

**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, 2014

WEDNESDAY 18 JUNE 2014 – 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. In the market system prices are determined by the interaction of \_\_\_\_\_ and \_\_\_\_\_.

2. GDP is a measure of output in an economy. State what the letters GDP stand for.

G: \_\_\_\_\_ D: \_\_\_\_\_ P: \_\_\_\_\_

3. The Irish agricultural (including forestry and fishing) sector in 2012 accounted for:

(i) **2.5% / 15% / 25%** (approx.) of national output (Gross Value Added). Circle the **correct** percentage.

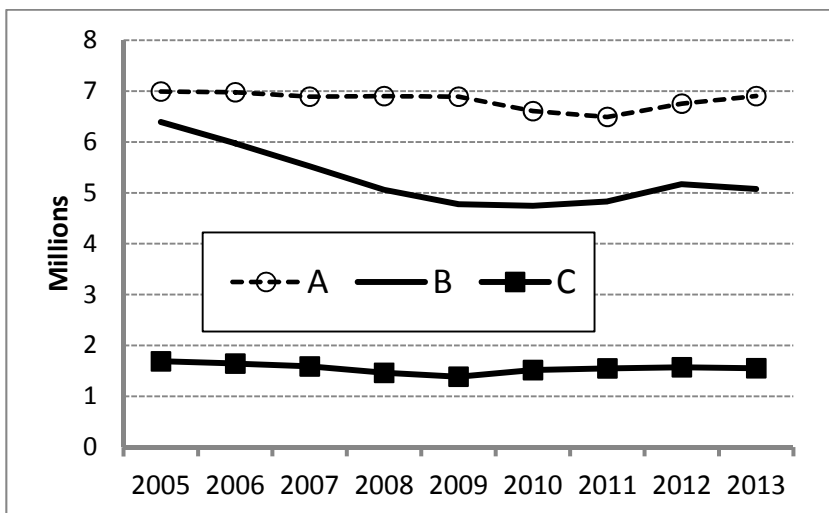
(ii) **1% / 5% / 10%** (approx.) of national employment. Circle the **correct** percentage.

4. State **two** methods of calculating depreciation in the case of a farm business:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

5. The graph below shows the trend in total sheep, cattle and pig numbers for Ireland in the years 2005 to 2013. Indicate which label (A, B or C) applies to each series. A label can only be entered once.



Series	Label A, B or C
Total sheep	
Total cattle	
Total pigs	

6. Fill in the **three** missing components of the marketing mix in the spaces provided below:

	(i)	(ii)	(iii)
<b>PRODUCT</b>			

7. Net Worth in a farming context is the difference in euro between Total \_\_\_\_\_ and \_\_\_\_\_ liabilities.

8. State **one** function of each of the following institutions:

(i) Department of Agriculture, Food and the Marine \_\_\_\_\_

(ii) Teagasc \_\_\_\_\_

9. Circle the **correct** number in **each** of the following cases:

(i) Number of EU Member States from 1 July 2013                                  18                                  28                                  38

(ii) CAP spending as a % (approx.) of the EU budget in 2013                  40%                                  60%                                  80%

10. Suppose a food product has a price elasticity of demand (PED) of -1.7, then a 10% fall in the market price will lead to a **fall / rise** in the quantity demanded of **17% / 1.7%**. Circle the **correct** answer in **each** case.

11. The following data are taken from the National Farm Survey 2012. Complete the table by circling the correct system of farming in the shaded cells below.

<b>FARM SYSTEMS listed from largest to smallest in terms of (i) and (ii)</b>			
<b>(i) Average farm size (ha)</b>		<b>(ii) Average income per hectare (€)</b>	
<b>Tillage / Cattle rearing</b>	<b>64 ha</b>	<b>Dairying / Sheep</b>	<b>€887</b>
Mixed livestock	63 ha	Mixed livestock	€734
Dairying	56 ha	Tillage	€581
Sheep	49 ha	Cattle other	€412
Cattle other	43 ha	<b>Dairying / Sheep</b>	<b>€375</b>
<b>Tillage / Cattle rearing</b>	<b>35 ha</b>	Cattle Rearing	€348

12. The long-term financial position of the farm can be examined in the farm's **profit & loss account / balance sheet** and is measured by the **debt / assets** to **liabilities / net worth** ratio.

