

**WARNING**

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

Write Your Examination Number Here 

Roinn Oideachais  
Leaving Certificate Examination, 1997.

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

THURSDAY, 26 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. In the market system firms \_\_\_\_\_ resources on the \_\_\_\_\_ market.
  
2. How is "Agriculture" defined in official statistics?  
\_\_\_\_\_
  
3. In the Census of Population a farmer is defined as \_\_\_\_\_  
\_\_\_\_\_
  
4. In a typical farm balance sheet the main asset is \_\_\_\_\_  
and the main liability is \_\_\_\_\_
  
5. Gross Agricultural Product at market prices plus \_\_\_\_\_ minus \_\_\_\_\_ equals Gross Agricultural Product at factor cost.

6. What is meant by "product" in the four Ps of the marketing mix?

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7. Give one disadvantage of seasonality of milk production: \_\_\_\_\_.

8. State the law of diminishing returns: \_\_\_\_\_

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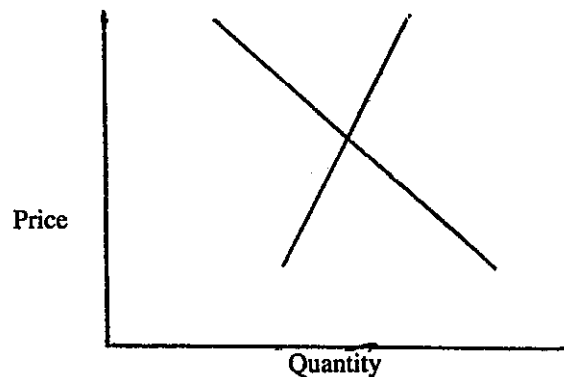
9. Define cross-price elasticity of supply: \_\_\_\_\_

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10. If the income elasticity of demand is 0.5 and real incomes are growing by 5% per year, what is the annual rate of growth in demand for food? \_\_\_\_\_

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11. Given the following demand/supply situation, show the total revenue generated on the diagram:



12. What was the main reason for the increase in real Agricultural Output prices in Ireland from 1970 to 1978?

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13. How are enterprise cost accounts derived from whole farm accounts?

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14. Give one example of each of the following in the case of a typical farmer:

(i) Long-term liabilities \_\_\_\_\_;

(ii) Short-term liabilities \_\_\_\_\_.

15. When would a complete budget be used by a farmer?

\_\_\_\_\_

16. What is a term loan? \_\_\_\_\_

\_\_\_\_\_.

17. Why do farmers have a special case for concessions in capital taxation? \_\_\_\_\_

\_\_\_\_\_

18. Name any two powers of the European Parliament (i) \_\_\_\_\_

(ii) \_\_\_\_\_.

19. What generally determines the level of export refunds paid under the CAP? \_\_\_\_\_

\_\_\_\_\_.

20. World food production has increased over the past two centuries for two main reasons:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

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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.

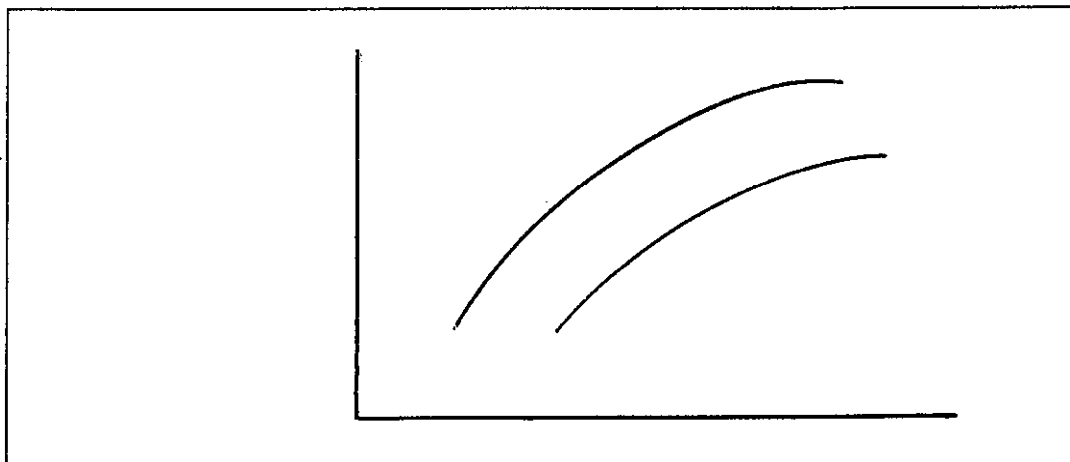
PART II (200 marks)

Answer four questions.

