



Agribusiness Study Guide

Vocabulary

- Agrimarketing Channels
- Brand Equity
- Call Option
- Capital Budgeting Investment Analysis
- Cash Flow Statement
- Compounding
- Contract
- Cooperative
- D-Value
- Erosion
- Estimated Resale Value
- Executor
- Family Line Brand
- Marketing Analysis
- Patronage Refunds
- Prime Rate
- Product Positioning
- Put Option
- Sustainable Agriculture
- Terminal Market
- Urban Agriculture
- Working Capital

Things to Know

- Advantages and disadvantages of incorporating a farm
- Applying commercial fertilizers
- Calculating feed cost
- Commodities
- Determining acres
- Determining rate of return
- Effects of a farmers market
- Effects on the demand curve
- Factors that cause famine
- Farm lease contracts
- Feeder cattle contracts
- FIFO vs. LIFO
- Food labeling laws
- Four factors of production
- Four Ps of marketing
- Government farm programs
- How crops survive during adverse weather conditions
- How do you reduce production risk
- How weather affects crops
- Liquidity of assets
- Live cattle contracts
- SWOT analysis
- Tax management strategies
- The role of price future value of land
- Types of economic concepts
- Types of farm contracts
- Types of financial statements
- Types of insurance food safety hazards
- Types of risks

Overview

This event provides recognition for FBLA members who demonstrate an understanding of and skill in basic agribusiness concepts and procedures.

This is an individual online test.

Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/agribusiness.pdf>

Website Resources

- CASE: Curriculum for Agricultural Science Education
<http://www.case4learning.org/curriculum/introduction-to-afnr/>
- National FFA Organization
<https://www.ffa.org>

AGRIBUSINESS SAMPLE QUESTIONS

1. Succession planning refers to:
 - a. planning to raise a new variety of soybeans that have not be tried before
 - b. planning for next year's success of the business
 - c. planning to move the business to the younger generation
 - d. planning to increase the size of the farm business

2. Calculate the depreciation of a new tractor that Fred Farmer has purchased. Purchase price is \$169,000, the salvage value is estimated to be \$44,500, and Fred expects to own the tractor for 10 years and average 650 hours per year. What is the hourly economic or management depreciation?
 - a. \$4.50
 - b. \$44.50
 - c. \$19.15
 - d. \$40.50

3. Which one of the following would improve profitability of a farm business?
 - a. buy more equipment to keep ahead of the neighbor
 - b. use credit cards for purchasing supplies
 - c. increase farm earnings and reduce farm costs
 - d. get another loan to have more cash

4. A drought in South America will:
 - a. increase the chance for rain in the United States
 - b. decrease the amount of snow that falls in the Rocky Mountains
 - c. increase demand for U.S. grain
 - d. decrease the price of U.S. grain

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5. Which one of the following is **not** a deductible cost to an agricultural business?
 - a. machinery depreciation
 - b. principle paid
 - c. wages paid
 - d. the value of raised livestock

 6. Buyers and sellers in the futures market who do **not** raise or use the commodity they are trading in are called:
 - a. forward contractors
 - b. speculators
 - c. risk managers
 - d. hedgers

 7. Farm Financial Standards Council promotes uniformity of farm financial records for the purpose of:
 - a. analyzing farm production characteristics
 - b. fair comparisons between all farms
 - c. fair comparisons between farms in foreign countries
 - d. analyzing competitive advantages

 8. A farmer purchases 750-pound feeder steers for \$1.18 per pound and plans to sell the steers at 1300 pounds. The farmer estimates the total cost of gain to be \$0.80 per pound. The nearest breakeven price when the steers are sold at 1300 pounds is (round to the nearest cent):
 - a. \$1.12/pound
 - b. \$0.92/pound
 - c. \$1.02/pound
 - d. \$1.18/pound

 9. What percent moisture should corn silage be harvested at for optimum feed quality?
 - a. 55–60 percent
 - b. 24–32 percent
 - c. 45–50 percent
 - d. 75–80 percent

 10. Which one of the following can influence the value of crop land?
 - a. interest rate of the mortgage
 - b. national gross farm income
 - c. a mortgage on the land
 - d. what it produced last year

 11. For every dollar spent on food in the United States how much gets back to the farmer?
 - a. \$0.67
 - b. \$0.19
 - c. \$0.07
 - d. \$0.53

