

On my honor, as an Aggie, I have neither given nor received unauthorized aid on this academic work.

Signature: _____ Seat #: _____

Printed Name: _____

**Agricultural Economics 429
Fall 2018 Exam #1**

1. _____

2. _____

3. _____

4. _____

5. _____

Total _____

1a. (6pts.) If you were the lobbyist for American Farm Bureau and your job is to provide donations to good supporters of agriculture, why would this November's election be especially difficult for you? What would you do?

1b. (6 pts.) The elasticity of demand for agricultural commodities is -0.6, and the elasticity of supply is 0.7. Explain what each of these numbers mean, and how they related to the issue of variable farm income.

1c. (4 pts.) Dr. Nathan Smith talked about the wide variety of issues a professional agricultural economist has to handle on a daily basis. What did he say he had to fall back on to help tackle all the different issues? Would the answer be different if he was a consultant for an industry group? Why?

Write the letter corresponding to the most appropriate answer in the blank provided:

- _____ **2a.** (3 pts.) As stated in the book, regulations
- A. Are often a result of negative externalities
 - B. Expand freedom of choice
 - C. Lead to capitalization
 - D. All of the above
 - E. None of the above
- _____ **2b.** (3 pts.) Which of the following is a true statement?
- A. The farmers share of food a dollar spent on food is about 10%.
 - B. Farming accounts for a small percent of GDP.
 - C. The entire food and fiber system accounts for about 12% of GDP.
 - D. All are not true
 - E. All are true
- _____ **2c.** (3 pts.) Which of the following is not true about policy and programs?
- A. Programs implement policy.
 - B. Programs are broad guiding principles for action.
 - C. It is not important whether the Congress shares the President's policy vision.
 - D. All of the above
 - E. None of the above
- _____ **2d.** (3 pts.) The benefits of farm program payments are captured in the value of cropland. This is an example of:
- A. Own price elasticity
 - B. Compensation principle
 - C. Capitalization
 - D. All of the above
 - E. None of the above
- _____ **2e.** (3 pts.) Which of the following is not true?
- A. Farm programs enabled U.S. producers to increase their global market share.
 - B. The EPA was created during the 1970s in response to concerns about environmental issues.
 - C. Most of the 20th century agriculture had chronic excess capacity
 - D. Adoption of labor-saving technology has enabled the farm sizes to increase.
 - E. None of the above
- _____ **2f.** (3 pts) Which of the following is true about the 1970s?
- A. Farm subsidies shifted from ensuring supplies to supporting farm prices
 - B. Ethanol was incentivized with the Energy Policy Act of 1977
 - C. The EPA was created
 - D. All of the above
 - E. None of the Above

_____ **2g.** (3 pts.) Which of the following would cause a change in supply?
A. Change in taste and preferences
B. Increase in income
C. GMO seeds
D. All of the above
E. None of the above

_____ **2h.** (3 pts.) Which of the following would affect the own price elasticity of beef?
A. Decrease in imports of beef due to tariffs
B. An increase in the price of pork
C. An increase in disposable income
D. All of the above
E. None of the above

2j. (8 pts.) What are the four main tools for influencing policy in a democracy?

3a. (9 pts.) You are a soybean farmer in Somewheregreat, Texas. You know that the own price elasticity of supply is 0.25 and own price elasticity of demand is -0.50. Last year the U.S. had a total demand of 4.3 billion bushels and produced 4.4 billion bushels of soybeans. Due to tariffs imposed by trading partners, the price of soybeans has dropped 20%. Find the new quantity demanded and the new quantity supplied for soybeans. Are soybean farmers better off? Show your work.

3b. (4 pts.) The policy process has been described as a lot like making sausage. Why? Why is it so important to understand how policy is made?

3c. (3 pts.) What interest groups tend to be the most effective general farm organizations or Commodity groups? Why?

3d. (6 pts.) When the two farmers, Mr. Huie and Mr. Whatley spoke to class, why did they indicate the need to increase the size of their operations in spite of the added headaches? What are some of the headaches they mentioned?

4. (10 pts.) Describe how a bill becomes a law. Be sure to explain the importance of the conference committee in this process. How does cloture in the Senate help or hinder this process?

5. (20 pts.) Label the exporting and importing countries below.

A. On the graph below indicate:

- the free trade quantities supplied and demanded in each country as QDFT and QSFT

B. Now assume that the importing country institutes an import tariff

- label the resulting prices in each country PIT
- label the resulting quantities supplied and demanded in each country as QDIT and QSIT
- indicate the prices and quantity traded in the trade sector as PIT and QIT

C. Relative to the initial free trade situation indicate the effect of the import tariff on:

- Exporting country producers
- Exporting country consumers
- Importing country producers
- Importing country consumers
- Importing country equipment dealers
- Exporting country equipment dealers

