



# Coimisiún na Scrúduithe Stáit State Examinations Commission

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Scrúduithe Ardteistiméireachta, 2007

**Eacnamaíocht Talmhaíochta** **Gnáthleibhéal**

Marking Scheme

Leaving Certificate Examination, 2007

**Agricultural Economics**

**Ordinary Level**



**Coimisiún na Scrúduithe Stáit  
State Examinations Commission**

**LEAVING CERTIFICATE AGRICULTURAL ECONOMICS**

**ORDINARY LEVEL**

**MARKING SCHEME**

# Leaving Certificate Examination 2007

## Ordinary Level

### Agricultural Economics

<p>MARKING SCHEME and SUPPORT NOTES for use with the Marking Scheme</p>
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In considering this marking scheme the following points should be noted:

- In many instances only key words are given i.e. these words must appear in the correct context in the candidate's answer in order to merit the assigned marks.
- The descriptions, methods and definitions in the scheme are not exclusive or definitive and alternative valid answers are acceptable.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.

# STATE EXAMINATION COMMISSION

## AGRICULTURAL ECONOMICS – Ordinary Level

### OUTLINE OF MARKING SCHEME

#### PART ONE (120 MARKS)

Q1. 2 X 4 marks	Q2. 2 X 4 marks	Q3. 1 X 8 marks	Q4. 1 X 8 marks
Q5. 1 X 8 marks	Q6. 1 X 8 marks	Q7. 2 X 4 marks	Q8. 1 X 8 marks
Q9. 2 X 4 marks	Q10. 1 X 8 marks	Q11. 1 X 8 marks	Q12. 1 X 8 marks
Q13. 1 X 8 marks	Q14. 1 X 8 marks	Q 15 2 X 4 marks	Q16. 1 X 8 marks
Q17. 2 X 4 marks	Q18. 1 X 8 marks	Q19. 2 X 4 marks	Q20. 2 X 4 marks

#### PART TWO (200 MARKS)

- Question 1.** (a) 18 marks graded.  
(b) 16 marks graded.  
(c) 16 marks graded.
- Question 2.** (a) 2 X 10 marks graded.  
(b) 3 X 10 marks graded.
- Question 3.** (a) 4 X 8 marks graded.  
(b) 2 X 9 marks graded.
- Question 4.** (a) 3 X 14 marks graded.  
(b) 1 X 8 marks graded.  
(c)
- Question 5.** (a) 32 marks graded.  
(b) 10 marks graded.  
(c) 2 X 4 marks graded.
- Question 6.** (a) 2 X 9 marks graded  
(b) 4 X 4 marks graded.  
(c) 4 X 4 marks graded.

# AGRICULTURAL ECONOMICS 2007

## ORDINARY LEVEL

### MARKING SCHEME AND SUPPORT NOTES

#### PART I (120 Marks)

#### ANSWER FIFTEEN QUESTIONS

1. (i) Agriculture (i) Primary  
(ii) Industry **OR** (ii) Secondary  
(iii) Services (iii) Tertiary ANY 2 X 4 MARKS
2. (i) Legislation.  
(ii) Provision of services e.g. Education, health.  
(iii) Taxation.  
(iv) Regulation of economic activity.  
(iv) Participation in production e.g. semi-state bodies.  
ANY 2 X 4 MARKS
3. A food chain describes the relationship of farmers as producers with other sectors of the economy.  
Inputs + Farmers' Resources → Output → Processing → Distribution → Food  
8 MARKS
4. Land rented / leased by farmers generally on the 11 month system. 8 MARKS
5. Total Liabilities / Total Debt. 8 MARKS
6. Inheritance tax, capital gains tax, capital acquisition tax.  
ANY 1 X 8 MARKS
7. (i) Product  
(ii) Place  
(iii) Price  
(iv) Promotion ANY 2 X 4 MARKS
8. (i) Underutilisation of processing capacity  
(ii) Increase in production and storage costs  
(iii) Continuous production of short-life products is constrained  
(iv) Pressure points on resources  
ANY 1 X 8 MARKS
9. (i) Land  
(ii) Labour  
(iii) Capital  
(iv) Management / Enterprise  
ANY 2 X 4 MARKS

