

WARNING

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

0753

Write Your Examination Number Here 

An Roinn Oideachais agus Eolaíochta
Leaving Certificate Examination, 1998.

AGRICULTURAL ECONOMICS - HIGHER LEVEL
(320 Marks)

THURSDAY 25 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. List in order of magnitude the three sectors which constitute the Irish economy:
 - (i) _____
 - (ii) _____
 - (iii) _____

2. Identify one way by which the "quality" of the agricultural workforce is being improved in recent years.

3. The CSO (Central Statistics Office) has reservations about its estimate of the interest paid by farmers on borrowed money. Explain one such reservation.

4. Agricultural exports under the CAP (Common Agricultural Policy) are worth more than shown in the trade statistics. Why?

5. Give an economic definition of "the family farm":

6. Profit is defined as:

7. Define cross-price elasticity of supply.

8. What do you understand by *derived demand* for a product at farm gate level?

9. Demand for a factor of production arises from:

10. Real prices of agricultural output in the EU have been _____ since the late 1970s at an average annual rate of about _____%.

11. What is the "constant price system" of valuation of changes in farm stocks?

12. What are Household Accounts designed to provide?

13. Partial budgeting is much more commonly used in farming than complete budgeting. Why?

14. What is an *endowment* insurance policy?

15. Why is a partial productivity index so named?

16. Total household income has three main constituents, name one of them.

17. What is the main role of the agricultural economist in agricultural policy formation?

18. How can off-farm policies help to solve the economic problems of farmers?

19. Ireland gains from *trade transfers* under the CAP (Common Agricultural Policy) as well as *budget transfers*. What are trade transfers?

20. What is meant by Ireland's *bilateral aid* programme?

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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)

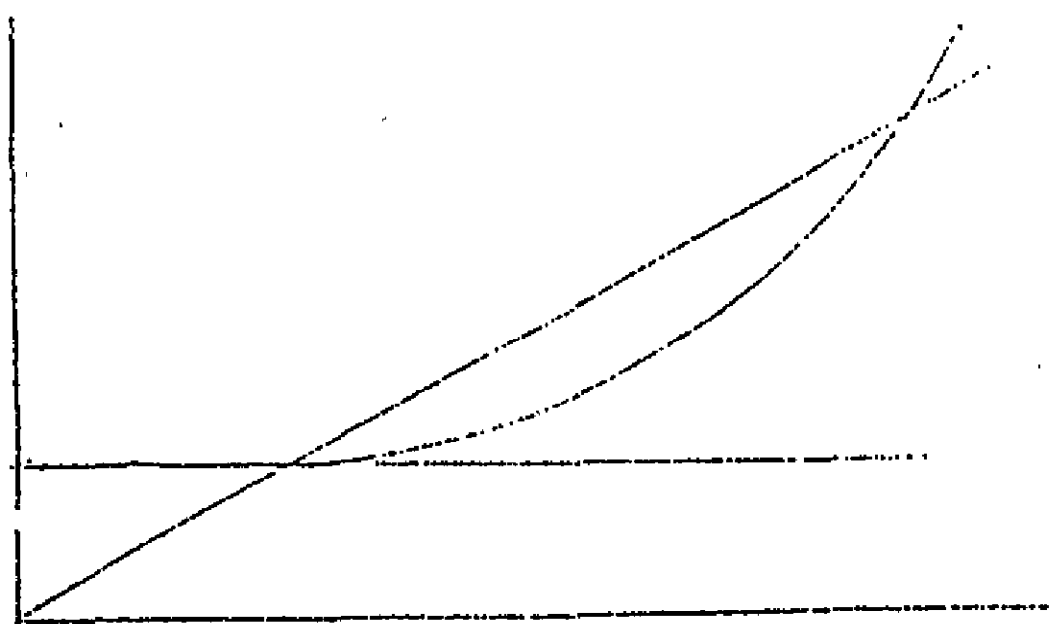
Answer four questions.

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

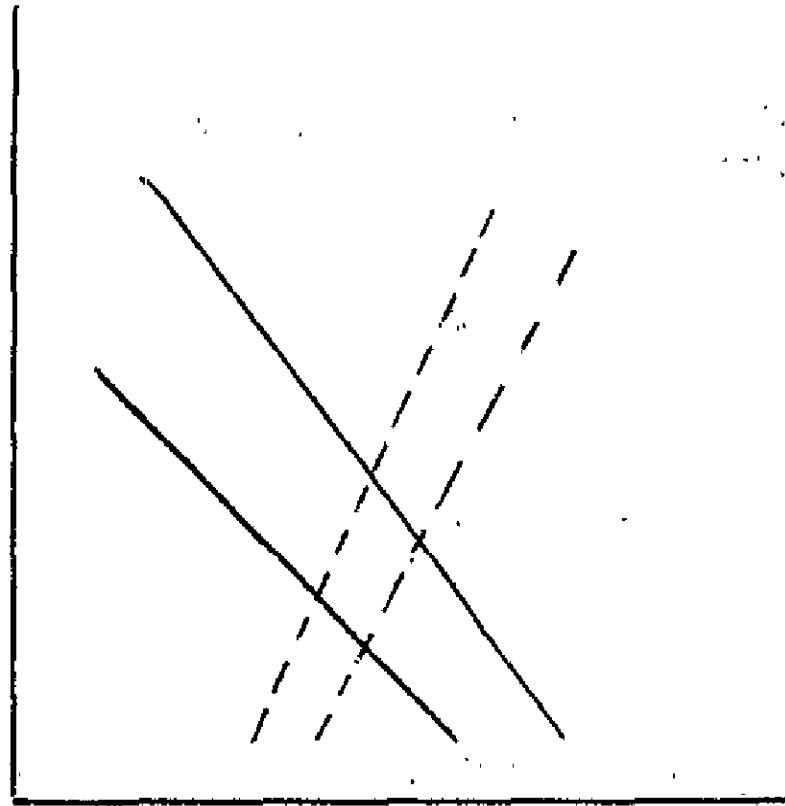
All questions carry equal marks.

1. The Census of Population and the EU Survey on the Structure of Agricultural Holdings produce strikingly different results on the size of the agricultural workforce in Ireland. Explain why.

2. The diagram below shows the relationship between total revenue, total costs and fixed costs as the level of output increases on a farm.
 - (a) Copy the diagram onto your answer book and label the axes and the lines representing the total revenue, total costs and fixed costs.
 - (b) How do you identify the most profitable level of output on the diagram?



- 3.** The diagram below illustrates demand and supply for a commodity at retail level and at farm gate level.
- Copy the diagram onto your answer book and label the axes and the respective supply and demand curves;
 - Show the retail price, the farm gate price and the marketing margin on the diagram; and
 - What are the main sectors accounting for the marketing margin?



- 4.** Define price elasticity of demand.
If the quantity demanded of a good falls from 100 units to 90 units when the price rises from £8 per unit to £10 per unit, what is the magnitude of the price elasticity of demand?
Given this magnitude for beef at farm gate, by how much should the price be cut to boost demand by 5%?
- 5.** Payments not directly related to sales are playing a rapidly increasing role under the CAP in recent years. Identify any two important such payments and state their purpose.
- 6.** The level of agricultural price support in the EU has been reduced over the years to reduce surplus production. Explain the impact of this on any three of the following:
- EU farmers,
 - EU consumers,
 - the CAP budget, and
 - the level of world prices.