

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, 2015

WEDNESDAY 17 JUNE, MORNING 9.30 – 12.00

AGRICULTURAL ECONOMICS – ORDINARY LEVEL (320 marks)

Answer **fifteen** questions from Part 1 and **four** questions from Part 2.
You should not spend more than one hour on Part 1.

PART 1 (120 marks)

Answer **fifteen** questions.
Write the answers in the spaces provided.
All questions carry equal marks (8 marks).

PART 2 (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 2 on this question paper.

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S)
USED TO ANSWER THE QUESTIONS IN PART 2.**

Part 1 (120 marks)

Answer **fifteen** questions.

Write the answers in the spaces provided.

All questions carry equal marks.

1. State **two** key economic decisions concerning goods and services that are made within the market system:

(i) _____

(ii) _____

2. State **one** example from agriculture of **each** of the following:

(i) Factor of production _____

(ii) Intermediate input _____

3. The income elasticity of demand (YED) for Good X is - **0.75**. This means:

(i) That a 10% increase in income leads to a 7.5% **increase** / **decrease** in quantity demanded.

(ii) That Good X is a **normal** / **inferior** good. [Circle the correct answer for (i) and (ii)]

4. (i) The share of Gross Domestic Product (GDP) accounted for by agriculture in advanced economies is:

Less than 5% 10% - 15% 20% -25% [Tick (✓) the appropriate box]

(ii) Agriculture is an example of which type of industry:

Tertiary Secondary Primary [Tick (✓) the appropriate box]

5. State **two** objectives of the Common Agricultural Policy (CAP) as outlined in the Treaty of Rome, 1957:

(i) _____

(ii) _____

6. Complete the sentence below using words from the following list:

Revenue Maximise Increase Utility

(One of these words does not apply and each of the other words can only be used once.)

"A farmer who seeks to _____ profits will _____ output
if the marginal _____ of the last unit produced is greater than its marginal cost."

7. (i) Inflation is measured by an increase in: VAT CPI GNP
 [Tick (✓) the appropriate box]
- (ii) If the actual (nominal) market price of potatoes increases by 10% while inflation is 4%, then the real market price of potatoes has:

Risen Fallen Stayed unchanged [Tick (✓) the appropriate box]

8. In a perfectly competitive industry like agriculture the individual farmer has (i) **total** / **some** / **no** control over the market price she receives for her produce. Consequently, the demand curve for her produce is (ii) **vertical** / **horizontal** / **downward sloping**. [Circle the correct answer for (i) and (ii)]

9. State **two** national organisations that represent the interests of Irish farmers and their families:

(i) _____

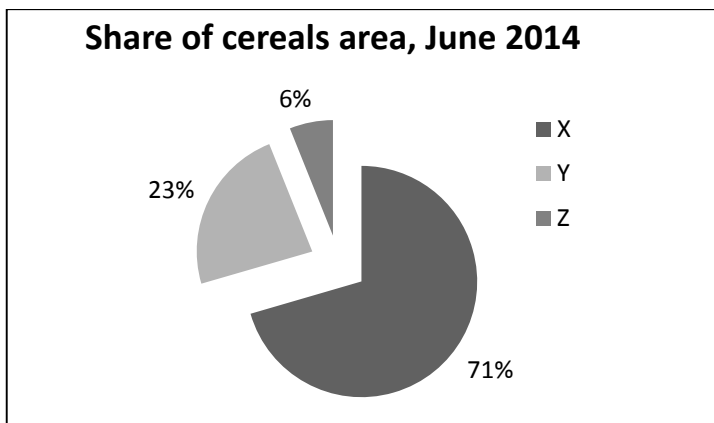
(ii) _____

10. State if **each** of the following taxes is direct or indirect. [Circle the correct answer for (i), (ii), and (iii)]

(i) Income tax: **Direct** / **Indirect** (ii) Value added tax: **Direct** / **Indirect**

(iii) Capital gains tax: **Direct** / **Indirect**

11. The pie chart below shows the share of cereals land in Ireland devoted to wheat, barley and oats in June 2014. State which share X, Y and Z applies to which crop. (A crop name can only be used once.)



