

WARNING

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

M. 42

Write your Examination Number here 

**AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA
LEAVING CERTIFICATE EXAMINATION, 2001**

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

WEDNESDAY 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.

OVER→

Part I (120 marks)

Answer fifteen questions.

Write the answers in the spaces provided.

All questions carry equal marks.

1. What is the link between long-run trends in demand for agricultural commodities and agriculture as a percentage of the GNP?

2. Outline the main trends in the cow herd in Ireland over the past decade.

3. Identify **TWO** major differences between the Management factor in Agriculture and in Industry.

- (i) _____
- (ii) _____

4. How has the Common Agricultural Policy limited progress in marketing?

5. State **TWO** reasons why the price of Irish beef in France is normally much lower than the price of French beef:

- (i) _____
- (ii) _____

6. In production economics how is MRP (marginal revenue product) calculated?

7. "The cross-price elasticity of supply for competing products is negative". Explain this statement.

8. How does total revenue in a unit prices elastic market behave as the quantity put on the market changes? Explain your answer.

9. **PRODUCTION** and **PRICE CYCLES** occur on some agricultural markets. Explain, with reference to potatoes, why this happens.

10. What is the **Capitalised Value** of a factor of production?

11. What is a **Laspeyres Price Index**?

12. Explain the **Adjusted Area** of a farm.

13. Distinguish between the uses in agriculture for the two types of Capital Budget:

14. How do you calculate farmers' **TERMS OF TRADE**?

15. What is the reason for the **Value Added Tax Rebate** paid to Irish farmers on their sales?

16. The annual rate of increase in demand for food within the EU is approximately _____ %.

17. What is the impact on world markets of a high price policy under the Common Agricultural Policy?

18. What are **Deficiency Payments**?

19. State **TWO** reasons why the revenue from import levies under the Common Agricultural Policy is declining over time.

(i) _____

(ii) _____

20. Distinguish between the EU's **REGULATION** and **DIRECTIVE** as legislative instruments.

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WEDNESDAY 20 JUNE - MORNING 9.30 - 12.00

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

OVER→

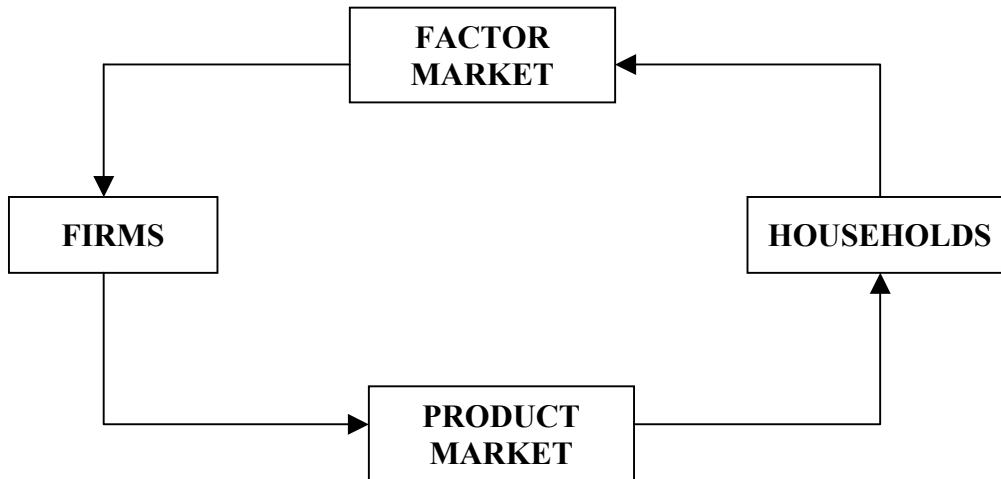
PART II (200 marks)

Answer **FOUR** questions.

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

All questions carry equal marks.

1. The diagram below provides a framework to describe the interrelationship between **Product Markets** and **Factor Markets**.



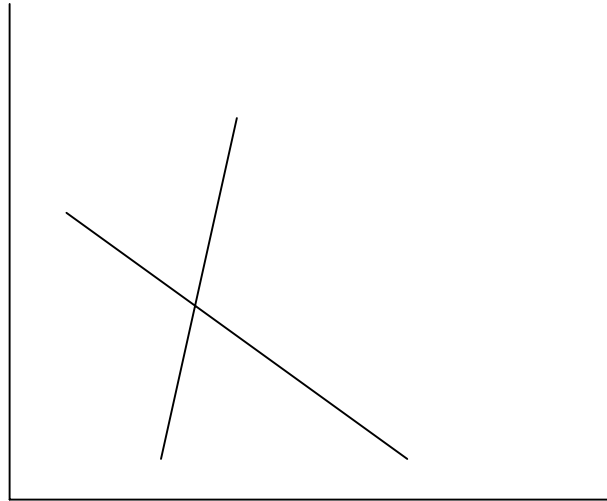
- (i) Explain each element and the relationships between them.
- (ii) This framework presents a very simplistic picture of the economy. Explain.
- (iii) Farmers are interested in factor prices in two different ways. Explain.

2.

Fertiliser input 200 kg/Hectare	Barley Yield Tonnes/Hectare	Average Product	Marginal Product	Marginal Revenue Product
1	9.0			
2	10.0			
3	10.8			
4	11.2			
5	10.5			

- (i) Using the table above, construct a Total Product Curve showing the relationship between fertiliser rates and barley yields.
- (ii) From the above table calculate the Average Product and the Marginal Product.
- (iii) If the price of fertiliser is £140 per tonne and the price of barley is £70 per tonne, calculate the MRP (Marginal Revenue Product) at each level of production and identify the most profitable level of operation. Explain your answer.

3. In the diagram below, the demand for and the supply of land is shown.
- (i) Label the axes and the supply and demand curves and show the equilibrium price of land;
 - (ii) Explain the basis of demand for a factor of production such as land;
 - (iii) Show on the diagram what happens if there is an increase in the price of agricultural output. Explain your answer.
 - (iv) Land prices are increasing very rapidly in recent years. Outline reasons for this.



4. Distinguish between **each** of the following pairs:-
- (i) Family Farm Income and Farm Cash Income.
 - (ii) Management and Investment Income and Management and Labour Income as used in farm accounting.
 - (iii) Positive Real Interest Rates and Negative Real Interest Rates.
 - (iv) Feasibility and Profitability.
- 5.
- (i) In relation to **Direct Payments** to farmers, identify **THREE** such payments.
 - (ii) Write an account of each and explain the different purposes for each of the Direct Payments you have chosen.
 - (iii) Why might these Direct Payments increase further in the years ahead?
- 6.
- (i) Explain how the CAP Price Support System operates.
 - (ii) What EU market prices are possible under this system?
 - (iii) In what major way has the Price Support System been altered in recent years?