

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 2018

THURSDAY 21 JUNE

MORNING 9:30 to 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 15 questions. Write the answers in the spaces provided. All questions carry 8 marks.

1. State **two** contributions that agricultural exports make to the Irish economy.

(i) _____
 (ii) _____

2. Fill in the spaces labelled **A** and **B** to complete the diagram below of a simple market system.



3. Complete the following table by filling in the correct number of live animals by livestock type in June 2016, using the figures in the following list. Use each figure only once. (Source: CSO)

7.2 million 5.2 million 1.6 million

Livestock	Cattle	Pigs	Sheep
Number of live animals			

4. Identify the correct value for **each** of the following economic indicators in 2017.

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

(i) The economic growth rate (GDP) for the Irish economy: 2% 4% 7%

(ii) The average rate of unemployment in the Irish economy: 4% 7% 10%

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

(i) _____
 (ii) _____

6. The CSO Farm Structure Survey for 2013 states that:

(i) The average farm size (in hectares) in Ireland was:
 25.5 ha 32.5 ha 55.5 ha [Tick (✓) the correct box]

(ii) The total number of farms in Ireland was:
 140,000 170,000 190,000 [Tick (✓) the correct box]

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

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

- | | True | False |
|---|--------------------------|--------------------------|
| (i) Mutton and wool are competing products (substitutes) | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Wheat and barley are joint products (complements) | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) Demand for crop protection products is a derived demand | <input type="checkbox"/> | <input type="checkbox"/> |

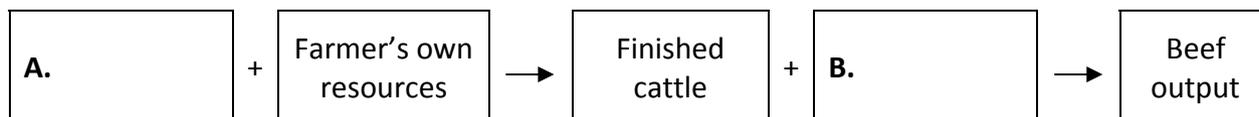
8. Name **two** payments that are made to Irish farmers under the EU direct payments system.

- (i) _____
- (ii) _____

9. Fill in the **three** missing fundamental factors of production in the table below.

Land			
------	--	--	--

10. Fill in the spaces labelled **A** and **B** to complete the beef chain below.



11. Identify whether each of the following statements is true or false for Ireland.

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

- | | True | False |
|--|--------------------------|--------------------------|
| (i) Approximately 88% of family farm holders are male | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Specialist beef production is the most common farm system | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) The UK accounts for approximately 25% of Irish agri-food exports | <input type="checkbox"/> | <input type="checkbox"/> |

12. At the present level of output, a particular farmer's marginal revenue is greater than the marginal cost of production, and he is making a profit.

Should the farmer increase his output? Yes No [Tick (✓) the correct box]

Explain your answer. _____

13. Fill in the **five** missing values in the following table.

Fertiliser input (100 kg)	Total Product (tonnes)	Average Product (tonnes)	Marginal Product (tonnes)
1	6		—
2	8		
3	9		

14. (i) Name the organisation that carries out the annual National Farm Survey (NFS).

(ii) Define the term Family Farm Income as used in the NFS. _____

15. State what each of the following acronyms stands for, in the context of economic indices.

(i) CPI: _____

(ii) A O P I: _____

16. List **two** sources of new financial capital for a farmer.

(i) _____

(ii) _____

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

“Income elasticity of demand is defined as
the **percentage / actual** change in the quantity demanded of a good due to a
one percent change in income, holding **some / all** other variables constant.”

18. Identify the shape of the market demand curve for each of the following goods.

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

	Horizontal	Vertical	Upward-sloping	Downward-sloping
(i) An ordinary good	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) A perfectly price inelastic good	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. Give **one** example of a capital tax and **one** example of a direct tax that could be applied to Irish farmers.

(i) Capital tax: _____

(ii) Direct tax: _____

20. (i) Give **two** examples of fixed assets, in the context of an Irish farm business.

Example 1: _____ Example 2: _____

(ii) Fill in the missing word to complete the following definition:

“The _____ Ratio is the ratio of current assets to current liabilities.”

**Remember to return this Question Paper with the answer book(s)
used to answer the questions in Part 2.**

Part 2 (200 marks)

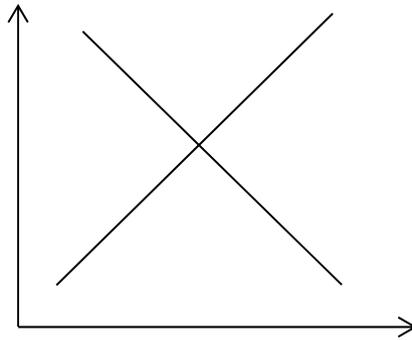
Answer 4 questions. Write the answers in your answer book(s). All questions carry 50 marks.
Do not write answers to Part 2 on this question paper.

1. The following data are taken from the farm accounts for Mary's dairy farm.

OUTPUT		
Sales less purchases:	Milk	€150,000
	Livestock	€50,000
	Crops	€5,000
Household consumption of own produce		€5,000
Change in inventories		+ €6,500
CURRENT EXPENSES		
Variable costs		€60,500
Fixed costs:	Depreciation of machinery and buildings	€6,500
	Own machinery operating expenses	€4,000
	Interest on farm loan	€4,500
	Other	€12,000

- (a) Calculate the value of **each** of the following for Mary's farm.
Show all of your workings in each case.
- (i) Farm output
 - (ii) Farm gross margin
 - (iii) Family farm income.
- (b) State **two** variable costs that may apply to Mary's dairy farm.
- (c) (i) State the **two** methods used to calculate depreciation in farmers' accounts.
(ii) A farmer has an asset with an original value of €200,000.
It depreciates by 10% in the first year.
Using **each** of the methods you stated in part (c)(i), outline how this asset would depreciate over a 10-year period.
2. (a) Outline the **four** components of the Marketing Mix.
- (b) Describe **two** reasons why farmers have weak bargaining power in marketing their produce.
- (c) Outline **two** strategies that farmers could use to improve their bargaining power.