Share	Crop
X (71%)	
Y (23%)	
Z (6%)	

12. “A bank overdraft is an example of a current liability.”

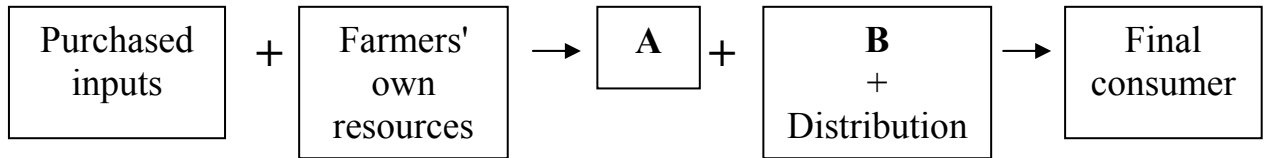
Explain this statement: _____

13. State **two** services provided by Teagasc for Irish farmers:

(i) _____

(ii) _____

14. Complete the food supply chain for butter by naming the components A and B:



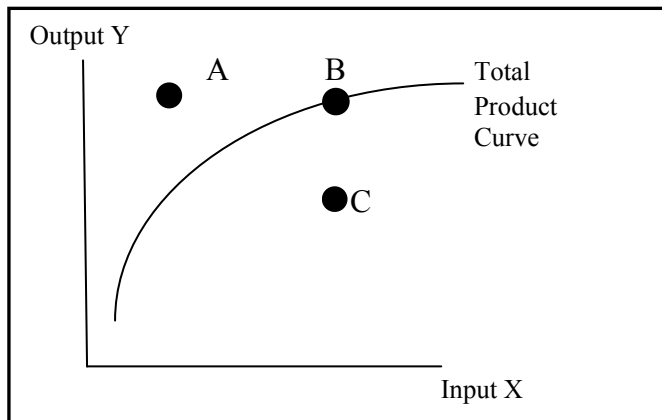
A = _____ B = _____

15. If the euro (€) falls in value against the UK pound sterling (£), what would be the expected outcome for each of the following? [Circle the correct answer for (i) and (ii)]

(i) The **price** of Irish cheese in UK supermarkets: **Increase** **Decrease** **No change**

(ii) **Demand** for English cheese in Irish supermarkets: **Increase** **Decrease** **No change**

16. Identify which of the points A, B and C shown in the diagram below is technically efficient, inefficient or currently technically unattainable. (Each given point can only be mentioned once.)



(i) Point ___ is technically efficient

(ii) Point ___ is technically inefficient

(iii) Point ___ is technically unattainable

17. (i) The rate of economic growth in Ireland in 2014 was approximately: 1% 5% 10%

(ii) The average rate of unemployment in Ireland in 2014 was approximately: 11% 18% 20%

[Circle the correct answer for (i) and (ii)]

18. Assume the supply of agricultural land is perfectly inelastic. State what the impact of an increase in demand for land would be on: [Circle the correct answer for (i) and (ii)]

(i) Price of land: **Increase** **Decrease** **No change**

(ii) Market quantity of land: **Increase** **Decrease** **No change**

19. (i) Number of EU Member States as at 1 January 2015: 24 28 32

(ii) Number of EU Member States in the eurozone as at 1 January 2015: 19 22 24

[Circle the correct answer for (i) and (ii)]

20. State **two** principles of the agricultural co-operative movement:

(i) _____

(ii) _____

Remember to return this question paper with the answer book(s) used to answer the questions in Part 2.

Part 2 (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 2** on this question paper.

1. The table below shows the annual supply and demand schedules for Good X.

Price (€ per tonne)	25	30	35	40	45	50	55
Supply (million tonnes)	0	4	8	12	16	20	24
Demand (million tonnes)	24	22	20	18	16	14	12

- (a) (i) Draw the market demand and supply curves from the data given in the table above. Label each axis and the two curves. (You may use graph paper for this question.)
- (ii) State the equilibrium price and quantity for Good X.
- (b) The demand curve for Good X or the supply curve for Good X may shift to the right or to the left due to the following:
- An increase in consumer incomes
 - A decrease in input costs

In relation to **each** event/development above, answer the following three questions:

- (i) State whether the demand curve or the supply curve will shift
- (ii) State whether the curve you mention will shift to the right or to the left
- (iii) State the effect on the market price and the market quantity.
- (c) Explain the concept of *substitute goods in consumption* and give **one** example from the agri-food sector.