Circle the **correct** answer in **each** case.

13. Explain the term 'joint product' and state **one** example from Irish agriculture:

(i) Explanation \_\_\_\_\_

(ii) Example \_\_\_\_\_

14. Circle the **correct** number for the following statistics taken from the 2010 Census of Agriculture for Ireland:

- |   |        |         |         |
|---|--------|---------|---------|
| (i) Number of farm holdings (approx.)                       | 90,000 | 140,000 | 190,000 |
| (ii) Proportion of land area used for agriculture (approx.) | 66%    | 80%     | 92%     |

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

- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_

16. State **one** example of **each** of the following items in a typical family farm balance sheet:

- (i) Fixed asset \_\_\_\_\_
- (ii) Long term liability \_\_\_\_\_
- (iii) Current asset \_\_\_\_\_

17. Fill in the **three** missing words to complete the standard definition of economics.

*"Economics is a social \_\_\_\_\_ which studies human behaviour as a relationship between ends and \_\_\_\_\_ resources which have \_\_\_\_\_ uses."*

18. (i) Explain the term 'Indirect tax' \_\_\_\_\_

\_\_\_\_\_

(ii) Circle the indirect tax from the following list:      PAYE      VAT      CGT

19. Insert the correct term into each of the **three** spaces provided below. A given term can only be inserted once.

<b>Factor of production</b>	LAND	LABOUR	(i)	MANAGEMENT
<b>Factor price</b>	Rent	(ii)	Interest	(iii)

20. (i) A tariff is a \_\_\_\_\_ on imports of goods and services coming into the country from abroad.

(ii) State why there is generally no tariff on agricultural goods imported into Ireland from France:

\_\_\_\_\_

\_\_\_\_\_

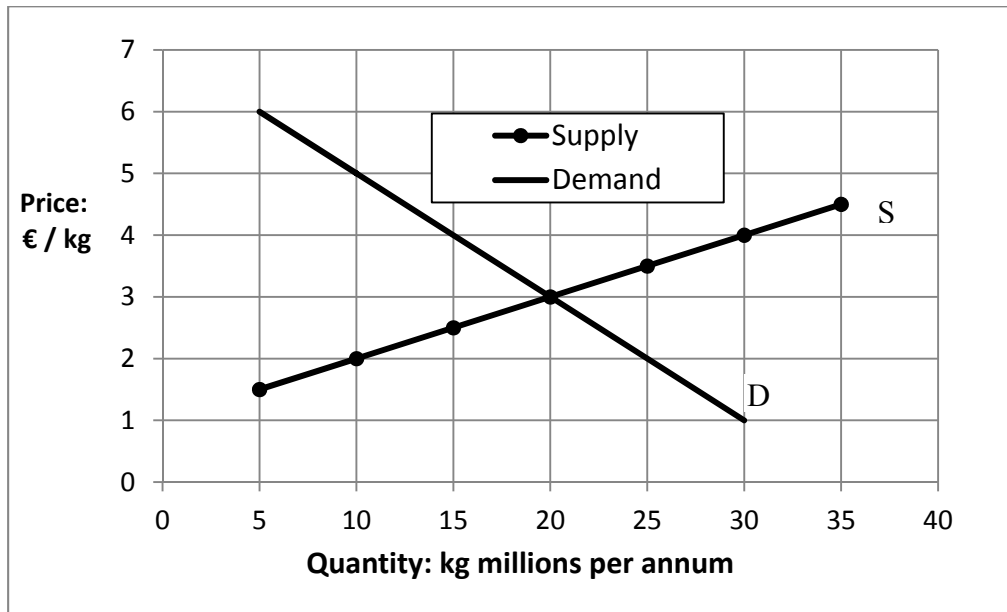
**Remember to return this question paper with the answer book(s) used to answer the questions in Part 2.**

## PART 2 (200 marks)

Answer **four** questions.  
All questions carry equal marks (50 marks).