- 10.** Longer 8 MARKS
- 11.** A Balance Sheet gives a picture/statement at a given date of the assets and liabilities of a business. 8 MARKS
- 12.** (i) Total output less (fixed and variable) costs  
(ii) Gross margin less fixed cost  
(iii) Family farm income measures the amount farmers earn with their own resources after all costs, other than those of the owned resources, are deducted from the farm revenue. ANY 1 X 8 MARKS
- 13.** Luxury **or** income elastic. 8 MARKS
- 14.** (i) Large number of buyers and sellers.  
(ii) Buyers and sellers are presumed to have full information on markets.  
(iii) Buyers and sellers trade in uniform commodities.  
(iv) Individually, any buyer or seller cannot influence the market / Price Takers. ANY 1 X 8 MARKS
- 15.** (i) Relatively low incomes.  
(ii) Higher incomes in off-farm jobs.  
(iii) Isolation.  
(iv) Longer working hours.  
(v) Early retirement scheme. ANY 2 X 4 MARKS
- 16.** Comprehensive insurance covers all damage done including that done to the insured himself and his property. 8 MARKS
- 17.** (i) Greater variety.  
(ii) Cheaper.  
(iii) Consistency of supply. ANY 2 X 4 MARKS
- 18.** (i) Education and training of young farmers.  
(ii) Administration of government schemes e.g. REPS.  
(iii) Research and dissemination of research findings to farmers. ANY 1 X 8 MARKS
- 19.** (i) Cost of funds to lending agency.  
(ii) Risk.  
(iii) ECB rate on the credit market.  
(iv) Cost of servicing the loan.  
(v) Type of loan ANY 2 X 4 MARKS
- 20.** (i) Regulation  
(ii) Directive  
(iii) Decision ANY 2 X 4 MARKS

**AGRICULTURAL ECONOMICS 2007  
ORDINARY LEVEL**

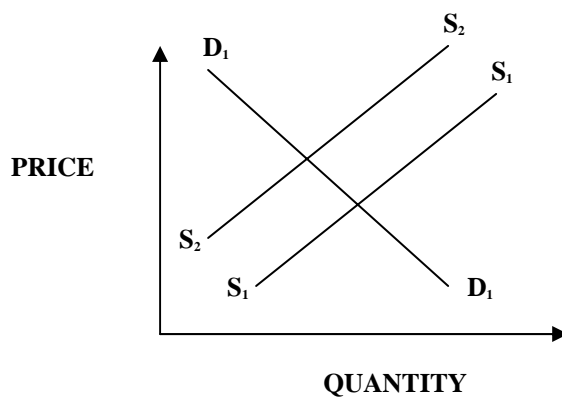
**MARKING SCHEME AND SUPPORT NOTES**

**PART II (200 Marks)**

**QUESTION 1.**

- |     |                            |             |
|-----|----------------------------|-------------|
| (a) | Axes                       | 2 X 3 MARKS |
|     | Curves                     | 2 X 3 MARKS |
|     | Equilibrium Quantity/Price | 2 X 3 MARKS |

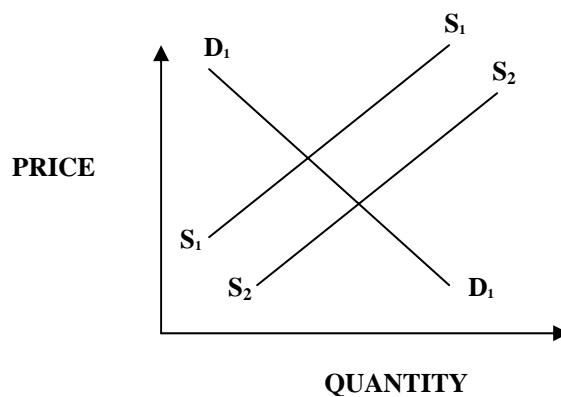
- (b) (i)



Bad weather conditions will cause a shift in supply to the left from  $S_1S_1$  to  $S_2S_2$  i.e. a decrease in supply / price increase.

DIAGRAM: 4 MARKS  
EXPLANATION: 4 MARKS

- (ii)



A decrease in the price of barley will cause a shift in supply from  $S_1S_1$  to  $S_2S_2$  i.e. an increase in supply.

DIAGRAM: 4 MARKS  
EXPLANATION: 4 MARKS

- (c) Variables which influence demand.
- (i) Price of commodity.
  - (ii) Price of substitute commodities.
  - (iii) Level of consumers' income or purchasing power.
  - (iv) Taste and preferences of people in the market.
  - (v) Number of consumers in the market.

ANY 4 X 4 MARKS  
**TOTAL 50 MARKS**

## QUESTION 2

- (a) Guidelines used by bank manager in deciding the amount of money to be borrowed.

- (i) Security i.e. total assets less liabilities.
- (ii) Financial feasibility i.e. repayment capacity which is the ability to service borrowings out of available income, after living expenses have been deducted.
- (iii) Track record of the farm with the bank.
- (iv) Existing debts.

ANY 2 X 10 MARKS  
 (5 + 5 Marks)

- (b) Options available to the farmer experiencing difficulty in meeting loan repayments.

- (i) Sale of assets.
- (ii) Reduction in living expenses.
- (iii) Extension of period of repayments.
- (iv) Extra income from part-time job.

ANY 3 X 10 MARKS  
 (5 + 5 Marks)

**TOTAL 50 MARKS**

## QUESTION 3

- (a) Positive effects of off-farm employment for farmers.

- (i) Extra income for farm families.
- (ii) Extra funds available for farm development.
- (iii) Contribution of additional labour to economy i.e. economic growth.

