

WARNING

You must return this Question Paper 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 2017

WEDNESDAY 21 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.

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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 (8 marks).

1. Complete the following statement by **circling** the correct word or year in **each case**:

“EU milk quotas were **introduced** / **abolished** in the year **2010** / **2015**,
leading to an **increase** / **decrease** in Irish dairy production.”

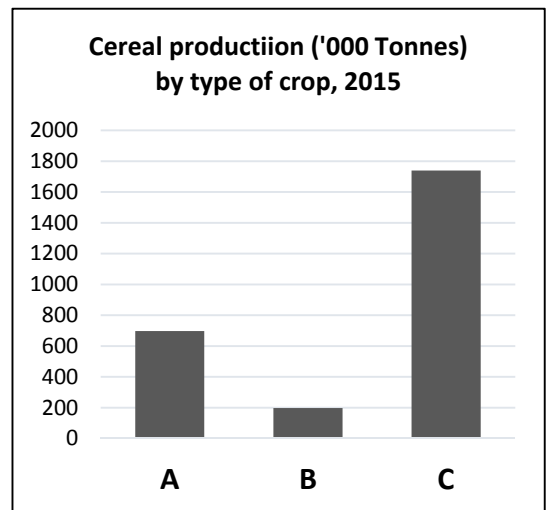
2. (i) “Conacre” generally refers to the rental of agricultural land for a period of:
 11 months 12 months 24 months [Tick (✓) the correct box]
- (ii) Approximately what percentage of agricultural land in Ireland changes hands every year?
 2% 12% 22% [Tick (✓) the correct box]

3. The bar chart on the right shows cereal production in Ireland by type of crop in 2015. (Source: CSO)

Write **A**, **B**, and **C** in the appropriate spaces in the table below to show which cereal corresponds to each bar in the graph.

Each letter can be used only once.

Cereal	Barley	Oats	Wheat
Bar on Chart (A, B, or C)			



4. State **one** example of a direct tax and **one** example of an indirect tax relevant to farming in Ireland.

(i) Direct tax: _____

(ii) Indirect tax: _____

5. Use **two** of the four words below to complete the definition of the Marginal Revenue Product.

TOTAL MARGINAL PRICE QUANTITY

“The Marginal Revenue Product (MRP) in a perfectly competitive market

is the _____ Product multiplied by the _____ of that product.”

6. Complete the following statement by **circling** the correct word in **each case**:

“Engel’s Law states that as people’s incomes rise over time
the **proportion / amount** of income spent on food **falls / rises**.”

7. State **one** potential economic threat to the Irish agri-food sector because of the UK’s planned departure from the European Union (i.e. Brexit).

8. Identify whether **each** of the following statements is true or false.

[Tick (✓) the correct box in each case]

True **False**

- | | | |
|---|--------------------------|--------------------------|
| (i) The demand for all food products taken together is price elastic. | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Farm gate prices tend to fluctuate over time. | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) The farmer is usually a price taker in the marketplace. | <input type="checkbox"/> | <input type="checkbox"/> |

9. Complete the following statement by **circling** the correct word or percentage in **each case**:

“If the nominal (money) price of milk received by dairy farmers increased by 2% in a year when annual inflation was 1%, then the real price of milk would **increase / decrease** by **1% / 3%**.”

10. (i) Approximately what percentage of Ireland’s total agri-food exports in 2015 were to the UK?
 19% 41% 73% [Tick (✓) the correct box]

(ii) Agri-food accounted for approximately what percentage of Ireland's exports in 2015?
 12% 24% 36% [Tick (✓) the correct box]

11. State **two** factors that influence the market supply of an agricultural commodity, **other** than its market price.

