

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, 2006

WEDNESDAY, 21 JUNE 2006, 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. State any TWO stages in the food chain:

(i) _____

(ii) _____

2. The typical farmer in Ireland owns most of the resources s/he employs. State ONE example and explain.

Example: _____

3. Gross Capital Formation minus _____ gives Net Capital Formation.

4. State ONE reason why the processing capacity of Irish dairy companies is often under-utilised.

5. Name any ONE intermediate input used by farmers.

6. The most significant change over time in the resource mix of farming is the substitution of _____

for _____.

7. State ONE precaution a farmer may take to reduce the uncertainty of future prices.

8. ONE of the two key variables affecting the long-term demand for agricultural commodities is:

9. Marginal Revenue Product is Price multiplied by _____

10. Name an index which measures inflation. _____

11. Why is income from farming no longer an adequate measure of the economic status of many farmers?
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-
12. State ONE reason why people who own property are generally better off than people who do not own property.
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13. State ONE capital tax applying to farmers: _____
14. The liquidity ratio of a farm is defined as the ratio of liquid assets to _____
15. What is the purpose of the Household Budget Survey?
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-
16. What is the function of COPA in the EU?
-
17. State TWO functions of Teagasc:
- (i) _____
- (ii) _____
18. The EU budget is financed by the member states in a number of ways. State ONE way.
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19. Why have many Irish Farmers joined the Rural Environment Protection Scheme (REPS)?
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-
20. State ONE disadvantage for farmers of the high rate of economic growth in the Irish economy.
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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. Farmers have weak bargaining power in marketing their products. The possible reasons for this include the following:

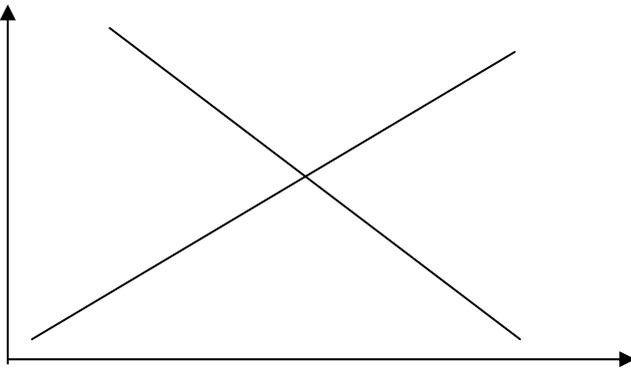
- (i) the structure of farming;
- (ii) the dispersal of farming geographically;
- (iii) the bulky and perishable nature of agricultural products.

(a) Explain, using examples, each of the reasons outlined above.

(b) Outline any **TWO** strategies which farmers could use to improve their bargaining power.

[50 marks]

2.



The diagram above represents the market supply and demand for an agricultural product.

- (a) Copy the diagram into your answer book and label the axes and the supply and demand curves.
- (b) Explain the reasons for the shapes of the demand **and** supply curves.
- (c) Show the equilibrium price and equilibrium quantity on the diagram **and** explain what it means.
- (d) Explain **TWO** reasons why the demand curve could shift to the right.

[50 marks]

3. Given the following financial data in € for an Irish Farm:

		€
Sales less purchases of	Milk	130,000
	Livestock	65,000
	Crops	8,000
Change in inventories		-12,000
Household Consumption		3,000
Variable Costs		72,000
Fixed Costs:	Depreciation	6,000
	Other Fixed Costs	48,000

(a) From the above data calculate the following, showing all your workings:

- (i) Farm Output;
- (ii) Farm Gross Margin;
- (iii) Family Farm Income.

(b) State TWO examples of Fixed Costs (excluding Depreciation) and TWO examples of Variable Costs as they apply in farming.

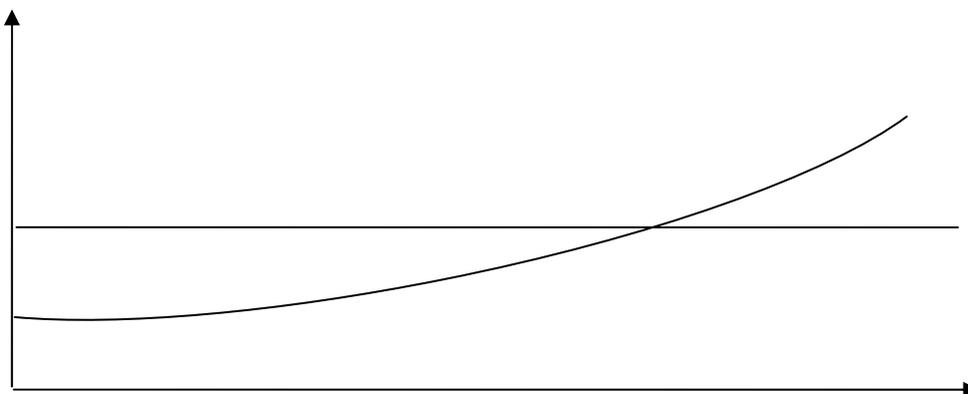
[50 marks]

4. Explain, within the context of farming, the **difference** between the following pairs:

- (a) Factor Market and Product Market;
- (b) Competing Product and Joint Product;
- (c) Feed Area and Forage Area;
- (d) Viable Farmers and Non-Viable Farmers.

[50 marks]

5.



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

- (a) Copy the diagram in to your answer book, label the axes and identify the Marginal Cost and Marginal Revenue lines;
- (b) Explain the difference between the Marginal Cost and the Marginal Revenue;
- (c) Identify on the diagram the most profitable level of output (use label Q_1);
- (d) Explain why producing either more or less of this output (Q_1) would be less profitable.

[50 marks]

6. (a) Discuss the probable effects on Irish Agriculture of the entry of new member states into the EU in recent years.

(b) Outline the recommendations of Agenda 2000 relating to EU agricultural policy.

[50 marks]

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