

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 2019

Friday 21 June Morning 9:30 to 12:00

AGRICULTURAL ECONOMICS – ORDINARY LEVEL (320 marks)

PART 1 (120 marks)

Answer **fifteen** questions.

Write the answers in the spaces provided.

All questions carry equal marks (8 marks).

You should not spend more than one hour on Part 1.

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.

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Part 1 (120 marks)

Answer 15 questions. Write the answers in the spaces provided. All questions carry 8 marks.

1. Identify whether **each** of the following statements is true or false.
[Tick (✓) the correct box in **each** case]
- | | True | False |
|--|--------------------------|--------------------------|
| (i) The individual farmer is typically a price taker | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Ireland is a net exporter of grassland-based agricultural produce | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) The proportion of Ireland's GDP (Gross Domestic Product) accounted for by agriculture is increasing. | <input type="checkbox"/> | <input type="checkbox"/> |

2. Write **each** figure from the following list into the appropriate place in the table to show the approximate value of agricultural output for each sector in 2018. (Source: CSO)

	€2,500 million	€250 million	€450 million
Sector	Pigs	Dairy	Cereals
Value of output (use each figure only once)			

3. Complete the following statement by circling the correct word in **each** case.

“Price elasticity of demand is defined as
the percentage change in the **price / quantity** demanded of a good due to a
one per cent change in **price / quantity**, holding **some / all** other variables constant.”

4. (i) List **two** of the fundamental factors of production in agriculture.
1. _____ 2. _____
- (ii) Give an example of an intermediate input in agriculture.

5. (i) Explain the term “Direct tax”. _____

- (ii) Circle the **two** direct taxes from the following list: **CAT** **VAT** **PAYE**

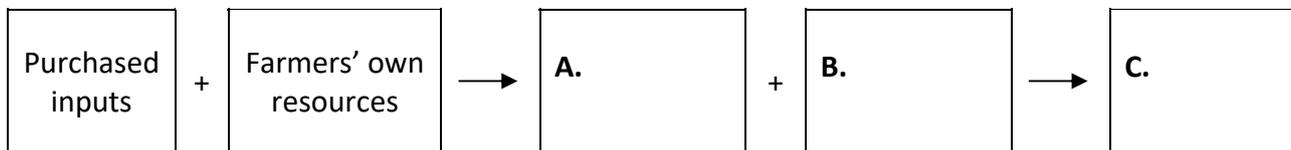
6. Complete the following statement by circling the correct word or phrase in **each** case.

“Engels Law states that higher income groups in society spend a **smaller / greater**
proportion of their total income on **luxury goods / food**
than do **higher / lower** income groups.”

7. Tick (✓) the correct box to show the approximate value of the statistic in **each** case:
(Source: CSO 2016)

- (i) % of Irish family farm holders over 55 years of age: 5% 25% 55%
- (ii) % of Irish farmers who work off-farm: 21% 31% 41%

8. Fill in the spaces labelled **A**, **B**, and **C** to complete the food supply chain for **cheese**.



9. What would be the likely effect of a big rise in the value of the euro against the pound sterling and the US dollar on **each** of the following? [Tick (✓) the correct box in **each** case]

- | | Upward Pressure | Downward Pressure | No Change |
|---|--------------------------|--------------------------|--------------------------|
| (i) US demand for Irish beef | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Price in Irish supermarkets of Scottish salmon | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

10. In 2017, average gross farm output in Ireland was €86,560, of which €17,672 came from direct payments. Average direct farm costs were €29,915, and average overheads were €25,288. Use this information to work out the average Family Farm Income for 2017. (Source: NFS)

Workings:	Answer:
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11. State **two** methods of calculating depreciation in the case of a farm business.

1. _____
2. _____

12. (i) If consumer income increases by 3% and consumer spending on food item **X** falls by 6%, then the income elasticity of demand for **X** is: [Tick (✓) the correct box]

- +2 -2 -6

(ii) In this case, food item **X** is said to be a: [Tick (✓) the correct box]

- normal good inferior good luxury good

13. Give **one** example of **each** of the following balance sheet items in the case of a typical Irish family farm.

- (i) Current asset: _____
- (ii) Current liability: _____

14. Tick (✓) the correct box in **each** case to identify the following statistics for 2017:

(Source: CSO)

- (i) Value of national agricultural output (in € bn) 4 6 8
(ii) Value of EU payments to Irish farmers (in € bn) 1.6 2.6 3.6

15. Outline **two** benefits to farmers of producing certified quality-assured products.

1. _____
2. _____

16. Complete the following mission statement of the Department of Agriculture, Food and the Marine by circling the correct word in **each** case.

“To lead the **rapid / sustainable** development of the agri-food, forestry and marine sector,
and to **optimise / measure** its contribution to national economic development
and the **natural / political** environment.”

17. State **two** services provided by Teagasc for Irish farmers.

1. _____
2. _____

18. The Farm Structures Survey 2016 identified the following statistics in relation to Irish farming: [Tick (✓) the correct box in **each** case]

- (i) Number of farms 37,500 137,500 237,500
(ii) Total agricultural area 0.5 million ha 1.5 million ha 4.5 million ha

19. Assume the demand for agricultural labour is perfectly wage inelastic. State what the impact of an increase in supply of agricultural labour would be on **each** of the following.