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12. Four sections of land are how many square miles?
- 1 square mile
 - 3 square miles
 - 4 square miles
 - 2 square miles
13. If you are going to raise your own replacement heifers, when calculating a cow-calf enterprise budget you should:
- include the cost of purchased replacements, as well as the costs associated with developing the home raised heifers
 - include annual depreciation expense for raised heifers as a cost in the enterprise budget
 - exclude cull cow sales from the income section of the budget projections
 - reduce the number of heifer calves sold to reflect the number of heifers retained
14. A cost of production which varies as additional units of production are added and includes such items as seed, fertilizer, supplies, medicine is called a:
- total cost
 - opportunity cost
 - fixed cost
 - variable cost
15. Which one of the following is **true** about cooperatives?
- There is no manager in a cooperative.
 - Cooperatives are incorporated.
 - Voting is the same as other businesses.
 - There is no board of directors in a cooperative.
16. Assume that the cross-price elasticity of pork for chicken is 1.2. This cross-price elasticity indicates that:
- pork and chicken are complementary goods
 - there is no relationship between the demand for pork and the price of chicken
 - a 1.2 percent increase in the price of chicken will lead to a 1 percent increase in the price of pork
 - a 10 percent increase in the price of chicken should lead to a 12 percent increase in the demand for pork
17. By USDA definition, an operation may be classified as a "farm" if it:
- generates at least one-half of the household's income in a normal year
 - has at least 100 acres of cropland or pasture land
 - raises agricultural products (crops, livestock) in a typical year
 - has \$1,000 of agricultural sales in a normal year
18. What would you do if the cash position in a certain month indicated that there would be more expenses than income?
- Change depreciation methods of personal assets.
 - Terminate any assets causing the cash flow problem that month.
 - Move cash around various banking accounts to hide the problem.
 - Use savings, delay expenses, move sales, or borrow money.

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19. In a perfectly competitive market, which one of the following is most **correct**?
- Sellers cannot differentiate their products by advertising.
 - A firm's demand curve is perfectly inelastic.
 - There are many sellers but very few buyers. This means sellers have market power.
 - Sellers can increase their profits by charging a higher price for their goods.
20. For a farm business, it is important to distinguish between variable costs and fixed costs. The definition of variable costs is:
- are not used in the enterprise budget
 - include depreciation, interest, insurance, and taxes on machinery and buildings
 - represent costs that are incurred whether the farm enterprises produces a crop or not
 - represent items that will be used during one production period
21. Two good reasons for keeping farm business records are to:
- know when the farm business is making money and when it is losing money
 - know which farm enterprises are making money and which ones are losing money
 - comply with income tax reporting requirements and to assist in planning and management
 - maximize profit and minimize taxes for the farm business
22. In the long run, a farm business manager should try to cover:
- fixed costs
 - total cost
 - all costs
 - variable costs
23. Precision agriculture requires reliance upon what major technology to be successful?
- ebb and flow hydroponics
 - in vitro fertilization
 - Global Positioning Systems (GPS)
 - high-speed Internet connectivity
24. From an agricultural law perspective, there are two general kinds of property:
- land and buildings
 - owned and mortgage
 - business and personal
 - real and personal
25. The government has set a price floor for milk at \$14/cwt (cwt = 100 pounds), but market conditions indicate that the market equilibrium is \$11/cwt. What effect will the price floor have?
- stimulate establishment of new dairies
 - cause a shortage of milk in the market
 - no effect on the supply of milk
 - cause a surplus of milk in the market

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26. What would be some of the job tasks that would be expected from an accountant at an agribusiness operation?
- Conducts inventory of all business merchandise, ensuring that there is an accurate count of merchandise on hand at all times.
 - Interviews customers to determine the target price of an item or service.
 - Provides auditing services, assistance with tax preparation, litigation support, and financial advice.
 - Oversees a division of an organization, including ensuring payment, vacation time and injury benefits to employees.
27. What level of education is required for most entry level agricultural sales positions?
- an associate's degree (2-yr.)
 - a bachelor's degree (4-yr.)
 - usually there are no educational requirements
 - a high school diploma (K-12)
28. When the U.S. dollar is considered to be weak, the demand for agricultural imports:
- none are correct
 - have no change
 - increase
 - decrease
29. The "best" economic investment benefit to owning farmland is:
- great cash flow
 - that there is lots of flexibility in the investment
 - that it's a beautiful place to live
 - that the investment has long-term capital gains potential
30. To produce any product/service in the short run, which costs must be covered?
- opportunity costs
 - fixed costs
 - total costs
 - variable costs

