

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, 2005

WEDNESDAY, 22 JUNE 2005, 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)

Answer **four** questions.

Write the answers in your answer book(s).

All questions carry equal marks (50 marks).

Do **not** write answers to Part II on this question paper.

**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. In the market system firms purchase resources on _____ markets and use them to supply _____ and _____ to _____ markets.

2. Explain the term Imputed Costs and state **TWO** examples: _____

EXAMPLE 1: _____

EXAMPLE 2: _____

3. In the absence of Government intervention, the price of a commodity is determined by _____

4. Give **ONE** reason why agricultural exports under the CAP are worth more to Ireland than shown in the trade statistics, published by the Central Statistics Office.

5. State **TWO** reasons why milk prices realised by Irish farmers are lower than in other member states of the EU.

(i) _____

(ii) _____

6. Farmers are said to be **price takers** in the market place. Explain the shape of the Demand Curve for the individual farmer in this situation.

7. The marginal revenue product (MRP) is calculated by multiplying the _____ by the _____.

8. State **TWO** characteristics of farming which restrict marketing efficiency in agriculture.

(i) _____

(ii) _____

9. A cost may be fixed on one farm and variable on another. Explain this statement by means of an example.

10. If the income elasticity of demand for food is 0.2 and real incomes per capita are growing at 5% per annum what is the annual rate of growth in demand for food? _____
- _____
11. “In the calculation of Output in Farm Accounts a farmer can increase or decrease his output and income in any year by his choice of opening and closing valuations in his estimate of inventory changes.” Explain this statement.
- _____
- _____
12. The ‘Condition of Average’ in insurance means that _____
- _____
13. Explain the term ‘Real Rate of Interest’.
- _____
14. Distinguish between a Partial Budget and a Complete Budget. _____
- _____
15. Average farm income in Ireland is insufficient to give a market rate of return to either _____ or _____.
16. State **TWO** reasons why people who own property are better off than people on the same income who do not.
- (i) _____
- (ii) _____
17. State **TWO** examples of ‘adjustment’ as understood by agricultural economists.
- (i) _____
- (ii) _____
18. Most existing direct payments to farmers are being changed to Decoupled Payments. Explain what this means.
- _____
- _____
19. What do you understand by the terms REPS as currently operating in the EU?
- _____
20. Mac Sharry stated in 1991 that EU farmers have two distinct roles to fulfil in modern economies. What are they?
- (i) _____
- (ii) _____

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

PART II (200 marks)

Answer **four** questions.

Write the answers in your answer book(s).

All questions carry equal marks (50 marks).

Do **not** write answers to Part II on this question paper.

1. (a) Discuss beef processing and marketing in Ireland under **each** of the following headings:

- (i) Ownership of processing capacity;
- (ii) Main markets;
- (iii) Seasonality of production;
- (iv) Influence of the CAP.

(b) Outline why farmers have concerns about the performance of this industry.

[50 marks]

2. (a) Explain the following terms:

- (i) Consumer Price Index;
- (ii) Real Price Index;
- (iii) Farmers' Terms of Trade.

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

	<u>1990</u>	<u>2004</u>
Agricultural Outputs (AOPI)	100	90
Agricultural Inputs (AIPI)	100	100
Consumer Prices (CPI)	100	150

For the 14 year period, calculate:

- (i) The change in real prices received by farmers;
- (ii) The change in Terms of Trade for farmers.

(c) Despite the adverse price movements for farmers, average real farm incomes per worker have increased over that period. Outline **TWO** reasons for this.

[50 marks]

3. Given the following data for a family farm employing one person:

	€
Sales less purchases	200,000
Depreciation	1,000
Increase in inventories	5,000
Household consumption	1,000
Variable costs	30,000
Fixed costs	35,000
Imputed wages	20,000
Total investment	600,000
Imputed return on investment	5%

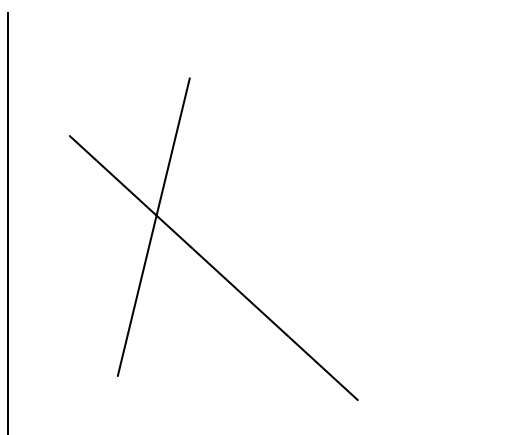
Calculate, showing all your workings:

- (i) Farm output;
- (ii) Farm gross margin;
- (iii) Family farm income;
- (iv) Investment income;
- (v) Profit.

[50 marks]

4. In the diagram below, the demand for and the supply of land is shown.

- (a) Copy the diagram into your answer book. Label the axes and the supply and demand curves and show the equilibrium price of land.
- (b) The demand for land is a 'derived demand.' Explain this statement.
- (c) Show on the diagram what happens if there is a decrease in the price of agricultural output. Explain your answer.
- (d) The demand for land has increased in recent years. Outline reasons for this development.



[50 marks]

5.

Supply Schedule for Wheat

Wheat Price	Quantity Produced Yearly at each price level
Price per tonne	Tonnes per year
€	('000)
50	300
60	320
70	340
80	360
90	380
100	400

- (a) Construct a supply curve for wheat from the data in the above table.
- (b) Define *Price Elasticity of Supply*.
- (c) Calculate the Price Elasticity of Supply as the price changes from €70 per tonne to €80 per tonne.
- (d) State if the Price Elasticity of Supply is elastic or inelastic. Explain your answer.
- (e) Outline **THREE** factors, other than price, which affect the supply of wheat.

[50 marks]

6. Major changes have taken place in EU agriculture policy in recent years.

(a) In relation to any **TWO** of the following, discuss the impact on Irish farming.

- The Mac Sharry reforms phased in between 1993 and 1995;
- The Uruguay Round Trade Agreement phased in between 1995 and 2001;
- Agenda 2000;

(b) Outline the probable economic effects on Irish Agriculture of the enlargement of the EU.

[50 marks]

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