

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, 2009

WEDNESDAY 17 JUNE 2009, 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 an economic system, prices are determined by the interaction of _____ and _____ on the factor market and on the _____ market.
2. State **two** advantages for the farmer of the use of agricultural contractors on his/her farm.
 - (i) _____
 - (ii) _____
3. The agriculture and food sector in Ireland currently accounts for approximately _____% of GDP, _____% of employment and _____% of exports.
4. Define 'Gross Capital Formation' in the case of farming. _____

5. Farmers represent a declining proportion of the food production chain. **True False**
Circle the correct answer and briefly explain your answer.

6. State **two** examples of each of the following inputs in farming:
 - (i) Factor inputs: (a) _____ (b) _____
 - (ii) Intermediate inputs: (a) _____ (b) _____
7. Agricultural prices tend to fluctuate widely over time. Outline **two** negative implications of this on farm financial planning.
 - (i) _____
 - (ii) _____
8. Explain the term 'modulation'. _____

9. Outline **two** effects for Irish agriculture of the suspension of the Early Retirement Scheme in 2008.
 - (i) _____
 - (ii) _____
10. Outline **two** effects of seasonality of Irish milk production for processors.
 - (i) _____
 - (ii) _____

11. The 'Terms of Trade' for Irish sheep farmers have been deteriorating in recent years. Explain this statement. _____

12. In farm accounting, output is total sales minus purchases, plus or minus _____,
plus _____.
13. Farmers are legally obliged to prepare a Farm Safety Statement. Outline **two** benefits of preparing a Farm Safety Statement:
- (i) _____
- (ii) _____
14. Explain the following statement: 'A feasible plan may not be profitable'.

15. List **two** factors that affect the interest rate in capital markets.
- (i) _____
- (ii) _____
16. Outline **two** advantages of planting agricultural land with forestry.
- (i) _____
- (ii) _____
17. Explain the term **Value Added** in relation to Irish milk. _____

18. State why protection may be preferable to free trade in the case of the agricultural sector. _____

19. Explain the **Law of Diminishing Returns** using an agricultural example. _____

20. Explain the term 'export refunds'. _____

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 to this part in the answer book.

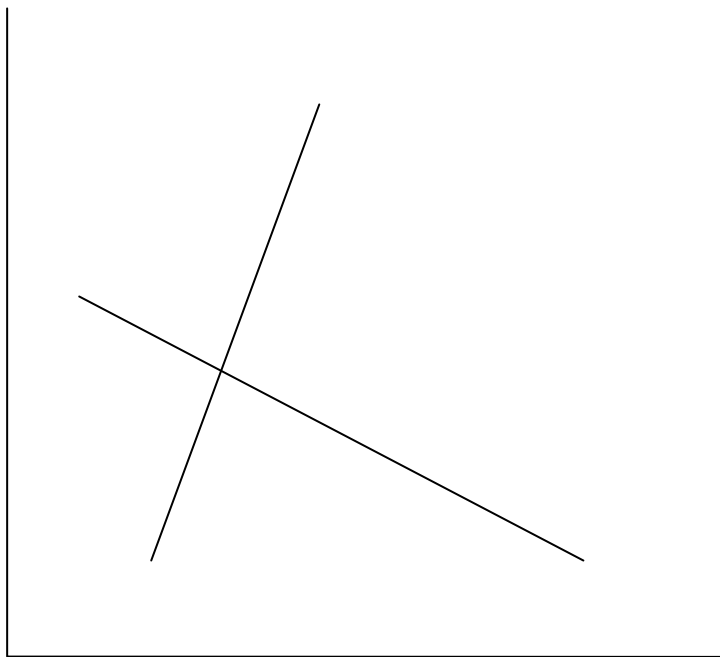
All questions carry equal marks (50 Marks).

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

1.
 - (a) Improvement in agricultural marketing efficiency is limited by certain characteristics of Irish farming. Outline **four** of these characteristics and explain how they limit marketing efficiency.
 - (b) Using agricultural examples, explain **two** ways farmers may increase the price received for their outputs.
 - (c) Discuss the economic consequences of a decrease in the value of sterling (£) relative to the euro (€) for an Irish farmer exporting his produce to the UK market.

[50 marks]

2. The diagram below shows the demand for and the supply of land.



- (a) Copy the diagram onto your answer book. Label the axes and the supply and demand curves, and show the equilibrium price of land.
- (b)
 - (i) The demand for land is a 'derived demand'. Explain this statement.
 - (ii) Outline the factors which influence the price of land.
- (c) If a farmer is considering the purchase of 20 acres of agricultural land, outline **four** factors which will influence his/her decision to purchase the land.
- (d) Irish agricultural land prices fell significantly in recent months. Outline **three** reasons for this decline.

[50 marks]

3. Distinguish between each of the following pairs with reference to Irish agriculture:

- (a) Net Worth and Net Present Value;
- (b) Marginal Cost and Imputed Cost;
- (c) Price Elastic Demand and Price Inelastic Demand;
- (d) Vertical Integration and Horizontal Integration.

[50 marks]

4. (a) Explain the concept of the 'production function' with respect to Irish agriculture.

(b) Explain the criteria which may guide farmers in making production decisions.

(c) Outline the role of Teagasc in relation to improvements in agricultural production functions.

[50 marks]

5. (a) Outline the possible effects on Irish agriculture of EU enlargement.

(b) Using an example relevant to Irish agriculture, explain the term 'EU Directive'.

(c) Discuss the importance of cross compliance in relation to Irish agriculture.

[50 marks]

6. A cash flow budget for a dairy farmer for 2010 is detailed below:

Quarterly Cash Flow Budget for the year 2010

	Jan-Mar	Apr-Jun	July-Sept	Oct-Dec	Total
	€	€	€	€	€
Receipts					
Milk	14,000	29,000	33,000	10,000	86,000
Calf sales	4,000				4,000
Cull cows			7,000		7,000
Single Farm Payment				29,000	29,000
REPS	11,000				11,000
A. Total Receipts	29,000	29,000	40,000	39,000	137,000
Payments					
Feed	6,000				6,000
Fertiliser	2,500				2,500
Labour	4,800	4,800	4,800	4,800	19,200
Livestock purchases	20,000		15,000		35,000
Drainage		6,000			6,000
Contractor				5,000	5,000
Loan Repayments				22,000	22,000
Household Expenses	8,000	10,000	11,000	11,000	40,000
B. Total Payments	41,300	20,800	30,800	42,800	135,700
<i>Net Balance (A – B)</i>	–12,300	8,200	9,200	–3,800	1,300
<i>Opening Balance</i>	1,700	–10,600	–2,400	6,800	1,700
<i>Closing Balance</i>	–10,600	–2,400	6,800	3,000	3,000

- (a) State **two** reasons why a dairy farmer should prepare a cash flow budget.
- (b) (i) Outline the financial implications for the farmer of the net balance in each quarter.
(ii) Suggest an appropriate strategy for the farmer considering the net balance in each quarter.
- (c) The farmer is considering hiring an additional labour unit on the farm at an additional cost of €3,000 per quarter. What advice would you give the farmer? Give reasons for your answer.

[50 marks]

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