WARNING

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

Write Your Examination Number Here ☞

794

An Roinn Oideachais agus Eolaíochta
Leaving Certificate Examination, 1999.

AGRICULTURAL ECONOMICS - HIGHER LEVEL
(320 Marks)

THURSDAY 24 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. Agriculture is a relatively declining sector over time in most countries because it

____________________ more slowly than the other sectors in the economy.

2. Why is the number of *farmers* in Ireland declining more rapidly than the number of *holdings*?

____

____

3. What is the *Gross Capital Formation* on a farm?

____

____

4. Why is farming a declining portion of the *food chain* over time?

____

____

5. The most valid measure of the size of a farm business is ______________________

____

6. What do you understand by *imputed costs*?

____

____

7. If the supply of milk increases by 4% when the price of milk increases by 10%, other variables affecting supply being held constant, calculate the price elasticity of supply.

____

____

8. The more *price inelastic* is demand for a product, the ________________ will be the price change for any given shift in supply.

9. Why is the supply of capital to agriculture perfectly elastic at the prevailing interest rates?

____

____

10. If the annual rate of inflation is 3% and current interest rates are 8% for borrowers, what is the real rate of interest?

____

11. Output in farm accounting is defined as ______________________________

plus or minus ________________________ plus ________________________

____

12. The liquidity ratio on a farm balance sheet is defined as ______________________

____

13. What form of budget is necessary to operate financial control in running a farm business?

____

____

14. Give one example of public liability which farmers should insure against.

____

15. A change in value of *gross agricultural output* can arise from a change in

______________________________ or a change in ______________________________

16. "People who own property are better off than people on the same income who do not own property". Explain.

____

____

17. The E.U. uses three types of legislative instruments. Name any one and briefly explain it.

____

____

18. Why have direct payments to farmers increased rapidly in recent years?

____

____

19. What is the example of *input control* which is practised under the CAP?

____

20. Give one reason why Thomas Malthus was proved wrong in his conclusion that population growth would out-pace food production.

____

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Part I 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. Food price changes at retail level reflect, among other things, changes in farm-gate prices and changes in post farm-gate prices.

(a) Name the post farm-gate sectors of the food chain.

(b) Why might prices increase in the post farm-gate sectors?

(c)

	1990	Price Change 1990 - 1996	1996
Farm-gate price as % of Retail Price	40	- 10%	
Post farm-gate prices as % of Retail Price	60	+15%	
Total Retail Price	100		

Copy and complete the above table stating what you would expect to happen to food prices at retail level as a result of the price changes at farm-gate level and post farm-gate level.

2.

Price (£ / tonne)	Demand ('000 tonnes)	Supply ('000 tonnes)
45	300	200
60	250	220
75	200	240
90	150	260
105	100	280

From the above data on the quantities of a crop that would be demanded and supplied at alternative prices:

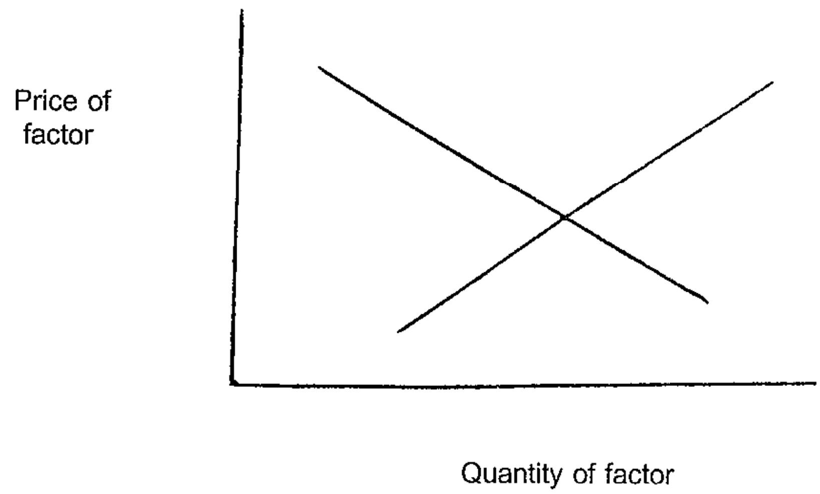
(i) Construct a diagram showing the demand and supply curves. Use a vertical scale of £15 = 2 centimetres and a horizontal scale of 50,000 tonnes = 2 centimetres.

(ii) Label the Demand and Supply curves and read from the diagram the approximate price that the crop would fetch on a free market.

(iii) What is the surplus if the Government guaranteed the price at £80 per tonne?

(iv) Under the Common Agricultural Policy, if the world price of the crop was £50 / tonne, how much would it cost in export refunds to dispose of the surplus?

3.



In the diagram above, the demand for and the supply of a factor of production such as fertiliser is shown.

(i) Label the supply and demand curves and show the equilibrium price of the factor.

(ii) Explain the basis of demand for a factor of production.

(iii) Show on the diagram what happens if there is an increase in the price of the product, e.g. barley, being produced.

4. In the long run farm incomes tend to be subject to a price-cost squeeze.

(a) Explain what is meant by a price-cost squeeze.

(b) Explain the forces operating in *both* product and factor markets which contribute to a price-cost squeeze.

5. *Security* and *repayment capacity* are the two main guidelines used by lending agencies in deciding who should get loans and how much they should get.

(a) Explain what these guidelines mean and how they might be measured by a lender.

(b) If a farmer who has borrowed cannot subsequently meet his/her repayments, explain *two* options that are open to him/her.

6. (a) State *three ways* the E.U. Budget is financed by member states.

(b) Why is Ireland such a large net beneficiary from this budget by comparison with the U.K. which is a large net contributor?

(c) In addition to budget transfers, there are also *trade transfers* from which Ireland is also a net beneficiary. *What* are trade transfers?