

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, 2012

WEDNESDAY 20 JUNE 2012 – MORNING 9.30 - 12.00

AGRICULTURAL ECONOMICS – ORDINARY 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. Conacre refers to the rental of agricultural land for a period of:

(Tick (✓) the appropriate box)

11 months 12 months 24 months

2. The proportion of capital needed to replace outworn farm machinery, equipment and buildings is called

_____.

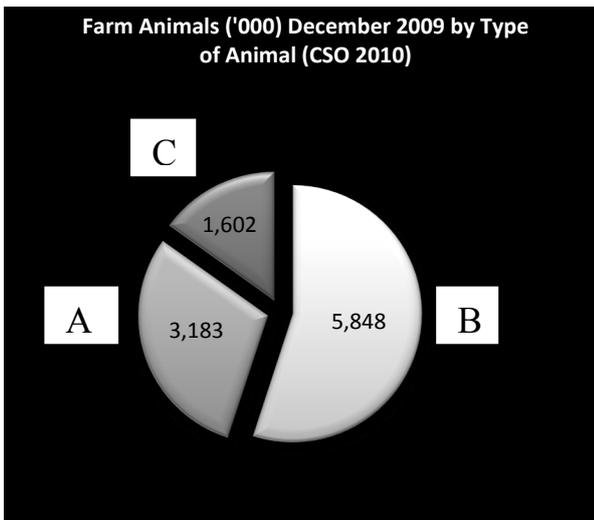
3. “No farmer who will supply more milk than his/her quota allows can afford to ignore the super levy threat between now and 2015.”

Explain (i) the super levy threat and (ii) the significance of the year 2015.

(i) _____

(ii) _____

4. The pie chart below shows the livestock of the national economy (cattle, sheep, pigs) in December 2009, according to their relative size. In the box below, write which livestock is represented by A, B and C.



A	B	C

5. Although the price of pig meat increased considerably in 2011, pig farmers were not better off. Explain **one** reason for this.

6. Irish agricultural receipts from the EU are approximately €1.6 billion per year, of which the single farm payment accounts for approximately €1.3 billion. Explain 'single farm payment'.

7. The price elasticity of demand (PED) for beef is -1.5. A 10% increase in price would lead to a _____ % _____ (increase/decrease) in quantity demanded.

8. The rate of unemployment in November 2011 was 14.5% (CSO statistics). State **one** economic effect of this very high rate of unemployment on farming.

9. Name the reward/payment earned by each of the following Factors of Production:

Factor	Reward/Payment
LAND	
CAPITAL	

10. The estimated percentage of all Irish dairy production exported in 2010 was:
(Tick (✓) the appropriate box)

10% 50% 80%

11. The production function describes the relationship between _____ and _____.

12. Fill in the **three** other components (Ps) of the marketing mix in the spaces provided:

		PROMOTION	
--	--	------------------	--

13. The World Trade Organisation was set up in 1995. State its main objective.

14. The long-term financial position of the farm is measured by the debt / _____ ratio.

15. According to the Teagasc National Farm Survey, the average farm income in Ireland in 2010 was:
(Tick (✓) the appropriate box)

€18,000

€32,000

€54,000

16. The Nitrates Directive was introduced by the EU in 1991.

(i) Outline its main objective:

(ii) Explain the term 'Directive':

17. One of the roles of the IFA is lobbying in relation to CAP reform. Explain the term 'lobbying':

18. According to Engel's Law, higher income groups spend a _____
(smaller / larger) proportion of their total income on _____ than lower income groups.

19. Outline why a farmer might need to make an investment appraisal.

20. State **one** limitation of a food aid policy to developing countries.

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

PART II (200 marks)

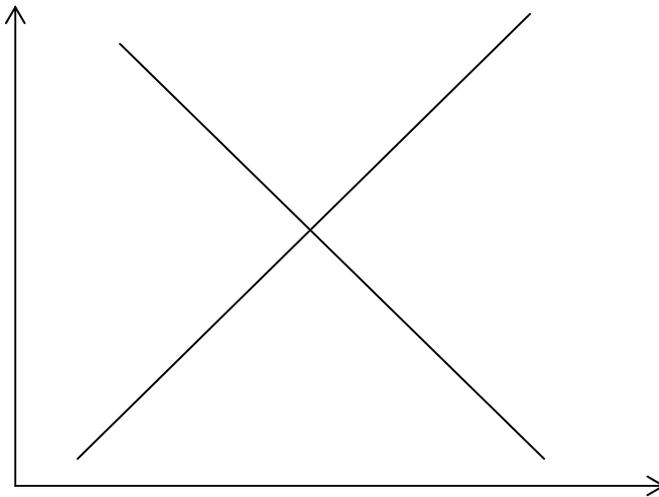
Answer **four** questions.

