

**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, 2015**

**WEDNESDAY, 17 JUNE - MORNING 09.30-12.00**

## **AGRICULTURAL ECONOMICS – HIGHER LEVEL (320 Marks)**

Answer **fifteen** questions from Part 1 and **four** questions from Part 2.  
You should not spend more than one hour on Part 1.

### **Part 1 (120 marks)**

Answer **fifteen** questions.  
Write the answers in the spaces provided.  
All questions carry equal marks (8 marks).

### **Part 2 (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 2 on this question paper.

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S)  
USED TO ANSWER THE QUESTIONS IN PART 2**

## Part 1 (120 marks)

Answer **fifteen** questions.

Write the answers in the spaces provided.

All questions carry equal marks (8 marks).

1. Is **each** of the following statements true or false? (tick (✓) **one** answer **in each case**)

	True	False
(i) Economics is a social science.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) The total supply of agricultural land is highly price elastic.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) EU member states can opt out of the Common Agricultural Policy.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) The National Farm Survey is conducted by the Central Statistics Office.	<input type="checkbox"/>	<input type="checkbox"/>

2. Complete the following statement by **circling** the appropriate word **in each case**.

In a perfectly competitive market the demand curve for each individual firm's product or service is **vertical** / **horizontal** and has a price elasticity of demand value equal to **zero** / **infinity**.

3. Explain the term 'Economic Growth'.

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4. Define the accounting term 'Net Worth' in a farming context **and** state in which financial statement from the list below you would expect it to appear. (tick (✓) **one** answer)

(i) **Definition:** \_\_\_\_\_

(ii) **Financial statement:**

Trial balance     Profit & loss account     Balance sheet

5. Define the term 'Intermediate Input' **and** list **two** examples from agriculture.

(i) **Definition:** \_\_\_\_\_

(ii) **Example 1:** \_\_\_\_\_                      **Example 2:** \_\_\_\_\_

6. The table below shows a price series for sheep meat. Calculate the missing values for **A** and **B** below.

Year	1 (base year)	2	3	4
Price (€/100kgs)	240	264	276	<b>B</b>
Price index	100	<b>A</b>	115	150

A: \_\_\_\_\_

B: \_\_\_\_\_

7. State **two** contributions agriculture makes to Irish society, **other than** its economic contribution.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

8. What change in agricultural wages and labour employed should result from an increase in the supply of agricultural labour? (tick (✓) **one** answer **in each case**)

	Rise	Fall	No Change
(i) Wages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Labour employed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Identify the correct approximate value for each of the following Irish national statistics for 2013. (tick (✓) **one** answer **in each case**)

	€bn	€bn	€bn
(i) Total Single Farm Payment expenditure	0.7 <input type="checkbox"/>	1.2 <input type="checkbox"/>	3.2 <input type="checkbox"/>
(ii) Value of agri-food exports	1.4 <input type="checkbox"/>	5.5 <input type="checkbox"/>	10.0 <input type="checkbox"/>

10. Name three industries that comprise the Primary Sector in Ireland.

(i) \_\_\_\_\_ (ii) \_\_\_\_\_ (iii) \_\_\_\_\_

11. What type of good is being described in **each** of the following statements. (tick (✓) **one** answer **in each case**)

	Normal good	Inferior good
(i) A percentage increase in income leads to a percentage increase in quantity demanded.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) A percentage increase in income leads to a percentage decrease in quantity demanded.	<input type="checkbox"/>	<input type="checkbox"/>

12. What type of organisation is each of the following? (tick (✓) **one** answer **in each case**)

	Public company	State-sponsored body	Voluntary body
(i) Bord Bia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Glanbia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Macra na Feirme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Name **two** types of direct payments received by Irish farmers under the CAP.

