Introduction to Agricultural Economics 7th edition Penson Test Bank

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Exam

Name____________________________________

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The output produced in bushels and the price of this output ($/bushel) for Robert Holden over the la three years are as follows: 1) ________

Year	Output	Price	Consumer Price Index
1998	7,000	$3.20	1.10
1999	7,500	$2.90	1.20
2000	8,000	$2.80	1.15

Assume that the only source of income for Robert Holden is from the production of this output. The year in terms of real income for Robert Holden was

A) 2000.
B) 1999.
C) 1998.
D) Can't tell; insufficient information.

2) Assume that for Jim Swain, a corn producer from Illinois, the only source of farm income is from the production of corn. Swain produced 150,000 bushels of corn in 2012, receiving $5 per bushel. Assuming this producer had production expenses of $300,000, and assuming the Consumer Price Index (CPI) for 2012 was 2.50, what was his real farm income for 2012? 2) ________

A) $450,000
B) $750,000
C) $180,000
D) $200,000

3) The output produced in bushels and the prices of this output ($/bushel) over the last three years for : Johnson, a farmer in Amarillo, Texas, are as follows: 3) ________

Year	Output (bushels)	Price ($/bushel)
2010	70,000	$3.20
2011	75,000	$2.90
2012	80,000	$3.50

Let the base year be 2011. What is the output index for 2010?

A) 1.071
B) 0.875
C) 0.937
D) 0.933

4) The output produced in bushels and the prices of this output ($/bushel) over the last three years for : Johnson, a farmer in Amarillo, Texas, are as follows: 4) ________

Year	Output (bushels)	Price ($/bushel)
2010	70,000	$3.20
2011	75,000	$2.90
2012	80,000	$3.50

Let the base year be 2011. Relative to 2011, output for 2010 was lower by ________ percent.

A) 7.14
B) 13.3
C) 6.67
D) 6.25

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5) The output produced in bushels and the prices of this output ($/bushel) over the last three years for : Johnson, a farmer in Amarillo, Texas, are as follows: 5) ________

Year	Output (bushels)	Price ($/bushel)
2010	70,000	$3.20
2011	75,000	$2.90
2012	80,000	$3.50

Let the base year be 2011. What is the price index for 2012?

A) 1.094 B) 0.914 C) 0.829 D) 1.207

6) The retail value of one dozen eggs is $2.89. Farmers receive $1.04 for this dozen of eggs. What is the farmer's share of the retail dollar? 6) ________

A) 56% B) 64% C) 36% D) 45%

7) The output produced in bushels and the prices of this output ($/bushel) over the last three years for : Johnson, a farmer in Amarillo, Texas, are as follows: 7) ________

Year	Output (bushels)	Price ($/bushel)
2010	70,000	$3.20
2011	75,000	$2.90
2012	80,000	$3.50

Let the base year be 2011. Relative to 2011, the price of this commodity in 2012 was higher by ______ percent.

A) 12.9 B) 82.86 C) 20.69 D) 9.38

8) The retail value of a gallon of milk (fat free) is $4.19. Dairy farmers receive roughly $1.64 for this gallon of milk. What is the dairy farmer's share of the retail food dollar? 8) ________

A) 42% B) 39% C) 34% D) 33%

9) Suppose that Bill Toney, a tobacco farmer near Roanoke, Virginia has assets of $50 million and liabilities of $38 million. What is the equity for this tobacco farmer? 9) ________

A) $50 million B) $12 million C) $6 million D) $88 million

10) The food and fiber industry today accounts for roughly what percent of GDP in the United States? 10) ________

A) 16 to 20 percent B) 4 to 7 percent
C) 12 to 15 percent D) 8 to 11 percent

11) Suppose the index of prices received by farmers for 2000 was 1.02 and the base year of this index was 1995. Then 11) ________

A) relative to 2000, farm prices were 2% higher in 1995.
B) relative to 1995, farm prices were 102% higher in 2000.
C) relative to 1995, farm prices were 2% higher in 2000.
D) relative to 2000, farm prices were 102% higher in 1995.

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12) Data for Wilson's Lamb Slaughtering Plant are given below: 12) _______

Year	Pounds of Lamb Slaughtered
1998	100,000
1999	75,000
2000	110,000

Let the base year be 1.0 in 1998. What is the output index for 1999?

A) 1.33 B) 1.10 C) 75 D) 0.75

13) Which of the following statement(s) is (are) false? 13) _______

A) The number of U.S. farms at present is about 2 million.
B) The average size of U.S. farms is between 800 and 1,000 acres.
C) At present, most U.S. farms are organized as partnerships and corporations.
D) Both B and C.

14) Which of the following is not true? 14) _______

A) All food and beverage products are normal goods.
B) U.S. farms tend to be specialized rather than diversified in that about half of the U.S. farms produce just one commodity.
C) One out of every ten jobs in the U.S. economy is tied to the food and fiber industry.
D) Both A and B.