Write the answers in your answer book(s).  
Do **not** write answers to **Part 2** on this question paper.

1. The diagram below shows the annual market for potatoes.



- (a) What is the main function of any market, such as the market for potatoes?
- (b) (i) What quantity of potatoes is demanded when the price is €4 per kg?  
(ii) What quantity of potatoes is supplied when the price is €2 per kg?  
(iii) State the equilibrium price and quantity in the potato market. Explain your answer.
- (c) (i) Calculate annual total revenue (TR) in the market for potatoes at equilibrium.  
(ii) Pasta may be considered as a substitute good for potatoes. If there is an increase in the market price of pasta, state the likely effect this would have on the demand curve for potatoes **and** on the equilibrium market price **and** quantity of potatoes.

**[50 marks]**

2. (a) State **two** objectives of the Common Agricultural Policy (CAP) as outlined in the Treaty of Rome, 1957.
- (b) In addition to producing agricultural products, farming provides other positive contributions to society. Outline **two** of these positive contributions.
- (c) EU trade in agricultural goods with Canada, and possibly the USA, is expected to expand considerably over the coming years, as new trade agreements are negotiated.

Outline **one** marketing opportunity **and one** challenge that this trade expansion may present for Irish agriculture.

**[50 marks]**

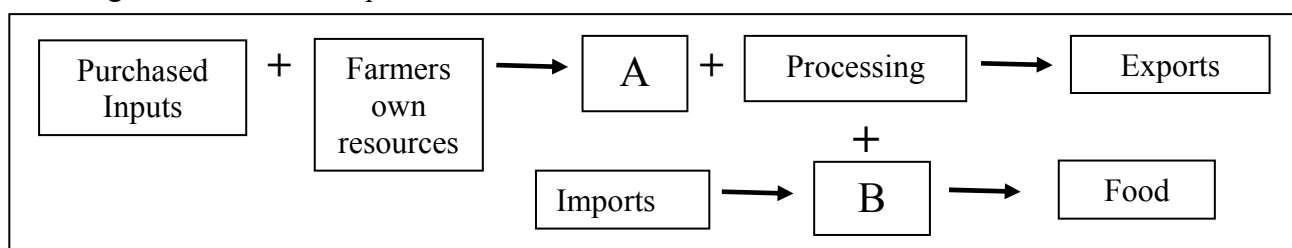
3. The table below shows the summary cash flow statement for the first two quarters of 2014 for Sarah's dairy farm, together with a cash flow forecast (budget) for the third quarter of 2014. Sarah is a full-time specialised dairy farmer and has been maintaining a stable dairy herd for the last few years. No change in the size of farm, dairy herd or bank loans has been planned for 2014.

2014	Actual cash flow (€)		Budgeted (forecasted) cash flow (€)
	Q1 (Jan. - Mar.)	Q2 (Apr. - Jun.)	Q3 (Jul. - Sep.)
Total receipts	40,000	52,000	50,000
Total payments	45,000	41,000	42,000
Net Cash	(5,000)	11,000	?
Opening Cash	?	0	11,000
Closing Cash	0	11,000	?

- (a) (i) State **one** type of receipt and **one** type of payment that might apply to Sarah's farm.
- (ii) State the Opening Cash for the first quarter (**Q1**) for 2014.
- (iii) Compare briefly the actual cash flow performance of the first two quarters (**Q1 and Q2**) for 2014 **and** outline **two** possible reasons for the different outcomes between the two quarters.
- (b) Calculate the budgeted (forecasted) Net Cash **and** Closing Cash for the third quarter (**Q3**).

