Part I: Multiple Choice. Circle the best answer. (3 points each)

1. Advantages of land ownership would include:
   a. security of tenure, pride of ownership, high return on capital (ROA).
   b. frees up working capital, operation size is more flexible, financial obligations are more flexible.
   c. can be used as loan collateral, pride of ownership, financial obligations are more flexible.
   d. pride of ownership, management independence, security of tenure.
   e. none of the above.

2. Advantages of leasing land would include:
   a. security of tenure, pride of ownership, high return on capital (ROA).
   b. frees up working capital, operation size is more flexible, financial obligations are more flexible.
   c. can be used as loan collateral, pride of ownership, financial obligations are more flexible.
   d. pride of ownership, management independence, security of tenure.
   e. none of the above.

3. When you are analyzing information on returns to Iowa farmers, return variability might be measured by:
   a. expected yields based on average returns.
   b. the standard deviation.
   c. average returns.
   d. a and c above.
   e. none of the above.

4. The landowner bears the most risk with:
   a. a 50-50 crop share rent lease.
   b. a cash rent lease.
   c. a custom farming contract.
   d. a bushel lease.

5. The process of finding the future value of a present sum is called:
   a. compounding.
   b. discounting.
   c. amortizing.
   d. budgeting.
   e. none of the above.

6. The process of finding the present value of a future sum is called:
   a. compounding.
   b. discounting.
   c. amortizing.
   d. budgeting.
   e. none of the above.
7. You have the option to buy an annuity which will pay you $200 per year for 10 years. If the interest rate (or discount value) is 8 percent, what is the present value of the annuity? (Attached information may be useful).
   a. $20,000.
   b. $28,973.
   c. $15,795.
   d. $13,420.
   e. none of the above.

8. Using a lower discount rate will cause the present value of a future amount to:
   a. increase.
   b. decrease.
   c. remain constant.
   d. increase initially, but then decrease.
   e. none of the above.

9. You have the opportunity to purchase a neighboring 40 acres for $75,000. You project that the land will increase in value at about 4.5 percent per year over the next 30 years. Given this, what will the value of the land be in 30 years? (Attached Information provided may be helpful.)
   a. $280,898
   b. $295,898
   c. $4,575,825
   d. You can't calculate with information provided.
   e. none of the above.

10. According to Tim Fevold, Hertz Farm Management:
   a. less than half of the land in Iowa is farmed by the person who owns it.
   b. over 75 percent of the land in Iowa is farmed by someone who doesn’t own it.
   c. only 25 percent of the land in Iowa is farmed by someone who doesn’t own it.
   d. about 10 percent of the land in Iowa is farmed by someone who doesn’t own it.
   e. none of the above.

11. According to State of Iowa law, a land lease needs to be terminated by:
   a. March 1
   b. July 1
   c. October 1
   d. September 1
   e. December 1

12. According to Tim Fevold, the type of lease used most often in Iowa was the:
   a. crop-share lease
   b. cash lease
   c. custom arrangement
   d. modified share lease

13. Iowa land sales in 2000 showed that:
   a. about 85 percent of the sales were to existing farmers.
   b. new farmers purchased about 40 percent of the farms sold.
   c. investors purchased about one third (29%) of the farms sold.
   d. investors purchased about two-thirds (65%) of the farms sold.
   e. existing farmers purchased about one fourth (25%) of the farms sold.
14. According to a recent survey of farmland prices in Iowa, the average increase in land values in Iowa from November 1999 to November 2000 was:
   a. 10.4%
   b. 4.2%
   c. 0.5%
   d. 6.9%
   e. 1.5%

15. The Iowa Land Value Survey completed in November 2000, which was handed out in class, showed six positive factors for land value increase in 2000. The one listed most frequently or by 47 percent of the respondents was:
   a. land supply.
   b. farm expansion/consolidation.
   c. interest rate.
   d. government payments.
   e. none of the above.

16. Information is provided which shows returns for farrow-to-finish hog production in Iowa-Southern Minnesota. Given this information, what percent of the time would you expect returns to be a minus $10 (-$10.00) or better?
   a. 26.9%
   b. 50.9%
   c. 22.2%
   d. can’t calculate with the information provided
   e. none of the above

17. From the information provided for farrow-to-finish hog production, if you graph out the percent of the time (probability) that you would expect the returns to be at a certain level or higher, you would have a.
   a. the probability distribution.
   b. the coefficient of variation.
   c. the cumulative distribution function.
   d. the standard deviation.

18. Information is attached which shows percent return on investment by type of Iowa farm for the years 1970-1999. Given this Iowa farm return information, where would you expect the percent return on investment for dairy to fall 68 percent of the time?
   a. Between 0.4 and 15%
   b. Between 4.0 and 15%
   c. Between 2.0 and 15%
   d. Between 4.0 and 11.4%
   e. None of the above.
The following information will be helpful for the following four questions.