(i) \_\_\_\_\_ (ii) \_\_\_\_\_

14. State **one** competitive advantage for cereal production in Ireland.

\_\_\_\_\_  
\_\_\_\_\_

15. Circle which one of the following is **not** a factor of production **and** give a reason for your answer:

(i)      *Land*      *Labour*      *Wages*      *Capital*      *Management/Enterprise*

(ii) Reason: \_\_\_\_\_  
\_\_\_\_\_

16. What likely effect would a general fall in the value of the euro against other currencies have on **each** of the following? (tick (✓) **one** answer **in each case**)

	Increase	Decrease	No change
(i) Price of Irish dairy products in German supermarkets.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Quantity of Irish lamb demanded by UK consumers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. ‘Capital expenditure should be spread over a number of years in farm accounts by entering part of the cost each year under a heading called **A**, which is generally calculated using either the straight line method or **B** method’. Write the appropriate missing word(s) for **A** and **B**.

**A.** \_\_\_\_\_

**B.** \_\_\_\_\_

18. State **two** variables that affect the quantity demanded of an agricultural product, **other than** its price.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

19. State **two** ways in which information and communications technology (ICT) can be used by Irish farmers to improve land management.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

20. State **one** potential opportunity and **one** potential threat for the Irish beef sector arising from EU free trade talks with the USA.

**Opportunity:** \_\_\_\_\_

\_\_\_\_\_

**Threat:** \_\_\_\_\_

\_\_\_\_\_

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## Part 2 (200 marks)

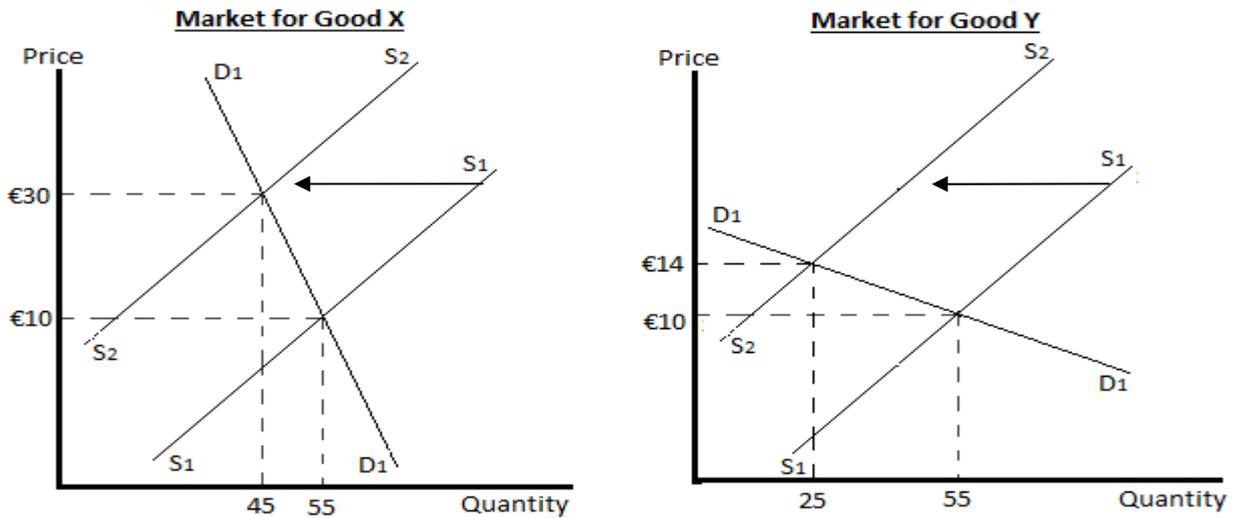
Answer **four** questions.

Write the answers in your answer book(s).

All questions carry equal marks (50 marks).

Do **not** write answers to Part 2 on this question paper.

