

2nd Exam

**Please put your name on the back of this exam**

(Points)

(20) 1. What costs are involved in ownership? Define or explain each one:

a.

b.

c.

d.

e.

GRADE: \_\_\_\_\_

2. In a typical contract arrangement in the American broiler industry, who pays for:

		<u>Integrator</u>	<u>Contract Grower</u>
(2)	Feed	_____	_____
(2)	Baby chicks	_____	_____
(2)	Electricity	_____	_____
(2)	Broiler house	_____	_____
(2)	Propane gas	_____	_____
(2)	Grow-out labor	_____	_____
(2)	Catching crew labor	_____	_____

(2) The typical contract is for \_\_\_\_\_ lot(s) of broilers.

(2) True or False, contract broiler growers are typically paid per pound of bird produced.

(6) a. What are the advantages and disadvantages of the contract growing system for the integrator?

(6) b. What are the advantages and disadvantages of the contract growing system for the contract grower?

- (5) 3. When is it advantageous to depreciate an asset slowly?

What method could you use?

- (5) 4. When is it advantageous to depreciate an asset quickly?

What method could you use?

- (6) 5. What are the major factors that affect the shape of the production function of broilers? (What factors could you change to improve the growth and feed efficiency of broilers?)

- (10) 6. For the single lot model of broiler production, determine how much feed you would give to maximize profits?

Total feed consumption per bird	Cumulative feed cost	Total weight of bird	Cumulative meat value	Meat value less feed cost	Cumulative total costs	Net revenue
lbs	\$	lbs	\$	\$	\$	\$
4	.40	2.345	_____	.3035	_____	.1035
7	_____	3.696	1.1089	_____	.90	_____
10	_____	4.808	1.4424	.4424	_____	.2424
13	1.30	5.680	_____	_____	1.50	_____

- (4) 7. For any model, if the cost of an input (like feed) were to increase, you would expect to use **more / less** of that input?
- (4) 8. For any model, if the value of an output (like broiler meat) were to increase, you would expect to use **more / less** of that output?
- (4) 9. If these underlying economic principles are always true, why do some multiple lot models call for larger birds when live broiler prices change, while other multiple lot models call for smaller birds when broiler prices change?

(3 pts

- each) 10. Consider the following data for a multiple lot analysis of broiler production. Assume the company is growing a 4.0 pound broiler before the changes occur.

<u>Average live wt.</u>	<u>Sq. ft. /bird</u>	<u>Birds per sq. ft. per year finished</u>	<u>Broilers per sq. ft. per year (pounds)</u>	<u>Feed per sq. ft. per year (pounds)</u>
2.0	.650	17.0	31.3	58.0
2.5	.675	14.1	33.9	60.7
3.0	.700	11.8	35.5	63.8
3.5	.725	10.1	36.6	66.1
4.0	.750	8.7	36.2	67.8
4.5	.775	7.6	35.8	69.5

- a) If the price of feed increases, would the tendency be to grow a larger or smaller bird?
- b) If the cost of chicks increases, would the tendency be to grow a larger or smaller bird?
- c) If the cost of housing increases, would there be a tendency be to grow a larger or smaller bird? Explain.
- d) If the cost of broiler meat increases, would the tendency be to grow a larger or smaller bird?