(50 marks)

2. (a) *According to the 2011 Census of Population for Ireland, over 1.7 million people or 38% of the national population live in rural areas.*

Outline **two** ways in which the family farm contributes to local communities in rural areas.

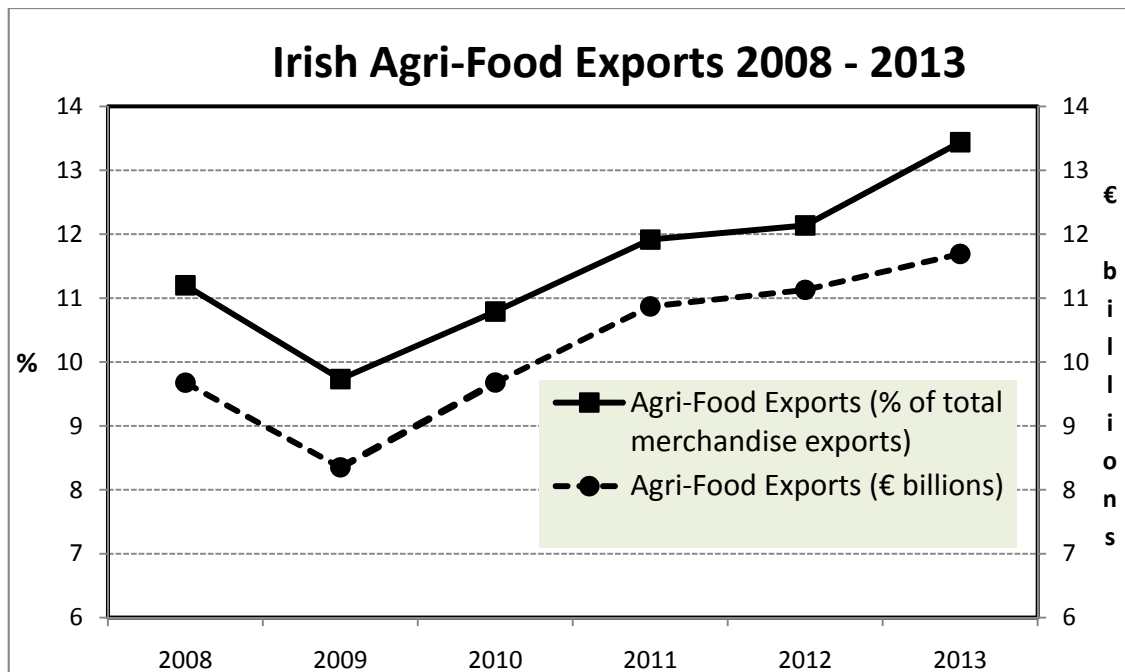
(b) *The EU milk quota system which came into effect in 1984 was abolished in April 2015.*

- (i) Describe the essential features of how the milk quota system worked at the farm level.
- (ii) Suggest **three** ways in which Irish dairy farming may be different in the future from what it was like under the quota system.

(50 marks)

3. “Farming [including the Agri-Food sector] is our largest indigenous industry.”
 (Minister for Finance, 2015 Budget Statement, 14 October 2014)

- (a) Outline **two** ways in which the Irish Agri-Food sector contributes positively to the national economy, other than exporting of agricultural goods.
- (b) Using the information in the line chart below, outline the importance of the Agri-Food sector for national exports and for the national economy between 2008 and 2013.



