

**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, 2007**

**WEDNESDAY, 20 JUNE, 2007 – 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. Explain the term **Value Added** in relation to Irish beef. \_\_\_\_\_  
\_\_\_\_\_
2. State **ONE** disadvantage associated with the Census of Population when seeking to obtain detailed agricultural labour information.  
\_\_\_\_\_  
\_\_\_\_\_
3. What is meant by the term **Capital Formation**? \_\_\_\_\_  
\_\_\_\_\_
4. Explain the term **Gross Agricultural Product at market price** ( $GAP_{MP}$ ). \_\_\_\_\_  
\_\_\_\_\_
5. Explain the term **Management** as a factor of production in Irish farming.  
\_\_\_\_\_  
\_\_\_\_\_
6. Outline the reason for the shape of the demand curve facing an individual farmer.  
\_\_\_\_\_  
\_\_\_\_\_
7. Why is the concept of **Discounting** important when making investment decisions?  
\_\_\_\_\_  
\_\_\_\_\_
8. State the **Law of Diminishing Returns**. \_\_\_\_\_  
\_\_\_\_\_
9. Explain the term **Transfer Payment**. \_\_\_\_\_  
\_\_\_\_\_
10. “Complementary goods have a positive **Cross-price Elasticity of Demand**.” Explain this statement.  
\_\_\_\_\_  
\_\_\_\_\_
11. State **ONE** economic reason for the fluctuation from year to year in the price of commodities such as potatoes.  
\_\_\_\_\_

12. Provide up-to-date statistical data concerning the farming sector in Irish Agricultural statistics.

(i) GDP	%
(ii) Labour Force	%

13. “The Income Elasticity of Demand for food in Ireland is low”. Explain this statement.

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14. State **TWO** economic consequences for Ireland of the loss of the Irish sugar beet industry:

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

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

15. Assuming that in year  $t$ : the Index of Agricultural Output Prices is 209, the Consumer Price Index (CPI) is 186.4 and the Index of Input Prices is 235.2. Calculate the Real Price Index **and** the Farmers’ Terms of Trade. **Show your workings:**

The Real Price Index	Farmers’ Terms of Trade

16. State **TWO** reasons why governments intervene in agricultural markets:

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

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

17. State **TWO** consequences of recent increases in energy costs (diesel etc) on the competitiveness of Irish agriculture:

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

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

18. State **TWO** precautions a farmer may take to allow for his/her uncertainty about the future:

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

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

19. State **TWO** examples of the process of **Adjustment in farming**:

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

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

20. What do you understand by the term **Imputed Cost**? \_\_\_\_\_

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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)

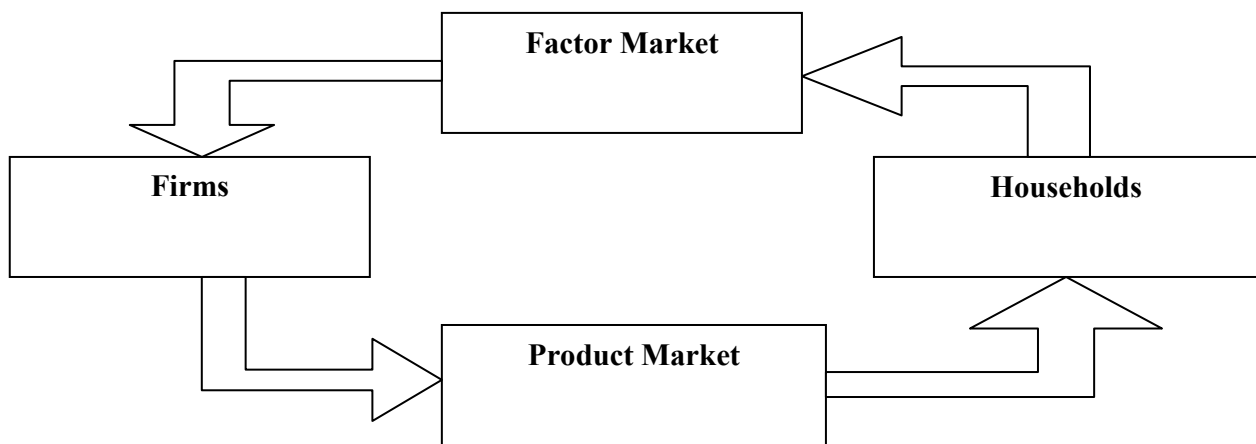
Answer **four** questions.

