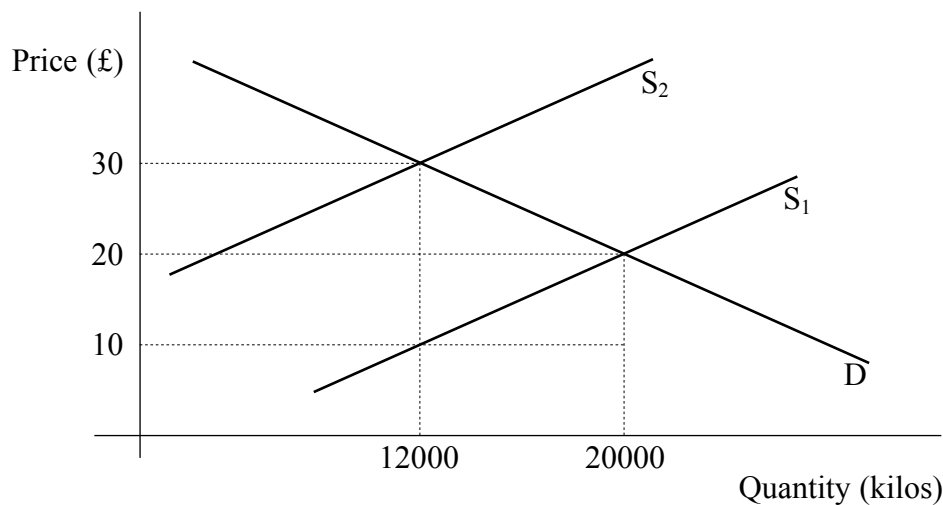


4.



The diagram illustrates the effect of the imposition of an indirect tax on a good. The tax revenue received by the government will be:

- A £360,000
- B £400,000
- C £120,000
- D £240,000

(a) Answer

(1)

(b) Explanation

(4)

Q4

(Total 5 marks)



5. Commodity Prices (\$ per tonne)

	2002	2003	2004	May 2005
Cocoa Beans	1779	1753	1551	1509
Copper	1560	1779	2863	3242
Olive Oil	2901	3797	4631	5487

Source: *www.imf.org* 7 June 2005

From the data it can be deduced that between 2002 and May 2005

- A export earnings of countries producing olive oil will have decreased if demand is price inelastic.
- B the value of UK cocoa bean imports will have fallen if demand is price inelastic.
- C the trend in olive oil prices will encourage farmers to switch production to other products.
- D the supply curve for electric cables, which use copper as a raw material in their production, will have shifted to the right by 2005.

(a) Answer

(1)

(b) Explanation

(4)

Q5

(Total 5 marks)



SECTION B

Answer EITHER Question 9 OR Question 10.

Write your answers in the spaces provided.

Indicate which question you are answering by marking the box (☒). If you change your mind about an answer, put a line through the box (☒) and then indicate your new question with a cross (☒).

You are advised to spend 30 minutes on this question.

If you answer Question 9 put a cross in this box☒.

Question 9

Bees don't just make honey

About 60% of all the food consumed in America has a bee connection. Without bees, the country would lose about \$20 billion in crops – almonds, citrus fruits, pears, cucumbers and apples – that are not self pollinating. However, bee numbers are declining fast – by about 50% in six months. The varroa mite, a bee parasite first found in Java a century ago, spread to America in 1987. It sucks the blood of bees and has now become immune to pesticides. The steady loss of bees has especially hurt the Californian almond industry, which accounts for 88% of the world's almond crop. Farmers think that yields may fall by as much as 16%. As a result almond prices are soaring to over \$3 per pound, an unprecedented level. That may be good news for almond growers but it is causing confectionery producers to switch to hazelnuts.

5

10

In recent years there has been a decline in the number of beekeepers not only because of mites but also because of cheaper imported honey. Bee experts admit that, if the business is to survive, state subsidies will be required. The shortage of Californian hives has led some beekeepers from as far away as Arkansas and Florida to lease their hives, sometimes at double the cost. Californian farmers are certainly willing to pay to save the remainder of their crops.

15

Source: adapted from *The Economist* 4 June 2005



BLANK PAGE



If you answer Question 10 put a cross in this box .

Question 10**Wood (Timber) Prices**

Timber prices fell from £22 a tonne in 1996 to £11 in 2004. However, the market is improving and there are signs that this will continue. Recently timber prices rose to £13 a tonne: given the growing demand for wood products, there is the potential for prices to rise further. For many years, Britain's tree growers have been unable to compete with overseas producers. Timber is the fourth-largest import into Britain and the price is determined by global markets. A significant proportion of these imports is used in house construction. 5

The cost of higher-quality imported timber from the Baltic countries of Latvia, Lithuania and Estonia has been a key influence on prices in Britain. The other main competitors are Ireland, Finland and Sweden. After the Baltic countries joined the European Union in May 2004, restrictive timber conservation measures have helped to push up prices. Growing demand from Asia – particularly China, which is now the largest net importer of timber products – is helping to consume much of the wood produced in the Far East. 10

Demand for British timber has also been growing after a period in which an increase in recycling resulted in lower prices. The development of wood-burning power stations in the UK has been particularly welcome for the timber industry; 21 projects are in the planning stage and three are operational. However, forestry is a long-term investment: it takes at least 40 years before spruce trees can be chopped down for timber and other species grow even more slowly. 20

Source: adapted from *The Sunday Times*, 17 April 2005



