

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 2011 – 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. Place in order of importance (1, 2, 3) how each of the following contributes to Irish agricultural output:

Tillage and
Horticulture

Beef and Milk
Production

Sheep and
Pigs

2. The production function is used to describe the relationship between _____ and _____.

3. State **two** criteria which may guide farmers in making production decisions:

(i) _____

(ii) _____

4. Irish pig producers continue to improve efficiency on their farms. This means that they are now producing _____ meat in _____ time each year. (Use the words **less** or **more** where appropriate.)

5. What is the function of **Bord Bia**?

6. State the payment for the following factors of production:

(i) Capital: _____

(ii) Labour: _____

7. The following figures are from the books of a farm account on 31 December 2010:

Fixed Assets €400,000 Current Assets €150,000 Liquid Assets €60,000 Current Liabilities €30,000.

Using the relevant figures above, calculate the Liquidity Ratio. Show your workings.

Answer:

Workings:

8. State **one** economic effect the development of the bio-energy industry in Ireland might have on Irish agriculture.

9. The Net Worth on a farm balance sheet equals Total Assets minus _____

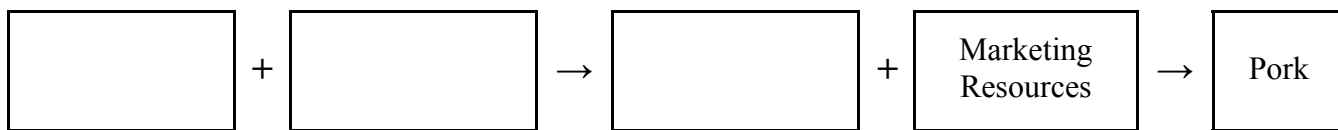
10. The **Consumer Price Index (CPI)** measures _____

11. State **two** services provided by Teagasc for Irish farmers:

(i) _____

(ii) _____

12. Complete the food chain for pork in the spaces provided:



13. State **two** reasons why farmers prepare farm accounts:

(i) _____

(ii) _____

14. The individual farmer is a price taker. Explain what this means.

15. Enter the appropriate price elasticity of demand (PED) in each of the spaces provided.
(Elastic, unit elastic or inelastic)

(i)	Elasticity of Milk is -0.3	
(ii)	Elasticity of Beef is -1.25	
(iii)	Elasticity of Wool is -1	

16. State **one** example of 'joint products' in Irish agriculture.

17. A 'condition of average' or 'average clause' applies to property insured by farmers. Explain what this means.

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

	PRICE		
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19. State **one** example of an EU directive. _____

20. State **two** economic effects that the poor weather conditions during the past two winters had on the Irish agricultural sector:

(i) _____

(ii) _____

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

PART II (200 marks)

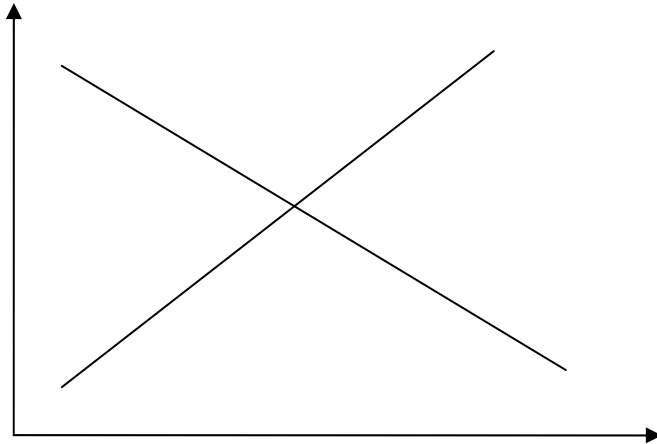
Answer **four** questions.

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 diagram below shows the market supply and demand for an agricultural product.



- (a) (i) Copy the diagram into your answer book. Label the axes and the market Demand and Supply curves.
- (ii) Mark in the point of equilibrium **and** explain what this point means.
- (iii) Explain the reasons for the slope of the Demand curve **and** the Supply curve.
- (b) (i) State **four** reasons for an increase in the demand for any agricultural commodity.
- (ii) In **each** case, explain why the demand increases.

[50 marks]

2. (a) (i) Explain the term 'part-time farming'.
- (ii) State and explain **two** positive and **two** negative effects of part-time farming on Irish agriculture.
- (b) Poor economic conditions affect Irish agriculture in many ways.
- State and explain **three** effects of poor economic conditions on farming in Ireland.

[50 marks]

3. Distinguish between **each** of the following, using examples where appropriate:

- (a) Secured and Unsecured Loans;
- (b) VAT and Capital Acquisition Tax;
- (c) Viable Farmer and Non-Viable Farmer;
- (d) Fixed Assets and Current Assets in a farm Balance Sheet.

[50 marks]

4. (a) Two direct payments received by farmers are:

- (i) The Disadvantaged Areas Scheme
- (ii) The Single Payments Scheme (i.e. Single Farm Payment).

Explain the purpose of **each** of the above payments.

(b) State and explain **two** other sources of income for farmers.

(c) Farmers who own their land and buildings are generally better off than farmers who do not.

Outline **three** benefits for farmers of owning their farms.

[50 marks]

5. (a) Explain what is meant by the term 'developing country'.

(b) Outline **four** economic problems regularly experienced by developing countries.

(c) Explain **four** difficulties that developed countries experience when providing Food Aid to developing countries.

[50 marks]

6. The following is a monthly cash flow budget for a farm for the first six months of 2012.

Monthly Cash Flow Budget for a farm: January - June 2012

	January	February	March	April	May	June	Total
	€	€	€	€	€	€	€
Receipts							
Milk	1,000	2,500	8,500	9,000	9,500	10,000	40,500
Calves, cows & cattle		4,000	5,000	5,350	5,700	4,250	24,300
Single Farm Payment	22,400						22,400
A. Total Receipts	23,400	6,500	13,500	14,350	15,200	14,250	X
Payments							
Livestock purchases			4,250		3,000		7,250
Machinery & equipment		30,000				2,750	32,750
Machinery operating expenses	1,100	1,100	1,100	1,100	2,500	3,250	10,150
Feedstuffs	2,500	2,500	2,000	4,000	4,300	4,300	19,600
Electricity	1,100	1,000	600	600	725	800	4,825
Loan repayments	900	900	900	900	900	900	5,400
Household expenses	2,000	2,000	1,600	1,600	1,600	1,650	10,450
B. Total Payments	7,600	37,500	10,450	8,200	13,025	13,650	90,425
<i>Net Balance (A – B)</i>	15,800	-31,000	3,050	6,150	2,175	600	Y
<i>Opening Balance</i>	3,500	19,300	-11,700	-8,650	-2,500	-325	3,500
<i>Closing Balance</i>	19,300	-11,700	-8,650	-2,500	-325	275	275

- (a) (i) State **two** uses of a cash flow budget for a farmer.
- (ii) Calculate the expected Total Receipts for the first six months of 2012 (marked 'X' in the budget).
- (iii) Calculate the expected Net Balance for the first six months of 2012 (marked 'Y' in the budget).
- (iv) Explain what the monthly Net Balance figure means for the farm.
- (v) State which month will be financially the best for the farm. Explain your answer.
- (vi) State which month will be financially the most difficult for the farm. Explain your answer.
- (b) If the farmer was unable to continue with the loan repayments at the agreed level, outline **one** possible option for the farmer.

[50 marks]

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