1. True or False. Circle the correct answer. (1pt)
   Monopsonists will offer a lower price and buy more input than firms engaging in perfect competition.

2. True or False. Circle the correct answer. (1pt)
   The loan rate is always above the market price.

3. True or False. Circle the correct answer. (1pt)
   The target price is always above the loan rate.

4. (a) A, B, and C correspond to what curves? (3pts)

   A. **MFC**  
   **Marginal Input Cost Curve**

   B. **Supply**  
   **Supply Curve for the Input**

   C. **MVP or MRP**  
   **Demand Curve for the Input**

   (b) For the monopsonist, how much input should be used assuming profit maximization and how much should be paid for the corresponding input? (2pts)

   Amount of input used: 2,000 units

   Price paid for the input: $5.50/unit

   (c) What is the magnitude of monopsonistic exploitation? (1pt)

   $0.75/unit  

   Difference between the price paid under perfect competition ($6.25) and the price paid under monopoly ($5.50)
5. In the diagram below, suppose the government imposes a price ceiling of $27. The total 
revenue the monopolist will accrue is: \[ \$1620 \]. (1pt)

6. List two distinct real roots of the farm problem. (2pts)

(a) inelastic supply and demand for agricultural products
(b) interest rate sensitivity
(c) trade sensitivity
(d) excess capacity
(e) asset fixity
(f) lack of market power

7. Assume the own-price elasticity of domestic demand for a particular agricultural product is -0.4 and that the own-price elasticity of foreign demand is -1.6. Also, suppose that the market share for domestic use of this product is 80%. What is the own-price elasticity of total demand? Show all work. (2pts)

\[
OPE_{TD} = OPE_{PD} + OPE_{FD} + OPE_{FD} 
\]
\[
OPE_{TD} = (-0.4)(0.8) + (-1.6)(1.2)
\]
\[
OPE_{TD} = -0.32 - 1.92 = -0.64
\]

8. The information below pertains to agricultural prices for a particular commodity.

<table>
<thead>
<tr>
<th>Loan Rate</th>
<th>Target Price</th>
<th>Market Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.95 per bushel</td>
<td>$2.63 per bushel</td>
<td>$2.24 per bushel</td>
</tr>
</tbody>
</table>

(a) According to this information, what is the deficiency payment per bushel for this commodity? (1pt)

\[
\text{Deficiency payment} = \text{Target price} - \max \{\text{loan rate, market price}\}
\]
\[
= \$2.63 - \$2.24
\]
\[
= \$0.39 \text{ per bushel}
\]

(b) True or False. Circle the correct answer. The commodity in question is wheat. (1pt)
9. Asset **fixity** refers to the difficulty that farmers typically have in disposing of farm equipment or shutting down their operation. (1pt)

10. In a processing industry, four firms comprise roughly 75% of the market on the buying side. This situation characterizes a (an) **oligopoly**. (1pt)

11. Suppose the graph below pertains to cotton. Answer the following questions.

(a) What kind of agricultural program does this diagram illustrate? (1pt)

   **Loan Rate Mechanism**

(b) At $0.75 per pound, cotton producers will receive $ \frac{1,350}{1,800 + 0.75} \text{ million.} \quad (1pt)

(c) This government agency will accumulate 800 million pounds of cotton. (1pt)

(d) The government program will cost taxpayers $ \text{600 million.} \quad (1pt)

(e) The producer surplus under the minimum price floor guarantee is given by area(s) \[2 + 3 + 5 + 6\]. (1pt)
12. The monetary value of all final goods and services produced by any economy is called the ___________. (1pt)

13. Historically, which of the following is not covered by government programs? Circle the correct answer. (1pt)

(a) milk  (b) meat products  (c) soybeans  (d) wheat

"On my honor, as an Aggie, I have neither given nor received unauthorized aid on this announced quiz."

Student’s Signature  Date

Student’s Printed Name  UIN