[50 marks]

4. The diagram below is a simple model of the food chain.



- (a) Name the components A and B in the above food chain **and** explain what each means.
- (b) In 2012 the value of Ireland's agri-food exports amounted to approximately €9 billion.
- (i) Outline **one** way in which the **value-added** content (i.e. the degree of processing) of Irish agri-food exports could be increased.
- (ii) Explain **one** benefit for the Irish economy of increasing the value-added content of agri-food exports.
- (c) Outline the benefits of the Bord Bia Quality Assurance Scheme for Irish agriculture.



[50 marks]

5. (a) The table below shows the relationship between potato yield (output) and the variable input labour assuming all other inputs are held constant.

Labour (hours per week)	20	21	22	23	24	25
Potato yield (tonnes per hectare)	20	25	29	32	34	35

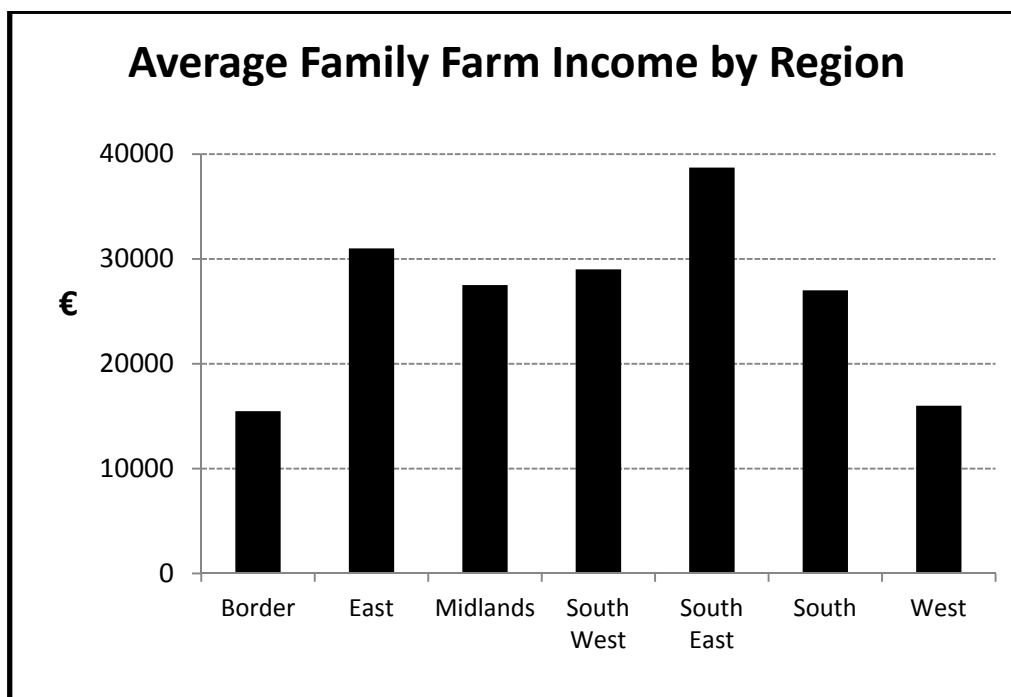
- (i) On your answer book draw the Total Product Curve (TPC) for potatoes based on the data in the table. Place potato yield on the vertical y-axis and labour on the horizontal x-axis.
- (ii) The TPC should show “output increasing but at a decreasing rate”. Explain this concept by comparing the changes in output obtained when labour is increased from 20 to 21 hours per week and from 22 to 23 hours per week.

- (b) State **two** examples of intermediate inputs used in potato production.

[50 marks]

6. (a) Explain the term 'family farm income' (FFI) as used in the annual National Farm Survey.
- (b) Name **two** possible sources of income for the farm household, **other than** from farming itself.
- (c) The bar chart below shows average family farm income (FFI) by region in 2012. (The overall national average FFI in 2012 was €25,479.)

Using the information in the bar chart below, outline the main differences in average FFI between the regions **and** outline **two** reasons why these regional differences exist.



[50 marks]

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