Transportation Costs. Trade Will Occur Between Markets When What Condition Prevails? Be able to Define the Terms Autarky and Arbitrage.
- b. Understand How Excess Supply and Excess Demand Equations Are Calculated.
- c. Trade Will Cause Prices to Increase in the Exporting Market and Decrease in the Importing Market. How Will Transportation Cost Increases Affect These Levels?
- d. 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)
- e. Distinguish between Complimentary Imports vs Competitive Imports
- f. 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.

4. Markets Over Time (Chapter 13)

- 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?
- c. Recall that Storage Will Affect Prices in Future and Current Marketing Periods, Depending on the Cost of Storage, Plus the Volume Stored.
- d. Be able to Derive the Quantity Produced, Consumed and Stored in a Temporal Equilibrium Model (Understand the concepts behind the 3 panel graphics)
- e. Distinguish Between Seasonal Price Changes and Cyclical Price Changes
- f. Be Able to Construct and Interpret Seasonal Price Index Values – See Extra Handout (Goodwin)

Futures Markets (Burdine Lecture, Background Material in Chapters 14-15)

- a. What is a Futures Market/Contract? Identify Three Groups that Use Futures Markets. Define the terms “Long”, “Short” and “Basis”. Why do Farmers Use Futures Markets?