(i) _____

(ii) _____

12. State what each of the following acronyms stands for, in the context of economic indicators.

(i) **CPI**: _____

(ii) **FFI**: _____

13. State **two** methods of calculating depreciation of farm machinery.

(i) _____

(ii) _____

14. Identify whether **each** of the following statements is true or false.

[Tick (✓) the correct box in each case]

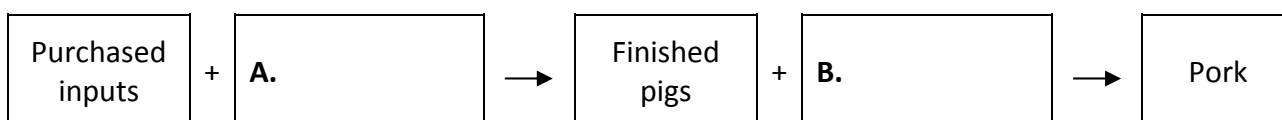
True **False**

- (i) Inheritance is the most common method of land transfer in Ireland.
- (ii) Agriculture is a primary industry.
- (iii) The percentage share of agriculture in Ireland's Gross Domestic Product (GDP) has been rising steadily for the last 10 years.

15. Fill in the **three** missing P's of the marketing mix in the spaces below.

(i)	(ii)	(iii)	(iv)
			PLACE

16. Fill in the spaces labelled **A** and **B** below to complete the food chain for pork.



17. Tick (✓) the correct box in **each case** to identify the approximate value of the economic statistic.

- (i) The rate of economic growth in Ireland in 2016: 2% 4% 6%
- (ii) The average rate of unemployment in Ireland in 2016: 8% 12% 16%

18. Name **one** principal function of **each** of the following EU institutions.

(i) European Commission: _____

(ii) European Parliament: _____

19. Outline **two** reasons why, in Ireland, agricultural processing plants tend to be located near the source of supply.

(i) _____

(ii) _____

20. (i) The financial position of a farm business at a particular point in time is described in the:
 profit & loss account balance sheet partial budget. [Tick (✓) the correct box]

(ii) Give an example of a long-term liability in the context of the financial position of a farm.

Example: _____

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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 data on fertiliser input and total product (i.e. output) of agricultural commodity Y.

Fertiliser input (100 kg/ha)	Total Product (tonnes/ha)	Average Product (tonnes/ha)	Marginal Product (tonnes/ha)
1	12		–
2	30		
3	54		
4	64		
5	70		
6	72		

- (a) Copy the above table into your answer book and complete the columns for Average Product and Marginal Product.
- (b) (i) State the Law of Diminishing Returns.
(ii) Identify the level of input beyond which diminishing returns start to occur in your table. Explain your answer.
- (c) Outline **two** ways in which the total product for a commodity like potatoes might be expanded without increasing the level of fertiliser use.

[50 marks]

2. (a) (i) State **three** of the objectives of the EU's Common Agricultural Policy, as originally outlined in Article 39 of the Treaty of Rome, 1957.
(ii) Discuss how the EU's Basic Payment Scheme helps to achieve any **one** of the objectives of the Treaty of Rome you stated in part (a)(i) above.
- (b) Irish farmers must follow the Cross Compliance system in order to receive support under the Basic Payment Scheme.
(i) Explain briefly what is meant by the Cross Compliance system and outline the main reasons for it.
(ii) Give **one** example of a specific Cross Compliance rule that a farmer might have to follow.

[50 marks]

3. The following table presents a simplified home demand schedule for Irish butter.

Price of Butter (€ / kg)	Quantity Demanded (‘000 tonnes per annum)
3.00	12,000
2.50	13,000
2.00	14,000
1.50	15,000
1.00	16,000

- (a) (i) Draw the demand curve for butter, using the data in the above table. Label both axes **and** the demand curve. (You may use graph paper for this question.)
- (ii) Explain why the demand curve has a negative slope.
- (b) (i) On the diagram you completed in part (a)(i) above, draw **and** label a supply curve with a positive slope intersecting your demand curve.
- (ii) Identify the equilibrium price (P_1) **and** quantity (Q_1) by labelling them on your diagram.
- (c) State **two** factors which would cause a shift in the demand curve to the right.
- (d) Explain what effect a shift in the demand curve to the right would have on the equilibrium price **and** quantity.