[Tick (✓) the correct box in **each** case]

- | | Increase | Decrease | No Change |
|---|--------------------------|--------------------------|--------------------------|
| (i) Agricultural wages | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) The quantity of agricultural labour used | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

20. In 2017, the Agricultural Output Price Index was 106.48 and the Agricultural Input Price Index was 98.22, with 2015 as the base year (source: CSO). Use this to complete each of the following statements by circling the correct number, word, or phrase in **each** case.

- (i) In 2015 (the base year), the Terms of Trade were **100.0 / 104.6 / 108.4**.
(ii) The 2017 Terms of Trade have **risen / stayed the same / fallen** compared to 2015.

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Part 2 (200 marks)

Answer 4 questions. Write the answers in your answer book(s). All questions carry 50 marks.
Do not write answers to Part 2 on this question paper.

1. (a) Outline **two** factors, **other** than its price, that affect the **supply** of wheat.

The following table shows a simplified market supply schedule for wheat.

Price per tonne (€)	Tonnes per Year ('000)
120	300
130	320
140	340
150	360
160	380
170	400

- (b) Draw the supply curve for wheat, using the data in the table above. Label both axes **and** the supply curve. (You may use graph paper.)
- (c) (i) On your diagram for part (b), draw a demand curve for wheat. Label this demand curve **D1**.
- (ii) Identify the equilibrium price (**P1**) and quantity (**Q1**), by labelling them on your diagram.
- (d) (i) On your diagram for parts (b) and (c), draw a second demand curve to represent an increase in demand for wheat. Label this demand curve **D2**.
- (ii) Identify the new equilibrium price (**P2**) and quantity (**Q2**), by labelling them on your diagram.
- (e) State **two** factors that would cause an increase in **demand** for wheat.
-

2. (a) Choose a particular agricultural region in Ireland and outline **three** factors that may determine the market price for agricultural land in this region.
- (b) Explain **each** of the following statements about agricultural land.
- (i) The overall supply of agricultural land is highly price inelastic.
- (ii) The demand for agricultural land is a derived demand.
- (c) Outline **two** advantages and **two** disadvantages that a farmer may encounter from leasing land on a long-term basis rather than purchasing land.

3. (a) Identify **two** factors that a bank manager is likely to consider when a farmer applies for a loan from the bank.
- (b) Outline **two** reasons why farming requires substantial additional capital over time.

The following is a balance sheet for McDonald's farm at 31 December 2018.

	€	€
Fixed Assets		480,000
Current Assets	50,000	
Current Liabilities	30,000	
Working Capital		20,000
		500,000
<i>Financed by:</i>		
Long-term Liabilities	X	
Capital (Net Worth)	400,000	
		500,000

- (c) (i) Calculate long-term liabilities (**X**) for McDonald's farm from the balance sheet above.
- (ii) Give **one** example of a long-term liability that might apply in a typical farm situation.
- (iii) Is the farm in a weak or strong solvency situation? Explain your answer by reference to a financial ratio or other relevant data from the balance sheet.

4. (a) (i) State **three** of the five objectives of the EU's Common Agricultural Policy, as originally outlined in Article 39 of the Treaty of Rome, 1957.
- (ii) Outline **two** of the following schemes, which currently operate in Ireland with EU support:
- The Green, Low-carbon, Agri-environment Scheme (GLAS)
 - Knowledge Transfer (KT) Programme
 - Areas of Natural Constraint (ANC) Scheme.
- (b) (i) Outline **two** possible challenges for the Irish agri-food sector as a result of Brexit.
- (ii) Outline **two** measures that the Irish government could take (or has taken) to help the Irish agri-food sector deal with these challenges.

5. (a) The agri-food sector in Ireland is made up of more than just farming.
- (i) Name **two** large companies that operate in the Irish agri-food sector, beyond the farm gate.
 - (ii) State the principal activities of **each** of these companies.
 - (iii) Outline **two** ways in which the agri-food sector in general contributes positively to the Irish economy. Use statistics to support your answer.
- (b) The abolition of milk quotas from April 2015 was one of the biggest events in the history of the Common Agricultural Policy (CAP).
- Describe the most significant changes that have occurred in **each** of the following, as a result of the abolition of milk quotas:
- (i) Irish dairy farming (at the farm level)
 - (ii) the Irish agri-food and agricultural support industries.

6. The table below shows data on fertiliser input and total product (i.e. output) of agricultural commodity Y.

Fertiliser input (100 kg/ha)	Total Product (tonnes/ha)	Part (a): Marginal Product (tonnes/ha)	Part (c): Total Revenue (€/ha)	Part (c): Marginal Revenue (€/ha)
1	3	–		–
2	7			
3	12			
4	14			
5	15			
6	15			
7	14			

- (a) Copy the above table into your answer book and complete the column for Marginal Product.
- (b) (i) State the Law of Diminishing Returns.
(ii) Identify the level of input use beyond which diminishing returns start to occur in your table. Explain your answer.
- (c) Assume that commodity Y sells for €50 per tonne and that 100 kg of fertiliser costs €100.
- (i) Use this information to complete the columns for Total Revenue **and** Marginal Revenue in your table.
 - (ii) What is the most profitable level of fertiliser use? Explain your answer.

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There is no examination material on this page.

Leaving Certificate 2019 – Ordinary Level

Agricultural Economics

Friday 21 June

Morning 9:30 to 12:00