3. The diagram below shows the demand for, and supply of, Irish potatoes.



- (a) (i) Copy the diagram into your answer book **and** label both of the axes.
- (ii) Label the demand **and** supply curves for potatoes on your diagram.
- (iii) Label the equilibrium price **and** equilibrium quantity of potatoes on your diagram.
- (b) Assume there is bad weather that disrupts the production of Irish potatoes.
 - (i) Explain what effect, if any, this would be expected to have on the supply **and** the demand for Irish potatoes. Draw a **new diagram** to illustrate your answer.
 - (ii) Describe the impact of this on the equilibrium price **and** equilibrium quantity of Irish potatoes.
- (c) Outline **two** reasons, apart from weather-related issues, why agricultural prices tend to fluctuate over time.

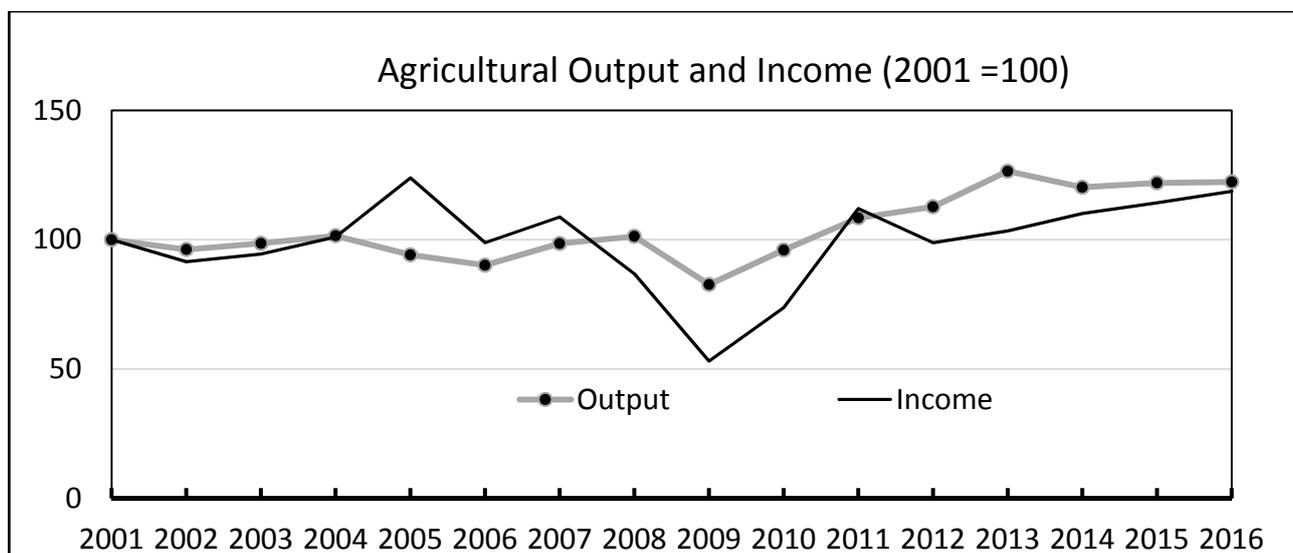
4. (a) Describe what is the general purpose of the balance sheet as a financial statement.

The balance sheet for Julia’s farm as at 31 December 2017 is shown below.

<i>Fixed Assets:</i>	€	€
Current Assets	25,000	300,000
Current Liabilities	X	
Working Capital		5,000
		305,000
<i>Financed by:</i>		
Long-term Liabilities	75,000	
Capital (Net Worth)	Y	
		305,000

- (b) Calculate the value of **X**, the Current Liabilities for Julia’s farm.
- (c) (i) Calculate the value of **Y**, the Capital (Net Worth) for Julia’s farm.
- (ii) Explain what your answer to part (c)(i) means.
- (d) Discuss if Julia’s farm is solvent, based on the figures in the balance sheet.

5. (a) Outline **three** potential challenges for the Irish agri-food sector arising from the United Kingdom leaving the EU (i.e. Brexit).
- (b) Outline **two** reasons why the government (or EU) intervenes to support the farming sector.
- (c) The agri-food sector in Ireland is made up of more than just farming. Name **two** companies or organisations that are part of the Irish agri-food sector, **and** describe the main activity of **each** one.
6. (a) The following chart shows the index of values of Agricultural Output and Agricultural Entrepreneurial Income for the years 2001 to 2016 in Ireland. (Source: CSO)



In relation to **each** variable over the 16-year period, describe

- (i) the general trend
- (ii) the volatility (i.e. the extent of the fluctuations).
- (b) (i) Explain briefly what is meant by the Cross Compliance system **and** outline the main reasons for the system.
- (ii) Explain why Irish farmers are anxious to meet their obligations under the Cross Compliance system.
- (iii) Give **one** example of a specific Cross Compliance rule that a farmer might have to comply with.

**Remember to return this Question Paper with the answer book(s)
used to answer the questions in Part 2.**

Blank Page

Leaving Certificate 2018 – Ordinary Level

Agricultural Economics

Thursday 21 June

Morning 9:30 to 12:00