

WARNING

This Question Paper **MUST** be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

Write your Examination Number here ⇒

AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA
LEAVING CERTIFICATE EXAMINATION, 2002

WEDNESDAY, 19 JUNE 2002, MORNING 9.30 – 12.00

AGRICULTURAL ECONOMICS – HIGHER LEVEL
(320 Marks)

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.

PART II (200 marks)

Four questions to be answered in your answer book(s).
All questions carry equal marks (50 marks).

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S)
USED TO ANSWER THE QUESTIONS IN PART II.**

PART I (120 marks)

Answer **fifteen** questions.

Write the answers in the spaces provided.

All questions carry equal marks.

1. State the **FOUR** categories of economic decisions made in free markets.

(a) _____

(b) _____

(c) _____

(d) _____

2. Why is it difficult to get an accurate measurement of the workforce in farming?

3. How is the economic size of a farm measured?

4. Gross Agricultural Product *at market prices* **plus** _____ **less** _____
equals Gross Agricultural Product *at factor cost*.

5. Outline **TWO** characteristics of farming that are adverse to efficient marketing.

(a) _____

(b) _____

6. State the formula for calculating the **present value** of €10,000 which you will receive in 10 years time.

7. Contrast the output response in an economic depression of a typical manufacturing firm and a family farm.

8. In the theory of demand, distinguish between **necessary** goods and **inferior** goods.

9. Why would you expect the price elasticity of demand for Irish beef in the British market to be higher than in the Irish market?

10. Of €100 spent by an Irish consumer on food originating on Irish farms, _____ % accrues to farmers.

11. In production economics the region of rational production is limited from a purely technical point of view to

12. What do you understand by farmers' **terms of trade**?

13. State **THREE** important purposes of farm accounts:

(a) _____

(b) _____

(c) _____

14. What does a **Cattle Check Table** indicate?

15. What is the function of a partial budget?

16. Lending institutions use **TWO** key criteria in deciding who should get loans. What are they?

(a) _____

(b) _____

17. Define productivity and give **ONE** example of a productivity ratio in farming.

Example: _____

18. State **ONE** example of an internal rationalisation policy and **ONE** of an external rationalisation policy:

Internal: _____

External: _____

19. State the **THREE** basic principles of CAP.

(a) _____

(b) _____

(c) _____

20. The replacement of CAP by a free trade policy would create **TWO** major price problems for farmers. What are they?

(a) _____

(b) _____

Remember to return this question paper with the answer book(s) used to answer the questions in part II.

PART II (200 marks)

Four questions to be answered in your answer book(s).
All questions carry equal marks (50 marks).

1. Write an account on dairy processing in Ireland under **each** of the following headings:

- (i) structure and ownership of processing capacity
- (ii) main market outlets
- (iii) seasonality of production
- (iv) product diversification
- (v) price gaps between milk in Ireland and milk in countries such as the Netherlands and Denmark.

[50 Marks]

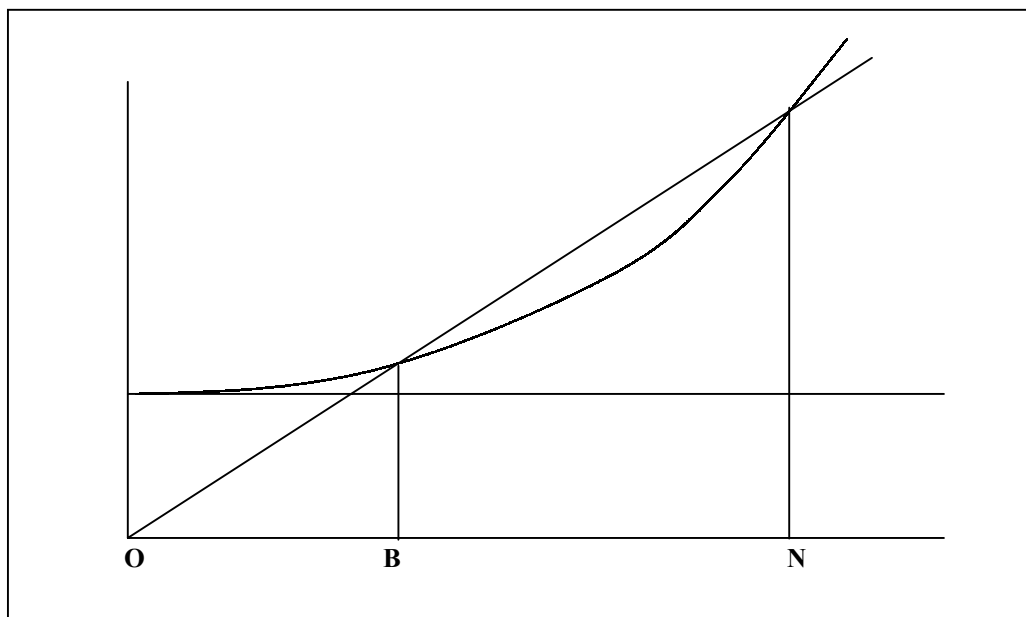
2. The following is a Balance Sheet for a farm:

<i>Assets</i>	€	<i>Liabilities</i>	€
Fixed	750,000	Long-term	100,000
Current or Liquid	100,000	Current	30,000
		Net Worth	?
Total	850,000		?

- (i) Calculate total liabilities and net worth.
- (ii) Identify **two** examples of **each** category of asset and liability.
- (iii) Calculate the liquidity ratio for the farm.
- (iv) Determine whether the farm is solvent or bankrupt. Explain your answer.

[50 marks]

3. The diagram below shows, at different levels of output, the relationship between total revenue and total costs, including an imputed return on owned factors.



- (i) Copy the diagram onto your answer book. Label the axes, the total revenue, total cost and fixed cost lines.
- (ii) Identify the level of variable costs on the diagram.
- (iii) What economic law is illustrated by the shape of the total cost curve?
- (iv) Explain how you derive the most profitable level of production on the diagram.
- (v) Explain the cost/revenue positions of the farm at output levels OB and ON.

[50 marks]

4.

Milk Price	Quantity Produced Yearly at each price level
Price per gallon	Gallons per year
€	'00 million
0.60	9
0.70	10
0.80	11
0.90	12
1.00	13
1.10	14
1.20	15

- (i) Construct a supply curve from the data in the above table.
- (ii) Define price elasticity of supply.
- (iii) Calculate the price elasticity of supply as the price changes from €0.80 per gallon to €0.90 per gallon and interpret your result.
- (iv) State and explain the variables, other than price, which affect supply response.

[50 marks]

5. (i) Classify the following factors or inputs used by farmers into **three** categories according to the origin of their supply and demand:

Land, animal feed, sprays, fertilisers, building materials, diesel, labour and capital.

- (ii) Comment on the prices of the factors under **each** category.
- (iii) How are the movements in prices over time, for **each** of the three categories, likely to differ?

[50 marks]

6. (i) Direct supply control now applies to over 80% of Irish agricultural output. Describe the form of direct supply control for **each** of the following:

- (a) Milk
(b) Sugar beet
(c) Cereals.

- (ii) In the case of milk, how did the tiered pricing, as used in Ireland during the 1969/1971 period, differ from the present supply control system?

[50 marks]

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