15) Which of the following statement(s) is (are) false? 15) _______

A) The current U.S. Secretary of Agriculture is Sonny Perdue.
B) The U.S. economy represents a purely capitalistic system.
C) The index most frequently used by economists to measure inflation is the CPI.
D) Both B and C.

16) Given the following data: 16) _______

Cash receipts from farm marketing	$750,000
Receipts of government payments	$150,000
Other income from farm sources	$100,000
Production expenses	$400,000
Value of real estate assets	$10 million
Value of non-real estate assets	$2 million
Financial assets	$4 million
Liabilities	$9 million

Net farm income for this operation is

A) $600,000. B) $7 million. C) $25 million. D) $1 million.

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17) Given the following information: 17) _______

Cash receipts from farm marketing	$750,000
Receipts of government payments	$150,000
Other income from farm sources	$100,000
Production expenses	$400,000
Value of real estate assets	$10 million
Value of non-real estate assets	$2 million
Financial assets	$4 million
Liabilities	$9 million

The equity for this operation is
A) $1 million. B) $600,000. C) $25 million. D) $7 million.

18) Suppose the index of prices received by farmers for 2012 was 1.70 and the base year of this index was 1996. Then 18) _______
A) relative to 2012, prices received by farmers were 70% higher in 1996.
B) relative to 1996, prices received by farmers were 70% higher in 2012.
C) relative to 1996, prices received by farmers were 70% lower in 2012.
D) relative to 2012, prices received by farmers were 70% lower in 1996.

19) Suppose your nominal income in 1990 was $24,000. Suppose too that the consumer price index for 2012 was 1.5, and the base year for this index was 1990. How much nominal income would you need in 2012 in order to match the spending power of your $24,000 in 1990? 19) _______
A) $16,000 B) $36,000 C) $24,000 D) $48,000

20) The value of any index for the base period is 20) _______
A) 0. B) 1.
C) -1. D) none of the above.

21) Which of the following is (are) part of the agribusiness (food and fiber) sector? 21) _______
A) Wholesalers, retailers, and food service purveyors
B) Processors and manufacturers
C) Farm input suppliers
D) All of the above

22) The major component of all activities once a crop, livestock, or fiber product leaves the farm gate is 22) _______
A) advertising. B) labor.
C) packaging and transportation. D) none of the above.

23) The portion of food and expenditures associated with activities of firms beyond the farm gate is known as 23) _______
A) value added. B) consumer surplus.
C) the marketing bill. D) none of the above.

24) The term "real" as opposed to "nominal" means that economists are making adjustments for 24) _______
A) inflation. B) resource scarcity.
C) opportunity cost. D) none of the above.

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25) This question pertains to the following table that gives the output produced (in bushels) and price o received ($/bushel) for Farmer Smith over the period 2008 to 2010. Assume that the only source of in for Farmer Smith is from the production of corn. Also assume that all production costs are zero. 25) _______

Year	Output	Price	CPI
2008	6,000	$2.00	1.00
2009	8,000	$2.60	1.10
2010	10,000	$2.50	1.40

The best year in terms of real income for Farmer Smith was

A) 2009. B) 2008.
C) 2010. D) can't tell; insufficient information.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

26) The number of U.S. farms is on the order of 4 million at present. 26) _______

27) The value of any index for the reference or base year is always 1. 27) _______

28) U.S. farms tend to be diversified rather than specialized. 28) _______

29) One out of every six jobs in the U.S. economy is tied to the food and fiber sector. 29) _______

30) The share of the food dollar for food eaten at home is slightly more than 50%. 30) _______

31) Equity equals liabilities minus assets. 31) _______

32) The debt–to–asset ratio for the farm sector is in the order of 20 percent. 32) _______

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

33) ________: reflects what a $1 today would have purchased in goods and services in a particular base period. 33) _______________

34) ________: the value of food expenditures contributed by firms beyond the farm gate. 34) _______________

35) ________: the level of output per unit of input. 35) _______________

36) The term "real" as opposed to "nominal" means that economists are making adjustments for ________. 36) _______________

37) As a consumer's disposable income rises, the proportion of income spent on food falls. This assertion is known as ________. 37) _______________

38) Productivity is defined as the ratio of ________ to ________. 38) _______________

39) The major component of the marketing bill for food is ________. 39) _______________

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Answer Key
Testname: UNTITLED29

1) C
2) C
3) D
4) C
5) D
6) C
7) C
8) B
9) B
10) C
11) C
12) D
13) D
14) B
15) B
16) A
17) D
18) B
19) B
20) B
21) D
22) B
23) C
24) A
25) A
26) FALSE
27) TRUE
28) FALSE
29) TRUE
30) TRUE
31) FALSE
32) FALSE
33) Purchasing power
34) Marketing bill
35) Productivity
36) inflation
37) Engel's Law
38) output, input
39) labor

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