



Coimisiún na Scrúduithe Stáit State Examinations Commission

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Scrúduithe Ardteistiméireachta, 2003

*Eacnamaíocht
Talmhaíochta*

Gnáthleibhéal

Marking Scheme

Leaving Certificate Examination, 2003

*Agricultural
Economics*

Ordinary Level

Leaving Certificate Examination, 2003

**Ordinary Level
Agricultural Economics**

**MARKING SCHEME
and
NOTES
for use with the Marking Scheme**

- There is no suggestion that the enclosed notes are exhaustive or definitively complete. They are not model or suggested answers.
- Further relevant points presented by candidates will be marked and rewarded on their merits.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.

**AGRICULTURAL ECONOMICS
ORDINARY LEVEL**

MARKING SCHEME

PART 1 (120 marks)

1. I) Rent
ii) Wages / Salaries
iii) Interest **ANY TWO 2 X 4 MARKS**

2. **Expenditure** on food overtime as a % of the income of families in Ireland is
(iii) falling. **8 MARKS**

3. **Net worth** is the difference between **total assets** and **total external liabilities**.
2 X 4 MARKS

4. **Equilibrium price** may be defined as that price where the quantities demanded
and supplied are equal. **8 MARKS**

5. A **family farm** is a business managed by a single family unit, which owns a
substantial portion of the factors employed in the business. **8 MARKS**

6. **Criteria in making production decisions :**
 - i) Habit
 - ii) Desire for increased leisure
 - iii) Need for enhanced social status
 - iv) Reduced risk
 - v) Increased sense of achievement
 - vi) Profit maximisation**ANY TWO 2 X 4 MARKS**

7. The **appropriate measure** of the size of a farm business is the value-added
(or income) by the factor inputs in the business. **8 MARKS**

8. **Production function** describes the relationship between **products** and **factors**.
2 x 4 MARKS

9. **Conacre** is a short-term lease of land usually of 11 months. **8 MARKS**

10. **Characteristics of a perfectly competitive market**
 - i) Large number of buyers and sellers
 - ii) Who are presumed to have full information on market conditions
 - iii) Who trade in relatively uniform commodities
 - iv) Who individually cannot influence the price level**ANY ONE 8 MARKS**

11. **Fixed Assets** : Land and Buildings
Machinery and Equipment
Breeding Livestock **ANY ONE 8 MARKS**

12. **Farmers Revenue** is determined by the price of output and the **quantity** of output. **8 MARKS**

13. **Transfer Payments** in household accounts :
i) Child Benefits
ii) Pensions
iii) Unemployment Benefit **ANY ONE 8 MARKS**

14. **Main Farming Organisations**
i) IFA
ii) ICMSA **ANY ONE 8 MARKS**

15. A **Bank overdraft** is when borrowers have the permission of the bank to write cheques on their current account up to a certain credit ceiling. **8 MARKS**

16. **Main methods of acquiring land:**
i) Purchase
ii) Inheritance **2 x 4 MARKS**

17. **Financing the EU Budget :**
i) Import levies
ii) Contributions from member states. **ANY ONE 8 MARKS**

18. Main source of information on the distribution of farm income within farming the Teagasc survey on farm management. **8 MARKS**

19. **Direct payments** or “cheques in the post”
i) Set aside
ii) Area aid
iii) Headage Payments
iv) REPS **ANY TWO 2 X 4 MARKS**

20. Ireland’s **multilateral aid programme** consists of expenditures made through the EU and other international agencies such as the United Nations. **8 MARKS**

PART 2 (200 marks)

QUESTION 1

a) **Advantages of part-time farming :**

- i) Supplements Household Income
- ii) Extra resources available to invest in the farm business.
- iii) Helps maintain rural communities/prevents rural depopulation

ANY 2 X 6 MARKS

Disadvantages of part-time farming :

- i) Resources tend to be used extensively, especially land
- ii) Enlargement of farms is impeded
- iii) Prevents structural reform of the industry
- iv) Relatively unskilled jobs leave farmers vulnerable if the economy becomes less buoyant