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Average Rate of Return on Assets</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>6.25%</td>
<td>3</td>
</tr>
<tr>
<td>Corn</td>
<td>6.75%</td>
<td>6</td>
</tr>
<tr>
<td>Soybeans</td>
<td>6.50%</td>
<td>2</td>
</tr>
<tr>
<td>Cattle Feeding</td>
<td>6.95%</td>
<td>4</td>
</tr>
<tr>
<td>Hog Feeding</td>
<td>6.45%</td>
<td>5</td>
</tr>
</tbody>
</table>

19. Which enterprise provides the highest expected or average return on assets?
   a. dairy
   b. corn
   c. soybeans
   d. cattle feeding
   e. hog feeding

20. Which enterprise would you choose if you want to minimize losses or select that enterprise that would do the best in the worst situation? (Base your answer utilizing the approach where 68% of the observations would fall or one standard deviation.)
   a. dairy
   b. corn
   c. soybeans
   d. cattle feeding
   e. hog feeding

21. Which enterprise would you choose if you want to pick the enterprise which would provide the highest possible income or rate of return on assets? (Base your answer utilizing the approach where 68% of the observations would fall or one standard deviation.)
   a. dairy
   b. corn
   c. soybeans
   d. cattle feeding
   e. hog feeding

22. Which enterprise would you choose if you want to choose the highest expected or average rate of return on assets but it cannot fall below a 3 percent rate of return? (Base your answer utilizing the approach where 68% of the observations would fall or one standard deviation.)
   a. dairy
   b. corn
   c. soybeans
   d. cattle feeding
   e. hog feeding
The following information is for the next three questions. You are provided the following information regarding Cy’s Crop and Livestock Farm.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock sales</td>
<td>$120,000</td>
</tr>
<tr>
<td>Ending livestock inventory</td>
<td>40,000</td>
</tr>
<tr>
<td>Beginning livestock inventory</td>
<td>60,000</td>
</tr>
<tr>
<td>Value of purchased feed fed</td>
<td>$40,000</td>
</tr>
<tr>
<td>Value of homegrown feed fed</td>
<td>$45,000</td>
</tr>
<tr>
<td>Value of home consumption</td>
<td>$2,000</td>
</tr>
<tr>
<td>Value of livestock purchases</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

23. Given this, what is the value of livestock produced for Cy’s Crop and Livestock Farm?
   a. $120,000
   b. $100,000
   c. $90,000
   d. $132,000
   e. none of the above

24. If the value of livestock produced was $140,000 (not the correct answer) for Cy’s Crop and Livestock Farm, what is the value of livestock production per $100 feed fed?
   a. $350.00
   b. $164.71
   c. $116.67
   d. $189.76
   e. none of the above

25. If your value of farm production per $100 feed fed was $200 and your feed cost represented 70 percent of your total production costs, you:
   a. covered all your total costs and had money remaining.
   b. lost money.
   c. can’t tell with the information provided.

You have the following information from your cattle feeding operation.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from steer sales</td>
<td>$80,000</td>
</tr>
<tr>
<td>Steer purchase cost</td>
<td>$40,000</td>
</tr>
<tr>
<td>Total production cost including steers</td>
<td>$105,000</td>
</tr>
<tr>
<td>Fixed production cost</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

26. Given this, what will you do in the short run?
   a. Buy and place steers in the feedlot.
   b. Not place steers in the feedlot, as you are not covering all of your production costs.
   c. Can’t tell with the information provided.
   d. None of the above.

27. In enterprise analysis it is usually best to:
   a. maximize return to the individual animal and that will lead to maximizing profit to the production system.
   b. always minimize your costs and that will lead to maximizing profit.
   c. produce as much of your animal feed needs as possible, as that will provide the best solution.
   d. produce the heaviest animal possible.
   e. None of the above are correct all the time.
28. The cost of an insurance premium is given by:
   a. uncovered losses
   b. the insurance premium
   c. uncovered losses plus the premium
   d. none of the above

29. Futures markets:
   a. direct current decision making
   b. aid in price discovery
   c. allow speculators to earn money
   d. allow producers and grain users to hedge risks
   e. all of the above

30. Basis (cash minus futures prices) is typically:
   a. more predictable than futures prices
   b. more predictable than cash prices
   c. less predictable than futures prices
   d. a and b
   e. none of the above

31. A ‘put’ represents:
   a. an option to sell at a given price
   b. an option to buy at a given price
   c. a type of futures contract
   d. a and c
   e. none of the above

For the next two questions, use the following information.

<table>
<thead>
<tr>
<th>Cash Market</th>
<th>Futures Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>Sell Dec. futures @ 2.80</td>
</tr>
<tr>
<td>Production costs = 2.10</td>
<td></td>
</tr>
<tr>
<td>Est. Oct. basis = -0.30</td>
<td></td>
</tr>
</tbody>
</table>

Est. forward price = 2.80-0.30 = 2.50
Est. profit = 2.50-2.10 = 0.40

32. In October, the realized cash and futures prices are 2.70 and 3.10, respectively. Actual profits are:
   a. 0.20
   b. 0.40
   c. 0.30
   d. 0.35
   e. 0.10

33. In October, the realized cash and futures prices are 2.20 and 2.40, respectively. Actual profits are:
   a. 0.15
   b. 0.50
   c. 0.30
   d. 0.40
   e. 0.10
Part II. Bonus. 2 pts.

How do you spell the last name of your lab TA?