

**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, 2005**

WEDNESDAY, 22 JUNE 2005, 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 the payments for the following factors of production.

Land: \_\_\_\_\_

Labour: \_\_\_\_\_

Capital: \_\_\_\_\_

2. The most significant change over time in the resource mix in farming is the substitution of capital for \_\_\_\_\_.

3. What is a farm Balance Sheet? \_\_\_\_\_  
\_\_\_\_\_

4. How does seasonality affect the level of farm prices?  
\_\_\_\_\_  
\_\_\_\_\_

5. State **ONE** example of Vertical Integration in agricultural marketing. \_\_\_\_\_  
\_\_\_\_\_

6. Name any **TWO** of the four Ps in the marketing mix:

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

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

7. ICOS is the national body responsible for \_\_\_\_\_

8. Household Consumption in farm accounts refers to \_\_\_\_\_  
\_\_\_\_\_

9. Gross margin minus Fixed Costs equals \_\_\_\_\_.

10. If the nominal rate of interest is 4% and the rate of inflation is 2.5%, calculate the real rate of interest.  
\_\_\_\_\_

11. State **ONE** example of a fixed cost and **ONE** example of a variable cost in farming.

Fixed Cost: \_\_\_\_\_

Variable Cost: \_\_\_\_\_

12. What is 'Third Party insurance'? \_\_\_\_\_

\_\_\_\_\_

13. Explain the term 'Depreciation'. \_\_\_\_\_

\_\_\_\_\_

14. State **TWO** reasons why farmers prepare Farm Accounts.

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

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

15. **Productivity** is the term used to describe the ratio of \_\_\_\_\_ to \_\_\_\_\_.

16. Explain the term **Economic Growth**. \_\_\_\_\_

\_\_\_\_\_

16. Explain the term **Super Levy** in milk production.

\_\_\_\_\_

\_\_\_\_\_

18. State **TWO** types of legislative instruments used by the EU.

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

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

19. The Consumer Price Index measures \_\_\_\_\_

\_\_\_\_\_

20. What was Thomas Malthus mainly concerned about?

\_\_\_\_\_

\_\_\_\_\_

**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).

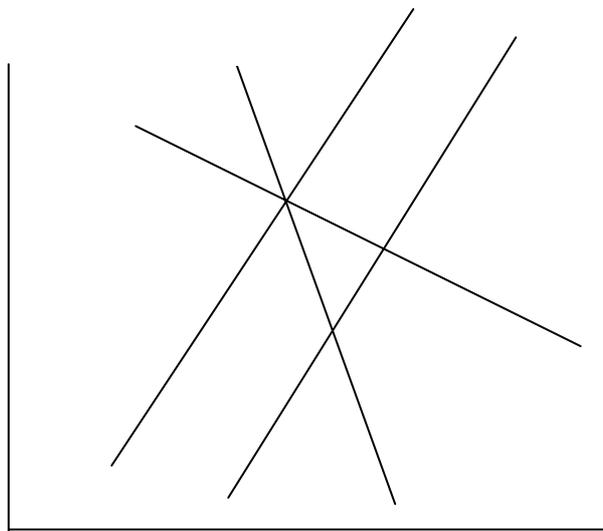
All questions carry equal marks (50 marks).

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

1.
  - (a) Describe the food chain which ends with beef purchased by the consumer.
  - (b) Outline the farmer's contribution to the final product purchased by the consumer.
  - (c) Why is this contribution diminishing over time as a proportion of the total food chain?  
[50 marks]
  
2. The booming economy in Ireland is having both positive and negative effects on Irish farming. State and explain any **TWO** positive effects and any **TWO** negative effects of this development on Irish farming.  
[50 marks]
  
3. The diagram below shows the impact of a shift in the Supply Curve to the right on the price of:
  - (i) A commodity with an inelastic demand (label **D<sub>1</sub>**);
  - (ii) A commodity with a more elastic demand (label **D<sub>2</sub>**).

Copy this diagram into your answer book and:

- (a) Label the axes, the supply curves ( $S_1, S_2$ ) and the demand curves ( $D_1, D_2$ ).
- (b) Draw in the prices before and after the supply shift **and** explain your results in each case.
- (c) Outline **TWO** possible reasons for a shift to the right of the Supply Curve



[50 marks]

4. Demand schedule for butter in Ireland

Price of butter per kg. (€)	Quantity Purchased tonnes/annum '000
3.00	50
2.50	55
2.00	60
1.50	65
1.00	70

- (a) Using the data in the above table construct a demand curve for butter.
- (b) Explain why the demand curve has a negative slope.
- (c) State **TWO** factors which would cause a shift in the demand curve.
- (d) Calculate the revenue that would be earned at 60,000 tonnes.

[50 marks]

5. (a) Capital Formation in farming is funded from three sources. State the **THREE** sources.
- (b) Explain **TWO** factors which would influence a bank manager's decision in granting a loan to a farmer.
- (c) Distinguish between a **bank overdraft** and a **term loan**.

[50 marks]

6. The main element in the reform of the Common Agricultural Policy in recent years is a reduction in the level of support prices accompanied by direct income payments to farmers, to compensate farmers for the reduced prices.

Explain the probable impact of this change in policy on:

- (i) EU farmers;
- (ii) EU consumers;
- (iii) The level of World Prices.

[50 marks]

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