

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, 2011

WEDNESDAY 22 JUNE – 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. Define the following factors of production:

(i) Land: _____

(ii) Management (enterprise): _____

2. State **two** reasons for government intervention in an economy:

(i) _____

(ii) _____

3. Outline **two** effects for Irish farmers exporting agricultural produce to the UK market, if the euro (€) increases in value relative to the UK (£) pound sterling:

(i) _____

(ii) _____

4. State **two** methods of land transfer in Ireland:

(i) _____

(ii) _____

5. Gross Capital Formation is a measure of _____

6. In production economics the optimum level of output is the level at which _____ is maximised. Therefore, under marginal analysis, a farmer can be expected to expand output so long as the _____ of the product is greater than the marginal _____ of the product.

7. State **two** methods Irish farmers use to influence government policy:

(i) _____

(ii) _____

8. Farmers are 'price takers'. This means that the demand curve of an individual farmer is _____

9. Using the data provided, complete the following table:

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

10. If demand for a good is price inelastic, reduced production will increase total revenue. Explain this statement:

11. State **three** types of market structure:

(i) _____

(ii) _____

(iii) _____

12. Assume an animal is valued at €800 at the beginning of the year and at €950 at the end of the year. State how this should be recorded in calculating the farm's level of output for the year.

13. Assuming 'oxtails' are an inferior good, a decrease in consumers' real income will increase demand for oxtails.

State if this statement is **TRUE** or **FALSE**. _____

Explain your answer: _____

14. State **two** methods of calculating depreciation:

(i) _____

(ii) _____

15. Explain the term 'equity' with reference to a farm balance sheet:

16. Outline **two** actions farmers may consider, to overcome difficulties in meeting agreed repayment schedules on their loans:

(i) _____

(ii) _____

17. Outline **two** possible uses of the data from the 2010 Census of Agriculture, conducted by the CSO.

(i) _____

(ii) _____

18. In conducting a comparative analysis, a farmer is evaluating _____

19. State **two** causes of the recent rise in food prices:

(i) _____

(ii) _____

20. State **two** methods that can be used to provide guaranteed prices to farmers:

(i) _____

(ii) _____

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PART II (200 marks)

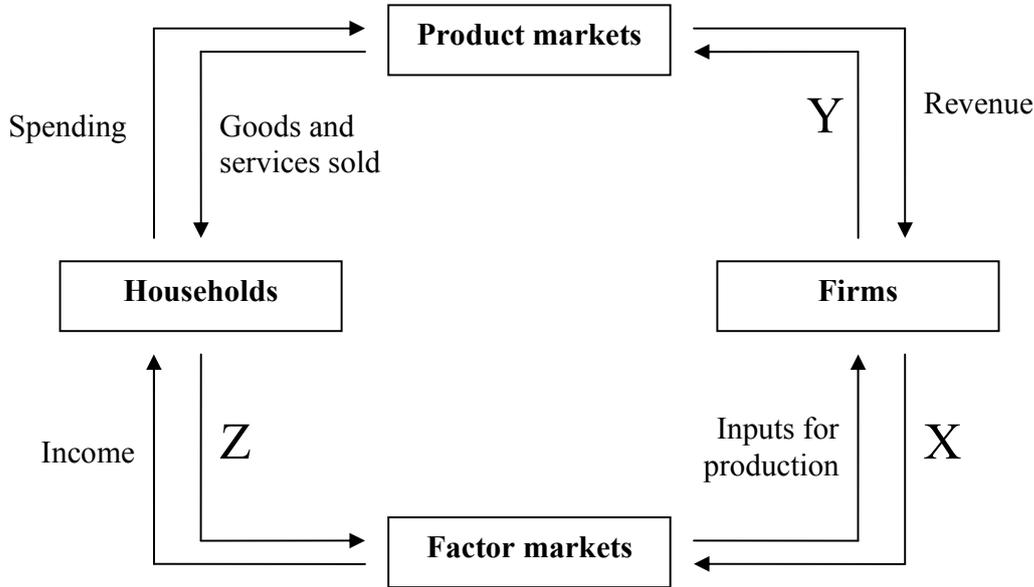
Answer **four** questions.

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.

