

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, 2012

WEDNESDAY 20 JUNE 2012 – 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.

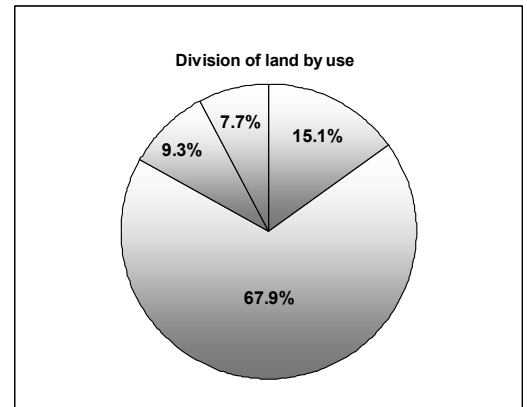
Write the answers in the spaces provided.

All questions carry equal marks.

1. In Ireland there are approximately 4.95 million hectares of land used for agriculture and forestry. With reference to the pie chart on the right, identify the percentage of land used for each of the following:

(one entry is completed for you)

Use	Percentage (enter answer)
Grass	
Rough grazing	9.3%
Crops	
Forestry	



2. Distinguish between the roles of *Teagasc* and *Bord Bia*.

3. Outline how prices are determined in a factor market.

4. Statistics/data from the CSO Farm Structure Survey 2007 show that in Ireland:

(Circle the correct answer in each case.)

- (i) there are approximately 90,000 / 128,000 / 180,000 farm holdings
- (ii) the average farm size is approximately 32 / 55 / 74 hectares
- (iii) the percentage of family farm holders over the age of 55 is 24% / 38% / 51%.

5. Define each of the following:

(i) Economics: _____

(ii) Economic growth: _____

6. State the purpose of 'The Food Harvest 2020' report. _____

7. State **two** implications for the Irish agri-food sector of the recent decrease in the euro exchange rate:

- (i) _____
- (ii) _____

8. Define the following terms:

(i) Marginal revenue product: _____

(ii) Law of diminishing marginal returns: _____

9. In relation to the following changes in the market for beef, state the effect of **each** change on the demand curve for beef:

Change	Effect
1. An increase in the price of beef	A. A shift in the demand curve out and to the right
2. An increase in consumer income	B. A movement along the demand curve
3. A decrease in the price of pork	C. A shift in the demand curve in and to the left

Match the two lists by placing the letter of the correct effect under the relevant number below:

1.	2.	3.

10. Engel's law states that _____

11. To correct for time, values must be discounted. State the formula used to calculate the present value of €30,000 which you will receive in 7 years time.
(Use the space below for your answer.)

12. State **two** examples of **each** of the following categories, with reference to Irish agriculture:

	Fixed cost	Variable cost
Example 1		
Example 2		

13. Distinguish between *nominal prices* and *real prices*.

14. On a typical farm account, output is defined as total sales less _____, plus/minus _____, plus _____ of own farm produce.

15. State **two** types of direct payments received by Irish farmers:

(i) _____

(ii) _____

16. Outline the role of The European Commission within the EU.

17. Outline **two** main categories of taxation which the typical farmer may be liable for:

(i) _____

(ii) _____

18. What does the following data tell us about the agricultural products below?

(i) The price elasticity of demand for meat products is - 0.37: _____

(ii) The cross price elasticity of demand between beef and lamb is + 0.66: _____

19. Distinguish between the terms *liquidity* and *solvency* in farm accounts.

20. State **two** benefits of environmental protection schemes such as REPS and AEOS:

(i) _____

(ii) _____

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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.

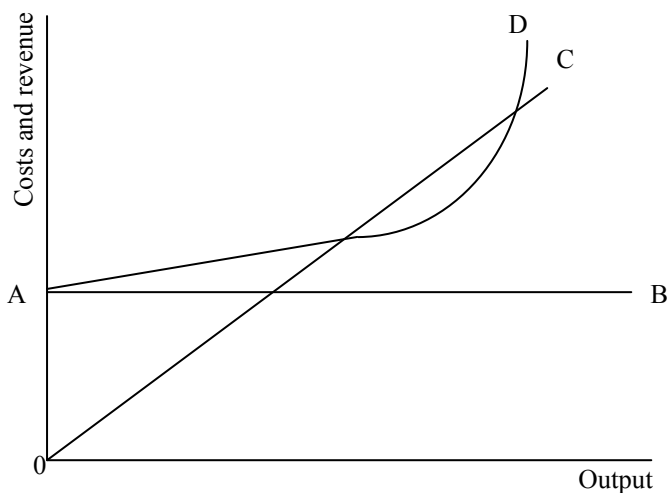
1. The table below shows the domestic and export demand schedule for Irish butter.

Butter price (€'000 per tonne)	Domestic quantity demanded at each price level ('000)	Export quantity demanded at each price level ('000)
7	70	20
6	80	40
5	90	60
4	100	80
3	110	100
2	120	120
1	130	140

- (a) On a single diagram, construct the domestic and export demand curves for Irish butter, from the data shown in the table above.
- (b) State and show on your diagram the impact an increase in price of butter from €5,000 per tonne to €7,000 per tonne will have on the quantity of Irish butter demanded on both the domestic and export markets.
- (c) Calculate the price elasticity of demand (PED) for Irish butter on both the domestic and export markets when prices increase from €5,000 per tonne to €7,000 per tonne.
- (d) Identify which demand curve is price inelastic. Explain your answer.

(50 marks)

2.