1. The diagrams below show the demand ( $D_1D_1$ ) and supply ( $S_1S_1$ ) curves in the markets for two goods, X and Y.



- (a) The supply curve in both markets shifts to the left ( $S_1S_1$  to  $S_2S_2$ ).
- (i) Explain if this represents an increase or decrease in supply.
- (ii) Outline **three** reasons why this shift in supply may have occurred.
- (b) In the case of **both** Good X and Good Y:
- (i) Calculate the Price Elasticity of Demand (PED) revealed by the shift in supply **and** state whether **each** good is price elastic or inelastic.
- (ii) Calculate the **change** in total revenue created by the shift in supply for **each** good.
- (c) Outline **two** factors that influence the price elasticity of demand for a good.

**[50 marks]**

2. (a) Outline **two** arguments in support of government intervention in the farming sector.

- (b) The Irish Government's Budget 2015 introduced several tax measures aimed at farmers. These measures included:
- Increasing the Income Tax exemption thresholds for **leased land** income by 50%
  - Better targeting of agricultural relief from Capital Acquisitions Tax (CAT) in favour of agricultural property gifted to or inherited by active farmers as opposed to non-active farmers.

Discuss how **both** measures mentioned in the box above may help support the development of a successful agricultural sector in Ireland.

- (c) *The Rural Development Programme 2007-13 had three main objectives: enhancing the competitiveness of Irish farms; promoting environmental protection; and improving the quality of life in rural areas.*

In the case of **each** objective discuss a support scheme that was introduced under this programme.

**[50 marks]**

3. (a) The table below shows the output and costs on John's dairy farm.

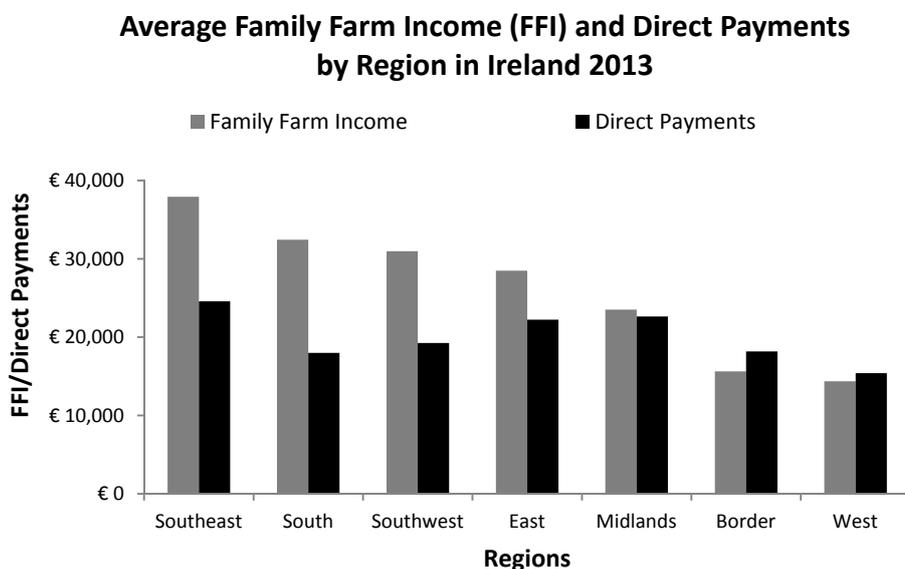
<b>Output ('000 litres)</b>	0	2	4	6	8	10
<b>Total Costs (€)</b>	100	150	200	350	700	1200

Assume John earns revenue of €100 per 1,000 litres of milk produced.

On a **single graph** with output on the x-axis and cost/revenue on the y-axis, plot **all** of the following (you may use graph paper to complete this question).