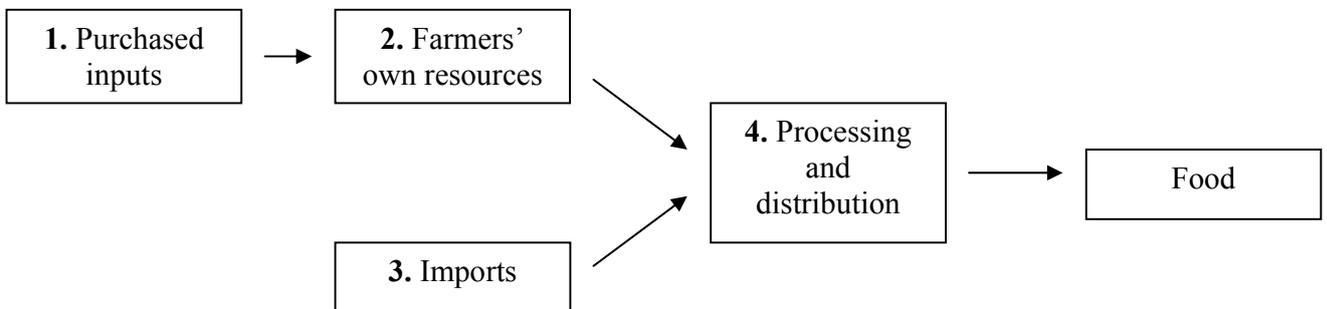
1. The diagram below represents a simplified economic system with two entities, households and firms. It shows how these entities interact through the product markets and factor markets.



- (a) Explain the linkages labelled **X**, **Y** and **Z** above.
- (b) Two additional entities which could be included in an economic system are (i) the government and (ii) intermediate firms. Explain the role of **each** entity.
- (c) Discuss the factors that affect a firm’s decisions in relation to **each** of the following:
 (i) What to produce
 (ii) How to produce. (50 marks)

2. (a) Explain the terms ‘cost-push’ inflation and ‘demand-pull’ inflation.

- (b) The diagram below represents a generalised food chain.

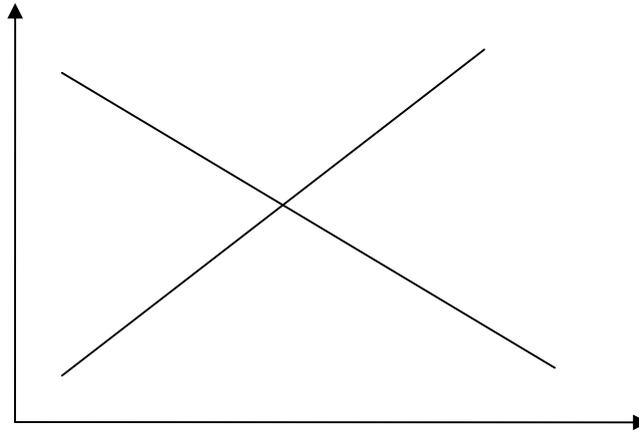


Increases in food prices may originate anywhere along the food chain.

Discuss how increases in food prices can originate at stages 1 to 4 on the food chain above, with reference to Irish agriculture.

(50 marks)

3. The diagram below shows a supply-demand situation for barley in the Irish market.



- (a) Copy the diagram into your answer book. Label the axes, the demand and supply curves, and the equilibrium price and quantity.
- (b) Assume farmers have experienced an excellent barley growing season. Using the diagram you have drawn, illustrate **and** discuss the impact this will have on the market equilibrium price and quantity.
- (c) The extent to which a demand shift alters the price of an agricultural product depends on the price elasticity of supply for that product. Discuss this statement, using an appropriate diagram.

(50 marks)

4. The following is a Balance Sheet for a farm as at 31/12/10

Assets €		Liabilities €	
Fixed Assets		Long-term Liabilities	
Land and buildings	450,000	Loans outstanding for building and machinery	150,000
Machinery and equipment	250,000		
Breeding stock	80,000		
Current Assets		Current Liabilities	
Trading livestock	40,000	Bank overdraft	20,000
Feed and fertilisers	7,000	Other creditors	12,000
Forage crops	15,000		
Saleable crops	1,000		
Cash and debtors	20,000		
		Net Worth	?
Total	863,000	Total	?

- (a) Calculate total liabilities and net worth from the Balance Sheet above.
- (b) Assess, using relevant ratios, **both** the short-term **and** long-term financial position of the farm. Refer to *liquidity* and *solvency* in your answer.
- (c) Identify and discuss **three** types of insurance a farmer should consider.

(50marks)

5. (a) Outline **four** contributions agriculture can make to a country's economic growth.
- (b) Many emerging economies (such as China and India) are experiencing significant population growth and increased real income per capita. These countries are also adopting new agricultural technology and new husbandry methods.

Discuss with the aid of a diagram, the impacts these changes may have on the following:

- (i) The demand for food **and** the supply of food in these countries.
- (ii) The equilibrium price for food in these countries.

(50 marks)

6. Discuss how **each** of the following contributes to the development of Less Developed Countries (LDCs). In your answers refer to the benefits **and** limitations associated with **each**.

- (a) The provision of Food Aid through the United Nations' World Food Programme.
- (b) The development of Free Trade in agricultural produce through the World Trade Organisation (WTO).
- (c) The activities of non-governmental organisations such as Concern and Trócaire.

(50 marks)

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