ANY 2 X 6 MARKS

b) **Substitution of capital for labour**

| | | |
|------------------------|-----------------------------|--------------------|
| i) No. of farm workers | ii) Investment in machinery | |
| 1971 280,000 | £125,000,000 | |
| 2001 140,000 | £2,500,000,000 | 2 X 8 MARKS |

OR

Decrease in the labour force and increase in capital investment **[2 x 4 MARKS]**

ii) **Census** - only full-time workers are recorded **3 + 2 MARKS**

EU survey on the structure of agricultural holdings - fulltime and part-time workers are recorded. **3 + 2 MARKS**

[50 MARKS]

QUESTION 2

- a) AXES **2 X 6 MARKS**
DEMAND CURVES **2 X 6 MARKS**
SUPPLY CURVE **1 X 6 MARKS**
- b) **Equilibrium Prices** **2 X 5 MARKS**
- c) Reasons for shift in demand for land
- i) More housing
 - ii) More roads
 - iii) Increased farm size
 - iv) Technology
 - v) Increased incomes
 - vi) Capital investment
- ANY TWO 2 X 5 MARKS**

[**50 MARKS**]

QUESTION 3

- a) **Types of Budget used in farm planning**
- i) **Partial Budget** – changes under consideration affect only a part of the farm business **10 MARKS**
 - ii) **Complete Budget** – when a farmer takes over a new farm and starts from scratch **10 MARKS**
 - iii) **Capital Budgets :**
 - a) **Cash-flow** – if the available finance is adequate to fund the cash transactions on the farm over time. **10 MARKS**
 - b) **Investment Appraisal** – used to estimate the profitability of new investment **10 MARKS**
- b) **Non-cash items in farming :**
- i) Changes in inventories
 - ii) Household consumption of own farm produce
 - iii) Depreciation
 - iv) Value for family labour
- ANY TWO 2 X 5 MARKS**

[**50 MARKS**]

QUESTION 4

a) **Shown on Diagram**

- i) Total Revenue (TR) **5 MARKS**
- ii) Fixed Costs (FC) **5 MARKS**
- iii) Variable Costs (VC) **5 MARKS**
- iv) Total Costs (TC) **5 MARKS**

b) **Fixed Costs** - Do not change as the level of output changes **6 MARKS**

EXAMPLES: Rent, Interest on borrowed capital, permanent labour etc.

ANY TWO 2 X 2 MARKS

Variable costs - Change according to the level of output **6 MARKS**

EXAMPLES : Feed, Seed, Fertilisers etc.

ANY TWO 2 X 2 MARKS

c) Most **profitable level of output is** where the gap between the total cost curve and the total revenue curve is at its widest. **10 MARKS**

[**50 MARKS**]

QUESTION 5

a) **Price-cost squeeze is** the tendency for input prices over time to increase more rapidly (or fall more slowly) than product prices. **20 MARKS**

b) **Contributions to the Price-cost Squeeze**

- Product Demand - Slow Growth **6 MARKS**
- Product Supply - Faster Growth **6 MARKS**
- Product Prices - Downward Pressure **8 MARKS**

c) **Farmer's Responses**

- i) Increase farm size
- ii) Adopt new technology and husbandry

ANY ONE 10 MARKS

[**50 MARKS**]

QUESTION 6

a) **Identification of Prices:**

- | | |
|---------------------------------|----------------|
| A - Desired or Target Price | 6 MARKS |
| B - Minimum Import Price | 6 MARKS |
| C - Intervention or Floor Price | 6 MARKS |
| D - World Market Price | 6 MARKS |
| E - World Market Price | 6 MARKS |

b) i) **Price on Deficit Market** - B minimum import price **5 MARKS**

ii) **Price on Surplus Market** - C intervention price **5 MARKS**

c) Export **Refunds** are paid to exporters of food to outside of the EU **5 MARKS**
amounting to the difference between the intervention price and the world market price. **5 MARKS**

[**50 MARKS**]