

**WARNING**

You must return this paper with your answerbook, otherwise marks will be lost.

0741

Write Your Examination Number Here 

Roinn Oideachais  
Leaving Certificate Examination, 1996.

**AGRICULTURAL ECONOMICS - HIGHER LEVEL**  
(320 Marks)

THURSDAY, 20 JUNE - MORNING 9.30 - 12.00

Answer fifteen questions from Part I and four questions from Part II. You should not spend more than one hour on Part I.

**Part I (120 marks).**

Answer fifteen questions.  
Write the answers in the spaces provided.  
All questions carry equal marks.

1. There are four categories of economic decisions that are made in the market system. Name any two of them
  - (i) \_\_\_\_\_
  - (ii) \_\_\_\_\_
  
2. Two of the four components of the marketing mix - the four Ps - are:
  - (i) \_\_\_\_\_
  - (ii) \_\_\_\_\_
  
3. The production function describes the relationship between \_\_\_\_\_ and \_\_\_\_\_.
  
4. Define intermediate inputs \_\_\_\_\_  
\_\_\_\_\_

5. The price elasticity of demand for Irish butter in the German market is higher than in the Irish market. Why?
- \_\_\_\_\_
6. Farmers are said to be price takers which means that the demand curve facing the individual farmer is \_\_\_\_\_.
7. The optimum level of input use is where the \_\_\_\_\_ is equal to the \_\_\_\_\_.
8. The capitalised value of a hectare of land is \_\_\_\_\_.
9. Output is defined in farm accounts as sales less purchases plus or minus \_\_\_\_\_ plus \_\_\_\_\_.
10. Identify two non-cash items included in the calculation of Family Farm Income:
- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_
11. What technique is used to test the financial feasibility of a farm plan?
- \_\_\_\_\_
12. The condition of average in insurance means that \_\_\_\_\_.
- \_\_\_\_\_

13. A farmer may opt to have the VAT he pays on inputs repaid in one of two ways. Name one of them.
- \_\_\_\_\_
14. Economic growth may be defined as \_\_\_\_\_.
15. In many farming households nowadays total household income consists of farming income and two other main categories of income. Name one of those categories:
- \_\_\_\_\_
16. The Civil Service has two key functions in policy formation as follows:
- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_
17. What is the aim of internal rationalisation policies? \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
18. The supply of factor inputs for example land, is determined by \_\_\_\_\_
19. What is a tiered price system? \_\_\_\_\_
- \_\_\_\_\_
20. The Irish multilateral aid programme consists of \_\_\_\_\_.

AGRICULTURAL ECONOMICS - HIGHER LEVEL

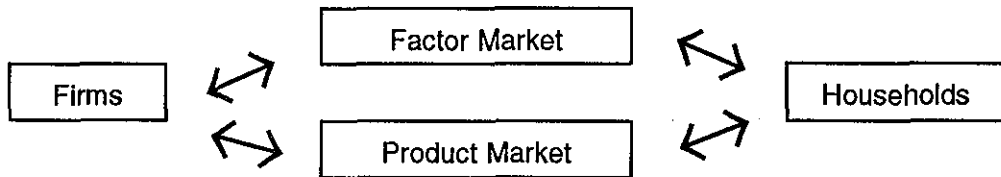
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Part 1 is on a separate sheet which provides spaces for your answers. The completed sheet should be enclosed in your answer-book.

PART II (200 marks)

Answer four questions.  
Write your answers to this part in your answer-book.  
All questions carry equal marks.

1.



Explain first of all the linkages between households and factor and product markets and, secondly, between firms and factor and product markets.

What important elements of the economic system are ignored in this simplified presentation?

2. (a) Given the following data in 100 kg units calculate (i) the average product and (ii) the marginal product:

Fertiliser input,	Total Product	Average Product	Marginal Product
1	15.0		
2	25.0		
3	32.5		
4	37.5		
5	40.0		

If the price of fertiliser is £15 per 100 kg and the price of output is £3 per 100 kg, what is the optimum level of fertiliser to use?

3. Explain the relationship of supply response to time.

4. Given the following cash-flow data in £10,000 units over eight quarterly periods, calculate the maximum overdraft needed to continue in business. Why might this farmer not qualify for an overdraft?

Quarter	1	2	3	4	5	6	7	8
Payments/outlays	5	3	2	5	5	2	4	5
Receipts	1	4	3	2	3	6	4	2

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5. The following supply/demand diagrams illustrate the situation in the EU market and in world markets for agricultural produce. Copy the diagrams into your answerbook.

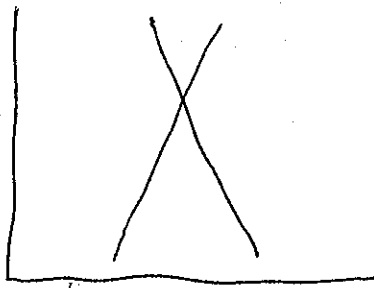


FIG. 1

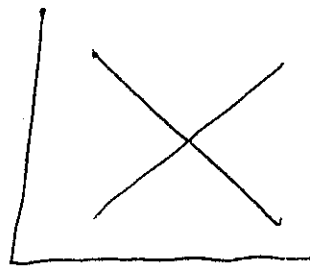


FIG. 2

- (a) Label the diagrams indicating which relates to the EU market and which relates to the world market.
- (b) What price would prevail in the EU market if there was no protection against imports? What would be the quantity demanded and supplied at this price level?
- (c) The actual EU price prevailing is much higher than in (b), so high as to generate surpluses. Illustrate this by drawing in such a price.
- (d) The EU has to dispose of the surplus by selling it onto world markets with the aid of export refunds or subsidies. Show on your diagrams the quantity to be exported and the export refund necessary for those exports.
6. The main element in the reforms of the Common Agricultural Policy in recent years is a reduction in the level of support prices for cereals and beef accompanied by direct income payments to farmers to compensate them for the reduced prices.

Identify the important issues involved in replacing high levels of price support with lower prices and direct payments.