Write your answers to this part in your answer-book.

All questions carry equal marks.

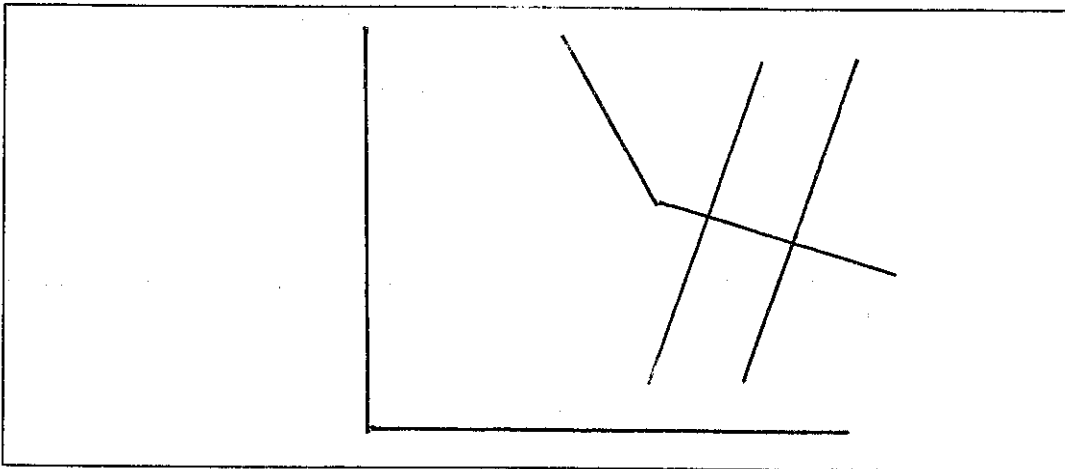
1. What are the principles of a true agricultural co-operative?  
Indicate the extent to which these are actually applied in a typical Irish dairy co-operative.
  
2. Given the following diagram illustrating how the production function relating fertiliser input to cereal output in the EU has changed between 1980 and 1995:



- (a) Label the axes and the production function in 1980 and in 1995;
- (b) Explain why the function has the shape as drawn;
- (c) Explain why the function has shifted as shown over this period.
- (d) What is the technically efficient region of production in 1995?
- (e) What additional information would you need before you could specify the economically optimum level of fertiliser to use in 1995?

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3. Given the following diagram illustrating the effect on Irish prices and revenue of expanding Irish agricultural supply within the EU:



- (a) Label the axes, the demand and supply;  
 (b) Explain why the demand curve has the shape as drawn;  
 (c) Show what is happening the Irish price level as Irish supply is expanded;  
 (d) What is happening total revenue of Irish farmers as Irish supply is expanded?

4. Given the following farm accounts data for a typical Irish dairy farm:

			£
Sales less purchases of:	(i)	milk	33,000
	(ii)	livestock	15,000
	(iii)	crops	2,000
Change in inventories			-5,000
Household Consumption			1,000
Variable costs			18,000
Fixed costs:	(i)	depreciation	1,500
	(ii)	other	12,000

- Calculate: (i) the farm Output;  
 (ii) the farm Gross Margin; and  
 (iii) the Family Farm Income.

5. Calculate the income gap, absolute and percentage, between farm workers and industrial workers from the following data:

Family farm workforce, no.	113,000
Family farm income	£1.5 billion
Average industrial wage	£14,300

The gap calculated in this way is not very meaningful for a number of reasons. Explain any two such reasons.

6. Direct supply control now applies in one form or another to over 80% of Irish agricultural output. Describe briefly the form of that supply control applying to any two of the following:  
 (i) Milk  
 (ii) Sugar beet  
 (iii) Cereals.

In the case of milk how did the tiered pricing as used in Ireland during the 1969 to 1971 period differ from the present supply control system?