Agribusiness Answer Key

1)	C	11)	B	21)	C
2)	C	12)	C	22)	B
3)	C	13)	D	23)	C
4)	C	14)	D	24)	D
5)	B	15)	B	25)	D
6)	B	16)	D	26)	C
7)	B	17)	D	27)	D
8)	C	18)	D	28)	D
9)	A	19)	D	29)	D
10)	B	20)	D	30)	D

AGRIBUSINESS

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Competencies and Task Lists

<http://www.fbla-pbl.org/competitive-event/agribusiness/>

Website Resources

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<https://www.ffa.org>
- Examrace
<https://www.examrace.com/Sample-Objective-Questions/Agriculture-Questions/>

AGRIBUSINESS SAMPLE QUESTIONS

- 1) The price of beef goes up in the grocery store due to a shortage of beef production in the country. This represents the economic concept of:
A) supply and demand
B) inelasticity
C) elasticity
D) inflation

Competency: Economics

- 2) A well-known restaurant chain has an outbreak of salmonella poisoning from tomatoes. Business has declined for the restaurant chain since the report of the salmonella. The customer response to this situation represents economic
A) elasticity
B) inelasticity
C) downturn
D) instability

Competency: Economics

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- 3) The country whose per capita consumes the greatest amount of pork is:
- A) Denmark
 - B) Hong Kong
 - C) United States
 - D) Argentina

Competency: Economics

- 4) _____ consists of real estate (land), buildings, house, and various types of improvements to real estate.
- A) suburban property
 - B) personal property
 - C) agricultural property
 - D) real property

Competency: Economics

- 5) A depreciable asset's book value will equal its salvage value:
- A) every year of its useful life
 - B) only at the mid-point of its useful life
 - C) only at the end of the useful life
 - D) only on the purchase date

Competency: Finance and Accounting

- 6) A farmer increases an investment in land, building, and equipment to increase the total units of production. The cost per unit of production
- A) decreases
 - B) increases
 - C) varies with the operator
 - D) remains the same

Competency: Finance and Accounting

- 7) The most important reason for complete farm financial records should be:
- A) for income tax reporting and to meet the requirement for reporting hired labor
 - B) to settle insurance claims
 - C) to inform the bank of the success of the farm business
 - D) to combine with production records to provide information for management decision making

Competency: Finance and Accounting

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- 8) Marian and Sara borrow \$175,000 on March 15. They expect to repay \$100,000 on October 15 and the remaining balance on November 15. Calculate the total interest obligation if the interest rate is 8% and interest is charged on the daily outstanding principle balance.
- A) \$6,904
 - B) \$8,718
 - C) \$8,666
 - D) \$7,500

Competency: Finance and Accounting

- 9) Less workers are need for farm production due to
- A) technology
 - B) organic farming
 - C) specialization
 - D) education

Competency: Health, Safety, and Environmental Management

- 10) One strategy to manage financial risk is
- A) maintaining a low debt/asset ratio
 - B) hedging the market
 - C) playing the futures market
 - D) borrowing money

Competency: Health, Safety, and Environmental Management

- 11) Holding combinations of investments is called
- A) diversification
 - B) verification
 - C) dissatisfaction
 - D) variations

Competency: Health, Safety, and Environmental Management

- 12) What is the government lending agency called that is operating under the authority of the U. S. Department of Agriculture
- A) Agriculture Lending Agency
 - B) Farm and Ranch Agency
 - C) Farm Systems Agency
 - D) Farm Services Agency

Competency: Health, Safety, and Environmental Management

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- 13) The length of time required at a specific temperature to destroy 90% of the microorganisms present is referred to as the
- A) F-value
 - B) G-value
 - C) C-value
 - D) D-value

Competency: Health, Safety, and Environmental Management

- 14) Companies that are serious about health initiatives who implement exercise and weight reduction programs for employees
- A) decrease the price of health insurance
 - B) increase the amount of employee resentment
 - C) increase the number of sick leave days taken by employees
 - D) increase the price of health insurance

Competency: Health, Safety, and Environmental Management

- 15) Which of the following is not an advantage of a C corporation.
- A) possible income tax savings for high income businesses
 - B) simplification of estate transfer
 - C) limited liability for each shareholder
 - D) assures a profit due to better management

Competency: Management Analysis and Decision Making

- 16) A farmer produces most of what his family needs. This kind of farming is called
- A) marginal
 - B) communal
 - C) corporate
 - D) subsistence

Competency: Management Analysis and Decision Making

- 17) SWOT analysis involves considering all of the following elements **except**
- A) weakness
 - B) strengths
 - C) training
 - D) opportunities

Competency: Management Analysis and Decision Making

18) If the price of wheat goes up relative to the price of corn:

- A) farmers will plant more corn and less wheat
- B) feeders will use less corn
- C) farmers will plant more wheat and less corn
- D) farmers will not change planting intentions

Competency: Management Analysis and Decision Making

19) Specialization in the production of crops and/or livestock generally results in:

- A) increased returns and decreased risk
- B) increased returns and increased risk
- C) decreased returns and decreased risk
- D) decreased returns and increased risk

Competency: Management Analysis and Decision Making

20) The government agency that regulates drainage of cattle yards and protects wetlands is the

- A) FDA
- B) EPA
- C) USDA
- D) FTC

Competency: Management Analysis and Decision Making

21) It means the establishment of standards for matters such as quality, size, weight and color; and once these are set it uses the criteria established in the standards.

- A) standardization and grading
- B) standardization and size
- C) standardization and modification
- D) standardization and criteria

Competency: Marketing

22) Cattle on feed should be marketed when:

- A) they have reached their maximum weight
- B) their marginal cost of gain is no longer below their selling price
- C) their average cost of gain is no longer below their selling price
- D) their marginal cost of gain is no longer below their original purchase price

Competency: Marketing

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- 23) Agricultural marketing is a series of inter-connected activities such as planning production, growing and harvesting, grading, packing, transport, storage, agro- and _____ distribution and sale.

- A) food chemistry
- B) food microbiology
- C) food processing
- D) nutrition

Competency: Marketing

- 24) Organic farmers aim to sell their product to health-conscious consumers. The health-conscious consumer are a

- A) mass market
- B) secondary market
- C) primary market
- D) niche market

Competency: Marketing

- 25) Recent trends have seen the rise of a growing interest in contract farming and what?

- A) Albertsons
- B) food
- C) supermarkets
- D) Costco

Competency: Marketing

- 26) If you estimate your local cash price will be \$.15 under the future price at the time you deliver your corn, the approximate net selling price you can lock in by selling a futures contract at \$8.50 is

- A) \$8.60
- B) \$8.35
- C) \$8.50
- D) \$8.65

Competency: Marketing

- 27) In what state did irrigation increased the corn yield by 400 to 500% from 1940 to 1997

- A) Florida
- B) California
- C) Missouri
- D) Colorado

Competency: Terminology and Trends

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- 28) Which agricultural commodity must be imported to the United States?
- A) sugar
 - B) rice
 - C) wheat
 - D) coffee

Competency: Terminology and Trends

- 29) The Food, Conservation, and Energy Act passed by the U.S. Congress in 2008 also is called:
- A) the Patient Protection and Affordable Care Act
 - B) the Green Energy Initiative
 - C) the Farm Bill
 - D) the Farmers Full Employment Act

Competency: Terminology and Trends

- 30) Who famously predicted that the Earth would not be able to support its growing population, but technologies such as the Green Revolution have allowed the world to produce a surplus of food.
- A) Jeremy Bentham
 - B) John Stuart Mill
 - C) Thomas Robert Malthus
 - D) David Ricardo

Competency: Terminology and Trends

Agribusiness Answer Key

- | | | |
|-------|-------|-------|
| 1) A | 11) A | 22) B |
| 2) A | 12) D | 23) C |
| 3) A | 13) D | 24) D |
| 4) D | 14) A | 25) C |
| 5) C | 15) D | 26) B |
| 6) A | 16) D | 27) D |
| 7) D | 17) C | 28) D |
| 8) B | 18) C | 29) C |
| 9) A | 19) B | 30) C |
| 10) A | 20) B | |
| | 21) A | |

Banking & Financial Systems Answer Key

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|-------|-------|-------|
| 1) C | 11) B | 22) B |
| 2) C | 12) B | 23) C |
| 3) A | 13) D | 24) C |
| 4) D | 14) A | 25) D |
| 5) A | 15) D | 26) B |
| 6) A | 16) B | 27) B |
| 7) D | 17) B | 28) D |
| 8) C | 18) D | 29) C |
| 9) A | 19) C | 30) C |
| 10) A | 20) A | |
| | 21) B | |

Business Calculations Answer Key

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|-------|-------|-------|
| 1) A | 11) D | 22) A |
| 2) A | 12) C | 23) A |
| 3) A | 13) C | 24) D |
| 4) A | 14) A | 25) C |
| 5) D | 15) A | 26) B |
| 6) D | 16) A | 27) C |
| 7) C | 17) A | 28) C |
| 8) B | 18) B | 29) D |
| 9) D | 19) B | 30) B |
| 10) D | 20) C | |
| | 21) A | |