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. The diagram below represents a simplified economic system describing the relationships between product markets and factor markets.

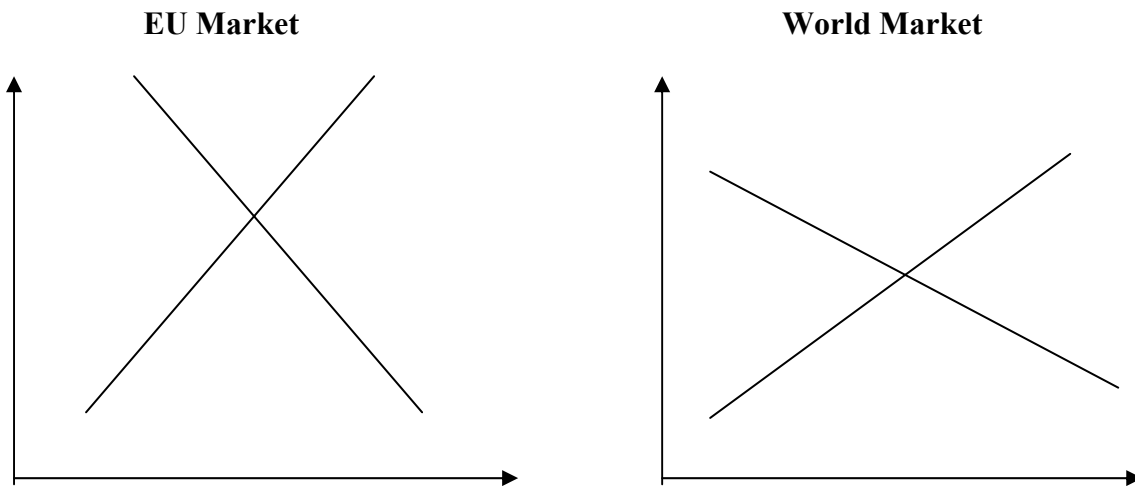


- (a) Explain **each** element **and** the relationships between them.
- (b) Outline the limitations of the diagram above as a means of representing the economic system.
- (c) Outline **FOUR** criteria which may influence a farmer when deciding what to produce on the farm. **[50 marks]**
2. Three types of budget are used in farm planning: Partial budget, Complete budget and Capital budget.
- (a) Explain **each** of the three types, indicating clearly the circumstances under which **each** budget is used.
- (b) Explain **TWO** effects of decoupling on Cash Flow Budgeting for farmers.
- (c) Outline the benefits to farmers of carrying out comparative analysis. **[50 marks]**

3. (a) Explain **FOUR** characteristics of Irish farming that can limit successful marketing.
- (b) Outline the main benefits of membership of a co-operative for a farmer.
- (c) Explain **ONE** reason why farmers may dislike vertical integration within agricultural marketing.

[50 marks]

4. The diagrams below illustrate the level of producer prices within the EU and on the World Market.



- (a) Copy the diagrams into your answer book, label the axes, the demand and the supply curves and the equilibrium prices.
- (b) Using the diagrams explain what would happen to producer prices within the EU if free trade policy was introduced throughout the world (including the EU)?
- (c) If the EU introduced import levies on imports into the EU, outline the possible effects of this development for:
- (i) EU farmers;
  - (ii) Consumers.

[50 marks]

5. Distinguish between **EACH** of the following pairs:

- (a) Net Worth and Net Present Value;
- (b) Demand Pull inflation and Cost Push inflation;
- (c) Financial Feasibility and Profitability;
- (d) Milk quota at farm level and Superlevy.

[50 marks]

6. (a) Explain the role/functions of:

- (i) The European Commission;
- (ii) The European Parliament.

(b) State **TWO** reasons why EU taxpayers may have concerns about the high level of expenditure on EU agriculture.

(c) “The future of the milk quota beyond 2014 remains uncertain”.

Outline the possible **advantages** and **disadvantages** for the Irish dairy farmer of abolishing the Milk quota.

[50 marks]

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