

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, 2004

WEDNESDAY, 23 JUNE 2004, 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. On the **factor market** demand for _____ from the firms interacts with _____ from _____ to give prices such as **land**, _____, _____ and _____.
 2. Farmers are consumers as well as producers in the national economy. Explain.

 3. Gross Agricultural Product at market prices plus _____ less _____ is equal to Gross Agricultural Product at factor cost.
 4. State what is meant by **repayment capacity**.

 5. Define **quasi-vertical integration** and state **ONE** example.

- EXAMPLE: _____
6. State the **TWO** main variables which affect the long-term demand for any commodity.
 - (i) _____
 - (ii) _____
 7. State the **TWO** most important factors which shift the total product curve.
 - (i) _____
 - (ii) _____
 8. What do you understand by **imputed costs**? _____

 9. Why is **resource mobility** an important economic issue? _____

 10. Investment appraisal calculates the extra _____ and extra _____ resulting from a farm plan over time.

11. Why might the price elasticity of supply for wheat vary at different levels of wheat price?
-
-
12. State **TWO** functions of Teagasc.
- (i) _____
- (ii) _____
13. What does the debt to net worth ratio on a farm measure? _____
-
14. Lending institutions use two key criteria in deciding who should get loans. What are they?
- (i) _____
- (ii) _____
15. Explain the term **volume index**. _____
-
16. There will be direct effects, indirect effects and induced effects from contraction of agriculture, arising from the current CAP reforms. Explain clearly the meaning of any **TWO** of the underlined effects.
- (i) _____
- (ii) _____
17. The EU uses three types of legislative instruments. State any **ONE** and briefly explain it.
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-
-
18. Why is an effective Regional Policy a desirable complement to the Common Agricultural Policy (CAP)?
-
-
-
19. The total cost of export subsidies under the CAP depends on two elements. What are they?
- (i) _____
- (ii) _____
20. What are the **TWO** main points in Thomas Malthus' theory of population growth?
- (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)

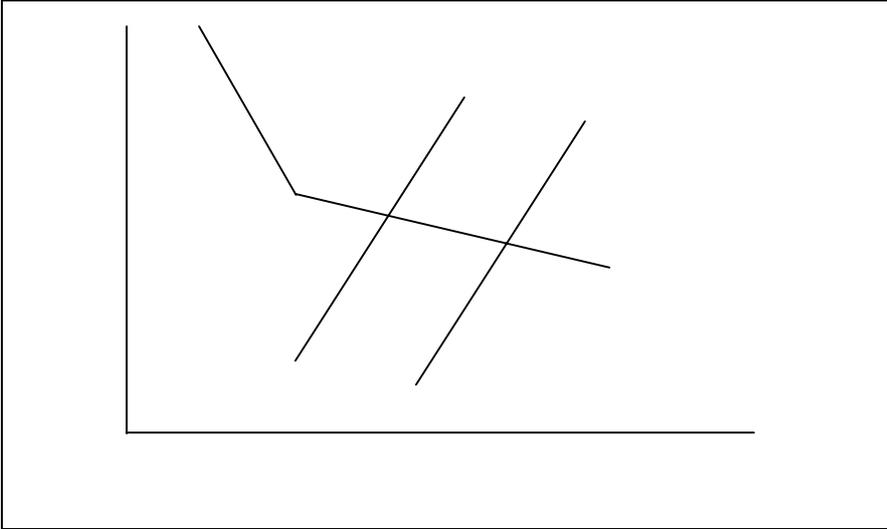
Answer **four** questions.

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. The following diagram illustrates the effect on Irish prices and revenue of expanding Irish agricultural supply within the EU.



- (a) Copy the diagram into your answer book. Label the axes, the demand and supply;
- (b) Explain why the demand curve has the shape as drawn;
- (c) Show on the diagram what is happening the Irish price level as Irish supply is expanded. Explain.
- (d) What is happening total revenue of Irish farmers as Irish supply is expanded;
- (e) Explain how CAP reform discouraged this expansionary behaviour from 1980 onwards.

[50 marks]

2. Given the following farm accounts for a typical Irish dairy farm:

| | | € |
|--------------------------|-----------|---------|
| Sales less purchases of: | milk | 70,000 |
| | livestock | 26,000 |
| | crops | 2,000 |
| Depreciation | | 2,000 |
| Variable costs | | 36,000 |
| Household consumption | | 2,000 |
| Change in inventories | | -10,000 |
| Other fixed costs | | 25,000 |

Calculate, showing all workings.

- (i) the farm Output;
- (ii) the farm Gross Margin;
- (iii) the Family Farm Income;
- (iv) the Farm Cash Income.

[50 marks]

3. (a) Describe briefly the form of Direct Supply Control applying to any **TWO** of the following:
- (i) Milk;
 - (ii) Sugar beet;
 - (iii) Cereals.
- (b) Outline the main points of the MacSharry CAP reforms, introduced in 1992.
- (c) What do you understand by ring-fencing of quotas?

[50 marks]

4. In the long run farm incomes tend to be subject to a price-cost squeeze.

- (a) Define a price-cost squeeze.
- (b) Why is this concept so important in farming?
- (c) Explain the forces operating in **both** product and factor markets which contribute to a price-cost squeeze.

[50 marks]

5. (a) Explain the term 'decoupling' in agricultural economics.
- (b) What will be the likely effects of decoupling on Irish agriculture?
- (c) Briefly, what will be the probable effects of decoupling on the environment?

[50 marks]

6. The following supply/demand diagrams illustrate the situation in the EU market and in the World market for agricultural produce:

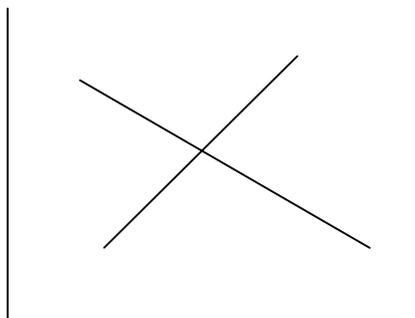


FIG. 1

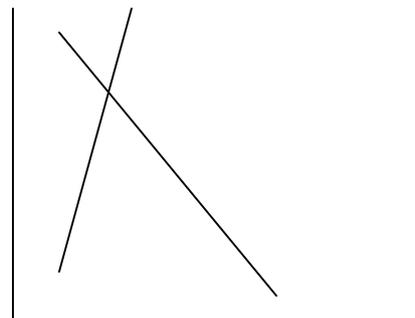


FIG. 2

- (a) Copy the diagrams into your answerbook and label them, indicating which relates to the EU market and which relates to the World market.
- (b) What price would prevail in the EU market if there was no protection against imports? Show on the appropriate diagram.
- (c) What would be the quantity demanded and supplied at this price level? Show on the diagram.
- (d) Explain the main advantages and the main disadvantages of Free Markets for agricultural produce.
- (e) How could the disadvantages in (d) be reduced while maintaining free trade?

[50 marks]

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