ANY 2 X 8 MARKS  
 (2 x 4 Marks)

Negative effects of off-farm employment by part-time farmers.

- (i) Less intensive use of land by part-time farmers
- (ii) Enlargement of farms is impeded.
- (iii) Reduction in farming population/adverse effect on the countryside.
- (iv) Safety issues with farm animals.

ANY 2 X 8 MARKS  
 (2 x 4 Marks)



- (b) Sources of information on the agricultural workforce in Ireland.
- (i) Census of population – Conducted every five years / self-administered and is therefore a blunt instrument. As a result it is not possible to obtain detailed information on the quantity of labour employed.
  - (ii) EU survey on the structure of agricultural holdings. A survey is carried out on a sample of holdings to ascertain the work practices of each household member 16 years and over. As a result the work of part-time and full-time workers is accounted for.
  - (iii) Farm management survey carried out by Teagasc. Similar data as in EU survey.
  - (iv) Agricultural enumeration taken in June annually. Particulars are collected from each holding visited on ‘inter alia’ the number of males engaged in farming on a full-time basis.
  - (v) Labour force survey carried out annually collects information similar to the Census of population, taken for a sample of 5% of the population.
  - (vi) Household budget survey carried out every quarter – provides vital information to fill in the results between successive censuses.

ANY 2 X 9 MARKS

**TOTAL: 50 MARKS**

#### **QUESTION 4**

- (i) Fixed costs – are the same whether the level of production on a farm is large or small e.g. rent, interest on borrowed capital etc.  
Variable costs – change according to the level of output on a farm e.g. fertilisers, seed, feed etc.
- (ii) Bank Overdraft – borrowers have the permission of the bank to write cheques on their current account up to a certain credit ceiling.  
Term Loan – involves a regular schedule of repayments which include a component for the principal as well as the interest due.
- (iv) Nominal Interest Rate – interest rates not taking account inflation.  
Real Interest Rate- Nominal interest rate that has been adjusted for inflation.
- (iv) Factor Inputs – land, labour, capital and management employed in the industry, whether owned or purchased.  
Intermediate Inputs – products of industries outside of farming used by farmers e.g. fertilisers, sprays medicines etc.

3 X 14 MARKS

1 X 8 MARKS

**TOTAL: 50 MARKS**

### QUESTION 5

(a) (i) Farm Gross Margin equals

Sales less purchases	€121,500	6 MARKS
Plus Household Consumption	€ 5,000	2 MARKS
Plus Changes in inventories	<u>€ 3,000</u>	2 MARKS
Gross Output	€129,500	2 MARKS
Less Variable Costs	<u>€ 25,000</u>	2 MARKS
	€104,500	6 MARKS

(ii)

Family Farm Income Equals

Farm Gross Margin	€104,500	4 MARKS
Less Total Fixed Cost	<u>€ 16,500</u>	4 MARKS
	€ 88,000	4 MARKS

(b) **Depreciation:** proportion of capital needed to replace outworn machinery, equipment and buildings/ Fall in value of the asset due to wear and tear, passage of time and obsolescence.

10 MARKS GRADED

(i) **Straight Line Depreciation** involves using a fixed percentage of the original capital cost each year until the item is fully depreciated.

4 MARKS

(ii) **Declining balance depreciation** involves using a fixed percentage of the value of the capital item at the end of the previous year each year, so that the annual depreciation diminishes as the value of the capital item diminishes.

4 MARKS

**TOTAL 50 MARKS**

### QUESTION 6

(a) A developing country is an economy consisting predominantly of primary industries/ technologically backward e.g. agriculture and mining and is very dependent on other countries. Concerned with promoting economic development. Low GDP per person. The value of total output is low, so output per person is low.

9 MARKS GRADED

A developed country is an economy consisting predominantly of industries and services and is self sufficient. Concerned mainly with achieving economic growth.

9 MARKS GRADED

(b) Economic problems experienced by developing countries:

- (i) Low incomes
  - (ii) Low savings
  - (iii) Poor educational/ health facilities
  - (iv) Slow development of skills
  - (v) Fraud / Political Corruption
  - (vi) Overspending on arms
  - (vii) Over reliance on one or few exports e.g. coffee, sugar
  - (viii) Low prices on international markets
- ANY 4 X 4 MARKS

(c) Advantages of Food Aid Policy to help developing countries.

- (i) Improvement in health of the population.
  - (ii) Relief of hunger and malnutrition.
  - (iii) Desirable in justice.
- ANY 2 X 4 MARKS

Limitations of Food Aid Policy for developing countries

- (i) It is an expensive undertaking for the donor countries
- (ii) Logistical problems involved in delivering the food to the hungry population.
- (iii) Food aid may dislocate commercial trade
- (iv) Food aid may dislocate native production of food in developing countries.
- (v) Short-term benefit - does not teach developing countries how to feed themselves.

ANY 2 X 4 MARKS

**TOTAL 50 MARKS**

