

**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 ⇒



**Coimisiún na Scrúduithe Stáit**  
**State Examinations Commission**

**LEAVING CERTIFICATE EXAMINATION, 2003**

**WEDNESDAY, 18 JUNE 2003, 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. “Product prices are signals which convey economic messages from one part of the market system to another”. Explain.  

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2. Explain *Capital Formation* in farming.  

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3. The Central Statistics Office (CSO) has reservations about its estimate of the interest paid on farm borrowings. What are these reservations?  

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4. Explain the low responsiveness of farm production to price change.  

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5. Explain the shape of the demand curve facing an individual farmer.  

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6. Define ‘*opportunity cost*’ and state **ONE** example in relation to farming.  

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**EXAMPLE:** \_\_\_\_\_
7. Why is milk production in Ireland so seasonal? State **ONE** disadvantage of such seasonality.  

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8. Family farm income is usually not sufficient to provide a market rate of return on  
(i) \_\_\_\_\_ and (ii) \_\_\_\_\_
9. How would you calculate a ‘*real interest rate*’?  

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10. State **TWO** non-cash items in the calculation of family farm income: (i) \_\_\_\_\_ (ii) \_\_\_\_\_

11. Explain the term '*price-cost squeeze*' in farming.

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12. Explain the indirect effects of growth in farm output.

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13. Farmers may opt to have the VAT they pay on inputs repaid in either of two ways. What are they?

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

14. "Productivity ratios can give misleading results." Explain this statement.

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15. Explain '*variable import levy*' as operated under the Common Agricultural Policy up to recent years.

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16. Explain '*tiered pricing system*'.

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17. "The demand for a factor of production such as land is its marginal revenue product." Explain **marginal revenue product**.

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

(i) \_\_\_\_\_ (ii) \_\_\_\_\_

19. What generally determines the amount of export refunds paid under the Common Agricultural Policy?

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20. What was the Mansholt Plan?

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

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

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

(b) (i)

	1990	Price Change 1990-2000	2000
Farm-gate price as % of Retail Price	45	-5%	?
Post farm-gate prices as % of Retail Price	55	+30%	?
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.

(ii) Explain how farmer protests might improve the outcome for farmers.

**[50 Marks]**

2. The following data relate to the supply and demand for cereals in Ireland.

Price (€ per tonne)	Quantity Demanded (’000 tonnes)	Quantity Supplied (’000 tonnes)
60	350	50
100	250	350
140	150	650

(a) Plot the supply and demand curves on graph paper using a scale of €10 per cm and 50,000 tonnes per cm.

(b) If the EU fixed the price of this product at €120 per tonne, calculate the surplus that would arise.

(c) If the world price of this product were €70 per tonne, how much would it cost in export refunds to dispose of the surplus?

(d) If a quota were to be applied to control the supply of this product, at what level would the quota have to be set to prevent any surplus arising?

(e) Show the new supply curve under the quota regime on your diagram.

**[50 marks]**

3. (a) Why is *resource mobility* an important economic issue?
- (b) Explain how economic circumstances in farming and in the economy generally influence the mobility of (i) labour, (ii) capital and (iii) land, into and out of farming.

[50 marks]

4. (a) Explain the term '*adjustment*' as used by agricultural economists.
- (b) Explain the economic and technological forces causing this adjustment in agriculture over time. Use at least **three examples** in your answer.

[50 marks]

5. (a) (i) Given the following cash-flow data in €10,000 units over eight quarterly periods, calculate the maximum bank overdraft needed to continue in business.

Quarter	1	2	3	4	5	6	7	8
Payments/outlays	4	3	2	5	8	2	4	5
Receipts	1	4	3	2	3	6	4	2
Balance								
Cumulative Balance								

- (ii) Why might this farmer not qualify for a bank overdraft?

- (b) Farm budgets can be divided into **three** types. State and explain the three types of budget, highlighting the differences in the function of each type for farm planning.

[50 marks]

6. (a) Calculate the income gap, absolute and percentage, between farm workers and industrial workers from the following data:

Family farm workforce	110,000 workers
Family farm income	€2.0 billion
Average industrial wage	€25,000

- (b) Outline the limitations involved in comparing the absolute income levels of the two groups involved.
- (c) Discuss an alternative way of assessing the income position of farmers.

[50 marks]

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