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 following diagram represents the Demand for Irish Potatoes and the Supply of Irish Potatoes in Irish Supermarkets. Copy the diagram into your answer book.



- (a) Label both axes, the demand for potatoes, the supply of potatoes and the equilibrium price in Irish Supermarkets.



- (b) Pasta is considered by many to be a substitute for potatoes.

Explain the economic term 'substitute good'.



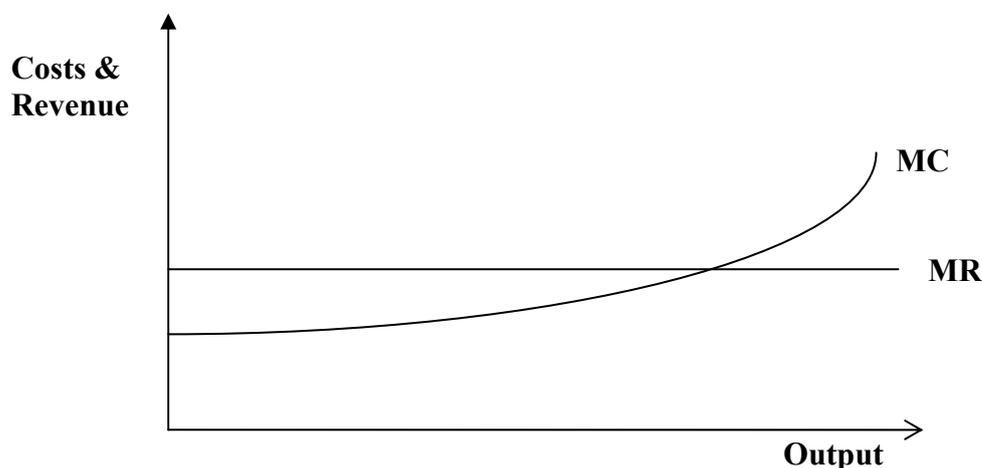
- (c) Explain with the aid of a separate diagram in each case the effects which **each** of the following may have on **either** the Demand for Irish Potatoes **or** the Supply of Irish Potatoes:
- (i) a successful advertising campaign in favour of Irish potatoes is introduced
 - (ii) a tariff on imported potatoes is removed
 - (iii) bad weather conditions in the spring cause potato blight.
- (d) Outline **two** economic effects on farming of the current supermarket price wars.

[50 marks]

2. (a) Farmers' markets have become popular in Ireland in recent years.
- (i) Explain the term "farmers' market".
 - (ii) Explain **two** benefits to farmers of selling their produce in farmers' markets.
 - (iii) Explain **two** factors a farmer should consider when selling at a farmers' market.
- (b) The co-operative is a form of business unit in agriculture.
Explain **three** of the key principles of agricultural co-operatives.
- (c) Organic farming represents a niche market.
Explain the term 'niche market' and state **one** other agricultural example.

[50 marks]

3.



The diagram above shows the most profitable level of output to produce.

- (a) Explain the difference between Marginal Cost and Marginal Revenue.
- (b) Copy the diagram into your answer book and identify on the diagram the most profitable level of output (use label Q_1).
- (c) Explain why producing either more or less of this output (Q_1) would be less profitable.
- (d) Distinguish between *factor inputs* and *intermediate inputs*. Give **one** example of each.

[50 marks]

4. Given the following farm accounts for an Irish dairy farm:

		€
Sales less purchases of	Milk	95,000
	Livestock	38,000
	Crops	2,500
Variable Costs		37,000
Household consumption of own produce		7,500
Change in inventories		– 6,000
Fixed costs	(i) Depreciation	4,500
	(ii) Other fixed costs	27,500



(a) Calculate, showing all workings:

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

- (b) (i) State **two** examples of “Other fixed costs”.
- (ii) State **two** examples of variable costs as they apply to agriculture.

[50 marks]

5. “A positive relationship with a bank is essential for a farmer.”

- (a) (i) Outline why a farmer needs to have a good relationship with his/her bank.
- (ii) Outline **two** ways a farmer could improve his/her banking relationship.
- (b) (i) Outline **two** reasons why a farmer would need credit in the short term.
- (ii) Explain how a bank overdraft works.
- (c) Despite careful planning, a farmer is experiencing difficulty in meeting the agreed repayment schedules on a €100,000 loan he has borrowed for farm machinery.
- (i) Outline **two** possible options for the farmer.
- (ii) Explain the difficulties each option would create for the farmer.

[50 marks]

6. (a) Outline **two** objectives of the Common Agricultural Policy (CAP) of the EU, which came into effect in 1962.
- (b) The CAP needs reform to respond to current economic challenges and environmental challenges. Outline **one** economic challenge and **one** environmental challenge currently facing the CAP.
- (c) Discuss the effects on Irish agriculture of the entry of new member states into the EU in recent years.

[50 marks]

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