[50 marks]

4. The balance sheet for Mary’s sheep farm as at 31 December 2016 is shown below.

Balance Sheet as at 31 December 2016		
	€	€
Fixed Assets		250,000
Current Assets	50,000	
Less Current Liabilities	25,000	25,000
		275,000
Financed by:		
Long-term Liabilities	35,000	
Capital (Net Worth)	240,000	
		275,000

- (a) (i) State **one** example of a current asset and **one** example of a current liability that might apply in the case of Mary’s sheep farm.
- (ii) From the balance sheet, calculate the current liquidity ratio for Mary’s farm. Show your workings.
- (iii) Give a brief comment on the liquidity of Mary’s farm. Explain your answer.
- (b) (i) Explain what the capital (net worth) figure of €240,000 means in the case of Mary’s farm.
- (ii) The debt to net worth (debt to capital) ratio for Mary’s farm is 0.25, i.e. $\frac{35,000+25,000}{240,000}$.
Comment on the long term financial position of Mary’s farm. Explain your answer.

[50 marks]

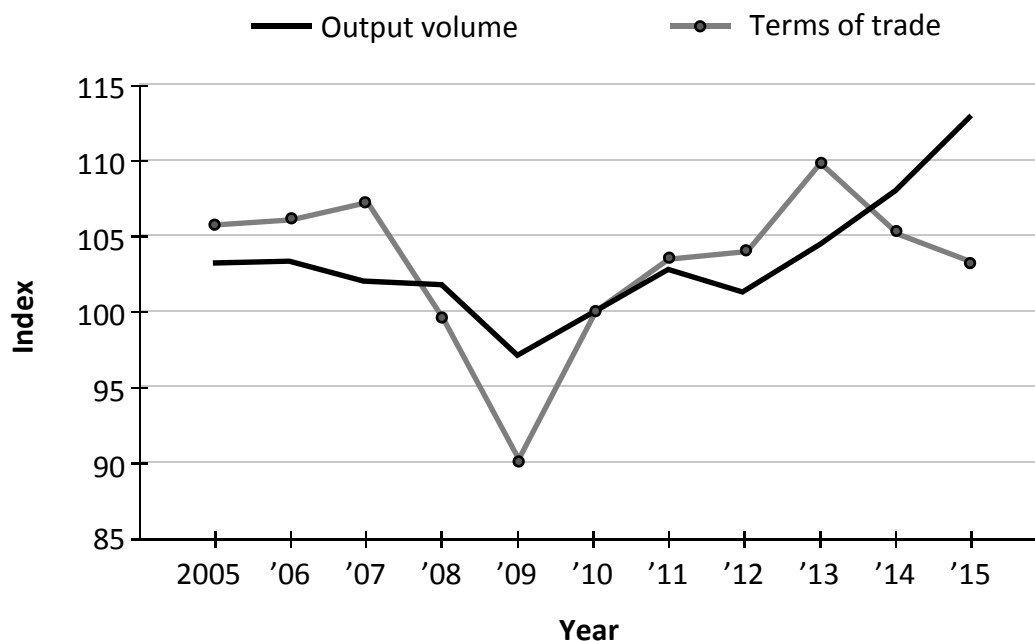
5. The following table shows average per capita income and consumption of a food item in two different years.

	Year 1	Year 2
Average per capita income (€)	23,000	27,000
Average per capita consumption (kg)	49	51

- (a) (i) Explain what is meant by the term “Income Elasticity of Demand” (YED).
(ii) State **one** factor that can influence the YED of any good.
- (b) Calculate the YED for the food item from the data shown in the above table. Show your workings.
- (c) The YED for a different food item is -0.8 .
(i) Explain what this YED figure of -0.8 means.
(ii) Is a food item with a YED of -0.8 a normal or an inferior good? Explain your answer.

[50 marks]

6. The graph below shows indices of the volume of total Irish agricultural output, and farmers’ terms of trade, from 2005 to 2015. The base year (= 100) is 2010. (Source: CSO)



- (a) For **each** of the two series shown in the graph, describe the volatility (i.e. fluctuations) from 2005 to 2015.
- (b) Explain what farmers’ terms of trade represent, **and** outline how they are measured.
- (c) Outline what may have caused the change in the terms of trade from **2013** to **2015**.
- (d) Explain what farmers might do to limit the effect of weakening terms of trade.

[50 marks]

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Leaving Certificate 2017 – Ordinary Level

Agricultural Economics

Wednesday 21 June

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