Source: CSO

- (c) Would you consider the prospects for Irish Agri-Food exports to be positive or negative over the next five years? Outline **two** reasons to support your answer. (50 marks)

4. The following balance sheet represents John’s tillage farm as at 31 December 2014.

Long term liabilities	€ 125,000	Fixed assets	€ 500,000
Current liabilities	€ 75,000	Current assets	€ 100,000
Net worth	€ 400,000		
	-----		-----
<u>Total liabilities</u>	<u>€ 600,000</u>	<u>Total assets</u>	<u>€ 600,000</u>

- (a) (i) Outline what the net worth figure of €400,000 represents in the case of John's farm.
- (ii) State **one** example of a current asset **and one** example of a long term liability that might apply in the case of John's farm.
- (iii) The debt to net worth ratio for John's farm is 0.5:1, i.e. $\frac{125,000+75,000}{400,000}$.
 Is the farm in a good long-term financial position? Explain your answer.
- (b) (i) State **one** type of insurance that John may take out in the context of his farm business.
- (ii) Outline the purpose of this insurance.

(50 marks)

5. The following is a set of farm accounts for Mary's dairy farm:

Sales less purchases :	Milk	€120,000
	Livestock	€30,000
	Crops	€3,500
Variable costs		€30,000
Household consumption of own produce		€4,000
Change in Inventories		+ €5,000
Fixed costs:	Depreciation of machinery and buildings	€4,500
	Own machinery operating expenses	€2,000
	Interest on farm loan	€2,500
	Other	€12,500

(a) Calculate the following, showing all your workings in **each** case:

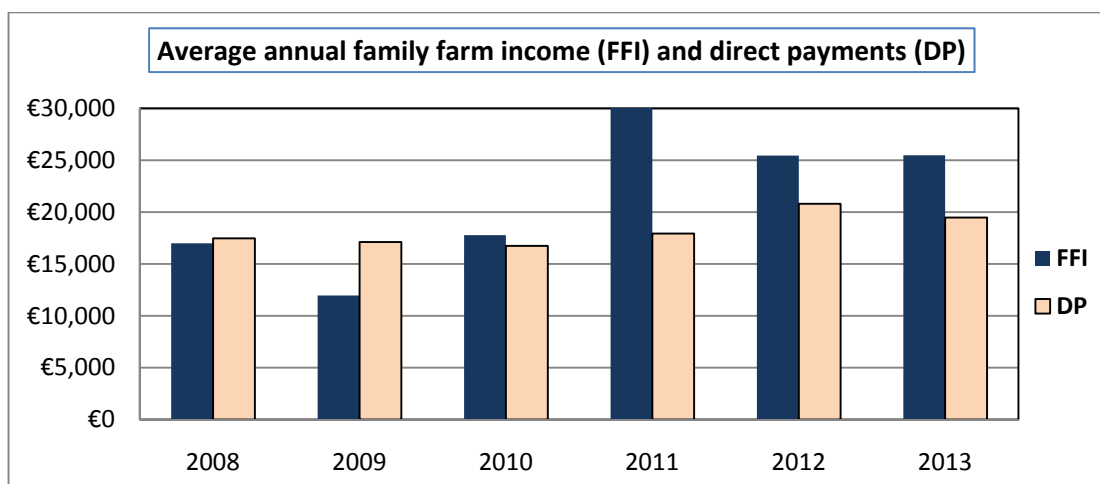
- (i) Farm output (ii) Farm gross margin (iii) Family farm income.

(b) State **two** variable costs that may apply in the case of a typical dairy farm like Mary's.

(c) Explain the term *depreciation* as it appears in Mary's accounts.

(50 marks)

6. (a) The graph below shows average family farm income (FFI) and average direct payments (DP) received on Irish farms for the years 2008 to 2013. Source: Teagasc



(i) Explain the concept of volatility (i.e. fluctuations) of farm incomes with reference to the above graph.

(ii) State **two** types of direct payments received by Irish farmers.

(iii) "Direct payments are important for Irish farmers."
Explain this statement with reference to the graph.

(b) Outline **one** reason why the Irish Government and/or the EU is more inclined to intervene in agricultural markets rather than in non-agricultural markets.

(50 marks)

Remember to return this question paper with the answer book(s) used to answer the questions in Part 2.

Blank Page