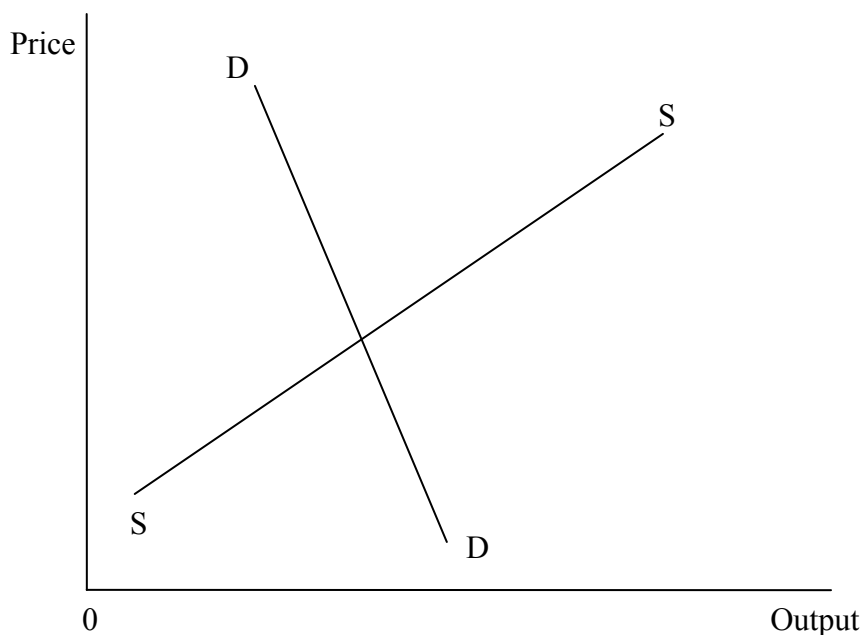


The above diagram shows the costs and revenues at different levels of output for a farm.

- (a) Copy the diagram into your answer book, identifying the relevant curves.
- (b) Identify on your diagram **and** explain the following:
 - (i) The range of output over which the farm is operating at a loss;
 - (ii) The range of output over which the farm is creating a profit;
 - (iii) The level of output at which the profit is maximised/optimum level of output.
- (c) Distinguish between farm profit and family farm income.

(50 marks)

3. In a 2011 G-20 policy report on price volatility (i.e. fluctuations in prices) in the food and agricultural markets it stated that “there is no doubt that the period since 2006 has been one of extraordinary volatility”.



The diagram above shows the demand (DD) and supply (SS) curves prevailing in the world markets for agricultural products. Illustrate **and** discuss the role of the following in creating this volatility in prices: (Note: A separate diagram is required in **each** case.)

- (a) Increased frequency of droughts, floods and other weather-related events associated with global warming;
- (b) World population growth and changes in consumption patterns associated with the emerging economies;
- (c) Increased price of oil.

(50 marks)

4. The Common Agricultural Policy (CAP) is one of the oldest EU policies.

In relation to CAP, discuss **each** of the following:

- (a) The objectives of CAP and how they have evolved since the early 1990s;
- (b) How the instruments used to achieve the objectives of CAP have changed since the early 1990s;
- (c) The current challenges facing CAP as it moves forward.

(50 marks)

5. The following is a quarterly cash flow budget for a farm for the year 2012 (Total for 2011 also shown)

	Total 2011	Jan-March	April-June	July-Sept	Oct-Dec	Total 2012
	2012	2012	2012	2012	2012	
	€	€	€	€	€	€
Receipts						
Single farm payment	25,400	25,400	0	0	0	25,400
Milk sales	48,500	12,200	16,500	15,200	11,100	55,000
Livestock sales	13,700	9,100	2,500	0	1,100	12,700
REPS payments	5,000	0	5,200	0	0	5,200
Off-farm salary	10,500	0	0	1,700	0	1,700
Grants	10,000	10,000	0	0	0	10,000
Total Receipts	113,100	56,700	24,200	16,900	12,200	110,000
Expenditure						
Fertiliser	14,200	4,000	9,000	5,500	1,000	19,500
Feedstuffs	12,000	3,000	3,900	4,000	8,500	19,400
Livestock purchase	20,000	7,600	0	12,400	0	20,000
Veterinary/AI	12,200	3,000	0	5,000	4,200	12,200
Contractor costs	4,000	0	3,000	2,900	0	5,900
Building maintenance	5,000	0	0	5,000	0	5,000
Energy	10,000	4,000	2,000	4,000	4,000	14,000
Rent	5,200	0	0	0	5,200	5,200
Insurance	3,300	3,300	0	0	0	3,300
Bank loan repayments	10,500	3,000	3,000	2,000	2,500	10,500
Professional fees	800	0	0	800	0	800
Living expenses	16,000	5,800	5,000	4,500	9,000	24,300
Total expenditure	113,200	33,700	25,900	46,100	34,400	140,100
Cash flow surplus/deficit	-100	23,000	-1,700	-29,200	-22,200	-30,100
Opening cash balance	3,200	3,100	26,100	24,400	-4,800	3,100
Closing cash balance	3,100	26,100	24,400	-4,800	-27,000	-27,000

- (a) Discuss **two** uses farmers can make of cash flow budgeting.
- (b) With the aid of the above cash flow budget, identify and discuss the recent trends in prices and costs in Irish agriculture. In your answer outline the reasons for these trends.
- (c) With reference to the above cash flow budget, outline **four** ways a farmer can overcome problems associated with meeting financial obligations, arising from farm operations and household maintenance. **(50 marks)**

6. Agriculture accounts for a relatively small proportion of total output in the Irish economy. Nevertheless, the contribution of agriculture to the economy should not be underestimated.

- (a) Outline **four** contributions agriculture makes to the Irish economy.
- (b) Discuss **two** arguments for and **two** arguments against free trade in agriculture. **(50 marks)**

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