Write your Examination Number here ☞

**AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA
LEAVING CERTIFICATE EXAMINATION, 2000**

AGRICULTURAL ECONOMICS - HIGHER LEVEL
(320 marks)

WEDNESDAY 21 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.

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

1. **Agriculture** in official statistics denotes:

    _____

    _____

2. Name **two** important advantages of winter cereals over spring cereals.

    _____

    _____

3. State **one** important example of a changing resource mix in farming over time. (Provide statistical evidence).

    _____

4. The degree of **value added** may vary for any given level of farm output. Explain with reference to beef.

    _____

    _____

5. State **two** reasons why milk prices per litre, realised by Irish farmers, are lower than other EU member states:

    (i)_____

    (ii)_____

6. Name **two** precautions against risk and uncertainty in production which a farmer may take in planning future production:

    _____

    _____

7. In what way is the **'Celtic Tiger'** economy in Ireland affecting the opportunity cost of labour in farming?

    _____

    _____

8. State and explain, with the aid of an example, how concern about the environment is slowing down the rate of increase in agricultural supply in the EU.

    _____

    _____

9. Distinguish between **derived demand** and **derived supply** in relation to agricultural products.

    _____

    _____

    _____

10. Approximately _____% of the factors of production are owned by farmers.

11. What do you understand by **demand pull** inflation? Give **one** current example.

_____

_____

_____

12. **Farm Cash Income** is _____ plus _____

minus _____

13. Define the **Liquidity Ratio** and the **Debt to Net Worth Ratio**.

_____

_____

14. "A profitable plan may not be a feasible plan". In relation to the statement, explain the **two** underlined terms.

_____

_____

_____

15. State **two** advantages of a **Notional System** of income tax assessment:

(i)_____

(ii)_____

16. In the short term, the nature of supply response in farming is price inelastic. Explain why this is so.

_____

_____

17. State **two** important reasons why the comparison of farm income per family worker with the industrial earnings per worker is not very meaningful:

(i)_____

(ii)_____

18. State **two** powers of the European Parliament:

(i)_____

(ii)_____

19. What has been the major change in EU expenditure on the CAP resulting from the MacSharry reforms of 1993/1995?

_____

_____

20. While part-time farming is beneficial in economic terms, the development has been criticised. State **two** criticisms of this development.

_____

_____

_____

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Part one 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. **(i)** Define the **Gross Agricultural Output** of the National Farm.

(ii) Distinguish between **Income arising in Agriculture** and **Family Farm Income.**

(iii) Given the following data relating to 1998, calculate the Family Farm Income of the National Farm for the year:

	£m
Gross Agricultural Output	3,270
Materials and Services Inputs	1,160
Subsidies	1,040
Levies	25
Depreciation of Machinery and Buildings	450
Salaries and Wages	220
Interest Payments	190

(iv) Family Farm Income is the estimated return to which factors of production?

2. **(i)** Given typical rates of change for the EU market and markets of rapidly growing low income countries in the table below, calculate the resulting annual shifts in demand in both cases. Contrast the impact on demand in both cases.

	EU	**Low Income Country**
Real Incomes	3%	5%
Income Elasticity of Demand	0.2	0.8
Population Change	-0.1	+2.0
Shift in Demand	?	?
Shift in Supply	2.0	2.0

(ii) Assuming the shift in supply, in both cases, is as shown, what would happen prices of agricultural products over time in <u>each</u> case?

(iii) State the factors, other than population and income trends which cause the demand for food to change over time.

**3.** **(i)** Explain the following terms: Real Price Index, Farmers Terms of Trade.

(ii) The following are the price indices to base 1990=100:

		1990	1998
Agricultural Outputs	(AOPI)	100	95.5
Agricultural Inputs	(AIPI)	100	102.8
Consumer Prices	(CPI)	100	121.7

Calculate, for the eight year period:
A.   the change in real prices received by farmers.
B.   the change in terms of trade for farmers.

(iii) Despite these adverse price movements for farmers, average real farm incomes per worker increased over the period. State **two** reasons for this.

4. **(i)** What do you understand by **repayment capacity**?

(ii) The net cash income of a farm family is £13,700, the household expenditure for the same family is £10,700 and the annual repayments per £1,000 borrowed is £150. Using this information, calculate the total borrowing which could be serviced by this farm family.

(iii) <u>State</u> and <u>explain</u> the technique used to test the financial feasibility of a farm plan.

(iv) What are the **non-cash items** included in the calculation of the Family Farm Income?

5. The following supply/demand diagrams illustrate the situation in the EU market and in the World market for agricultural produce:

FIG.1   FIG.2
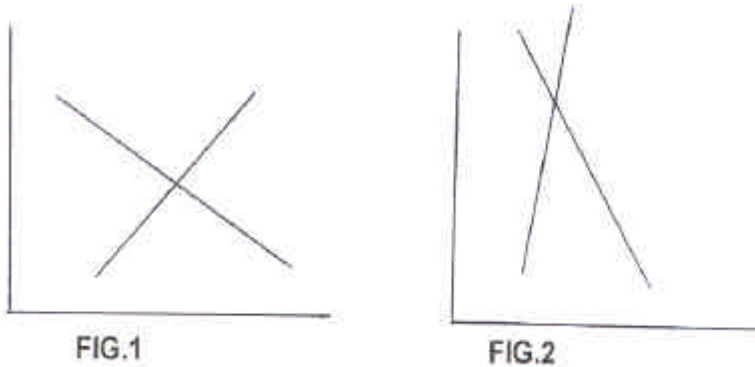
(i) Copy the diagrams into your answer book and label them, indicating which relates to the EU market and which relates to the World market.

(ii) What price would prevail in the EU market if there was no protection against imports?

(iii) What would be the quantity demanded and supplied at this price level?

(iv) Explain the main advantages and the main disadvantages of Free Markets for agricultural produce.

(v) How could the disadvantages be reduced while maintaining virtual free trade?

6. **(i)** Agricultural prices tend to fluctuate widely over time. State the reasons for this.

(ii) Explain your answers by means of a supply/demand diagram which shows the price effect of a substantial shift in supply against a less price elastic **and** a more price elastic demand curve.

(iii) How is revenue affected in each case?