- (i) Total costs (label the curve **TC**).
  - (ii) Total revenue (label the curve **TR**).
  - (iii) Total fixed costs (label the curve **FC**).
  - (iv) Total variable costs (label the curve **VC**).
- (b) With reference to the graph you have drawn in part (a):
- (i) Does the graph represent the short run or long run? Provide a reason for your answer.
  - (ii) Explain why variable costs begin to rise by larger amounts after 4,000 litres of milk are produced.
  - (iii) Identify on your graph the level of output at which John maximises profits. Provide a reason for your answer. **[50 marks]**

4. The bar chart below shows family farm income (FFI) and direct payments figures for Irish farmers by region in 2013.

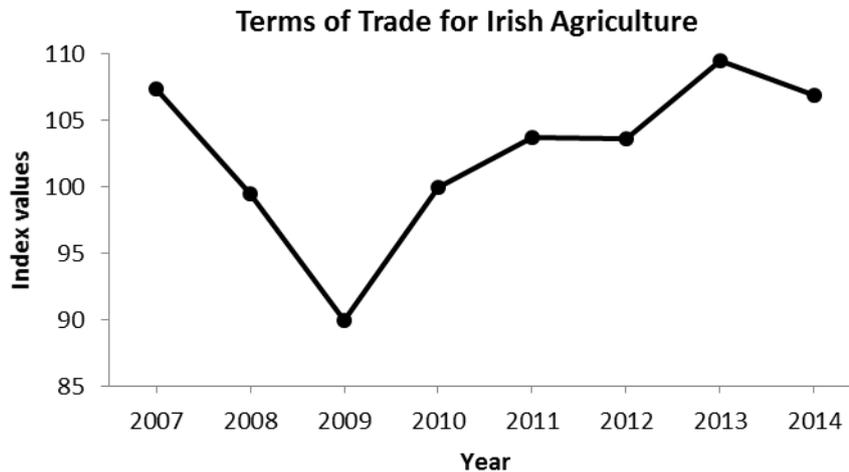


- (a) (i) Using the information presented on the bar chart above, describe the main differences in average FFI **and** direct payments received between regions.
  - (ii) Outline **three** reasons why these regional differences exist.
- (b) *“Since 1984, the [dairy] industry has operated within a quota environment. The shackles come off next April and following that we will have an exciting mix of opportunity and challenge for all stakeholders.”* **Minister Simon Coveney, National Dairy Conference, 2014.**

Discuss the possible opportunities **and** challenges facing Irish dairy farmers following the abolition of the quota system.

**[50 marks]**

5. (a) Explain what is meant by ‘**Terms of Trade**’ for agriculture **and** outline how it is calculated.
- (b) Explain the impact a decline in the terms of trade may have on the financial returns for farmers.
- (c) The graph below shows the terms of trade for Irish agriculture from 2007 to 2014. Describe the trends shown in the graph **and** outline possible reasons for these trends.



[50 marks]

6. Read the information below and answer the questions which follow.

Sarah is considering setting up a farm shop by converting some unused farm buildings. Sarah plans to sell the beef from the 50 heifers she rears on her farm each year.

The following are the financial details for the new farm shop:

- Sarah estimates her heifers will earn revenue of €8.50 per kg in the farm shop, with each heifer providing on average 300 kgs of meat. Sarah would have earned revenue of €3.85 per kg of meat if she sent her heifers to a processing factory instead, with an associated transport cost of €500.
- To prepare the beef for the farm shop, Sarah has arranged for a local abattoir to butcher the heifers for €100 per head. The abattoir will also package the meat for an additional €1,000 in total.
- To convert her existing farm buildings into a farm shop, Sarah will take out a loan costing €240 per month. If she does not set up a farm shop, Sarah could lease these buildings out to another farmer for €1,000 per annum.
- Running the shop will cost €200 per month for lighting, heating and insurance. Sarah also plans to hire an employee for 40 weeks of the year at €400 per week to help run the shop.

- (a) Using the above information, prepare a **partial budget** for the new farm shop covering its first year in operation, taking into account revenues foregone and cost savings, if applicable. Calculate the total deficit **or** surplus that will be generated.
- (b) Other than financial planning, discuss **three** factors Sarah should also consider before deciding to set up a farm shop.

[50 marks]

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