(7 pts) 1. True(T) or False(F). (Circle the correct answer for each statement.)
   T or F (a) The U.S. economy represents a purely capitalistic system.
   T or F (b) The number of farms at present is about two million.
   T or F (c) On the basis of net farm, income, 2012 is projected to be an exceptional
   year for U.S. agriculture.
   T or F (d) One out of every ten jobs in the U.S. economy is tied to the food and fiber sector.
   T or F (e) The current U.S. Secretary of Agriculture is Charles Brannan.
   T or F (f) The choice of any base or reference period in the construction of output or price indices
   is arbitrary.
   T or F (g) The current unemployment rate in the United States is less than 8 percent.

(1 pt) 2. Most resources are best suited for a particular use. For example, climate and other conditions in
Florida allow resources to be used in orange production in lieu of wheat or potato production.
What economic concept deals with this issue? (Circle the correct answer.)
   (a) specialization
   (b) opportunity cost
   (c) fallacy of composition
   (d) none of the above

(3 pts) 3. Wholesalers, retailers, and food service purveyors are part of the agribusiness (food and fiber)
sector. List three other distinct sectors.
   (a) farm input suppliers
   (b) farm sector (production)
   (c) manufacturing/processing/transportation
   (d) consumers

(2 pts) 4. Assume that for John Paxton, a soybean producer from Iowa, the only source of farm income is
from the production of soybeans. Paxton produced 100,000 bushels of soybeans in 2011, receiving $12 per bushel. Assuming this producer had production expenses of $800,000, and
assuming the Consumer Price Index (CPI) for 2011 was 200, what was his real farm income for
2011? Show all work.
   Nominal gross farm income = 100,000 bu * $12/bu = $1,200,000
   Nominal net farm income = $1,200,000 - $800,000 = $400,000
   Real net farm income = $400,000 / 200 = $200,000

(1 pt) 5. Circle the correct answer. Scarce resources like land, labor, and capital can be categorized as:
   (a) human resources
   (b) natural and biological resources
   (c) manufactured resources
   (d) all of the above

(1 pt) 6. Circle the correct answer. What branch of economics is concerned with the effects of nutrition
labeling on the dietary quality of consumers (i.e. what-if types of questions)?
   (a) normative economics
   (b) positive economics
   (c) microeconomics
   (d) macroeconomics

(1 pt) 7. Circle the correct answer. Congress commissioned a study to determine what the poverty level
or minimum level for subsistence should be for the U.S. population. To what branch of
economics does this study correspond?
   (a) normative economics
   (b) positive economics
   (c) microeconomics
   (d) macroeconomics
8. The term "real" as opposed to "nominal" means that economists are making adjustments for
   (a) opportunity cost  (c) resource scarcity
   (b) inflation       (d) none of the above

9. The outputs produced in bushels of sorghum over the last three years for Tom Jackson, a
   farmer from San Angelo, Texas, are as follows:

   Year       Output (bushels)
   2009       60,000
   2010       80,000
   2011       90,000

   Let the base year be 2010.

   (1 pt) (a) Construct the output index for 2011. Show all work. \[ \frac{99,000 \text{ bu}}{80,000 \text{ bu}} = \frac{9}{8} = 1.125 \]

   (2 pts) (b) Relative to 2010, output for 2011 was \( \textbf{higher/lower} \) (circle the correct answer) by \( \frac{12.5}{\text{percent}} \).

   (3 pts) 10. Suppose that the Beltrand family owns a farm near San Angelo, Texas. Three options exist
     for how to best use the farm:

     - **Option 1.** Raise lambs and earn a profit of $425,000. Production expenses amount to $200,000.
     - **Option 2:** Raise cattle and earn a profit of $475,000. Production expenses amount to $400,000.
     - **Option 3:** Grow cotton and earn a profit of $600,000. Production expenses amount to $300,000.

     (a) Which option should the Beltrand family undertake? **Option 3 / grow cotton**

     (b) What is the opportunity cost in this decision? **$475,000**

     (c) What is the total economic cost in this decision? $300,000 + $475,000 = $775,000

   (1 pt) 11. *Agricultural economics* is an applied social science that deals with how producers,
     consumers, and societies use scarce resources in the food and fiber sector.

   (1 pt) 12. Circle the correct answer. Suppose the index of prices received by farmers for 2010 was 1.70
     and the base year of this index was 1996. Then:

     (a) relative to 1996, farm prices were 70% lower in 2010.
     (b) relative to 2010, farm prices were 70% higher in 1996.
     (c) relative to 1996, farm prices were 70% higher in 2010.
     (d) relative to 2010, farm prices were 70% lower in 1996.

   **Sign the Aggie Pledge:**
   *An Aggie does not lie, cheat or steal or tolerate those who do.*