Revision Dojo IB Economics Prediction Papers

May 2025 IB Economics
Paper 2 SL and HL

Duration: 1 hour 45 minutes

Instructions for students:

- You are permitted access to a calculator for this paper.
- Answer all the questions.
- Unless otherwise stated in the question, all numerical answers must be given exactly or correct to two decimal places.
- You must show all your working.
- Answer in a separate sheet of paper, with your full name written on it.
- Use fully labelled diagrams and references to the text/data where appropriate.
- The maximum mark for this examination paper is [40 marks].

1. Read the following extract and answer the questions that follow.

The Agricultural Sector in Brazil

Brazil, as one of the largest agricultural producers in the world, is heavily dependent on its agricultural sector. The country is a major exporter of crops such as soybeans, coffee, and sugar, making agriculture a key pillar of its economy. In recent years, Brazil's agriculture has undergone significant transformation, driven by increasing global demand, technological advancements, and environmental pressures. Despite these advances, the sector continues to face volatility, particularly due to changing weather patterns, fluctuations in global commodity prices, and government policies.

Table 1: Soybean Production and Price Data (2015–2020)

Year	Soybean Production (million tons)	Price per Ton (USD)
2015	89	300
2016	96	320
2017	102	330
2018	115	310
2019	120	340
2020	125	350

Brazil's agricultural productivity has benefited from the development and implementation of advanced farming technologies, such as genetically modified crops and more efficient irrigation systems. These technological advancements have contributed to higher crop yields and better resource management, helping Brazil maintain its competitive edge in global markets. However, this growth has not come without challenges. Deforestation in the Amazon rainforest, a consequence of land-use changes for agriculture, has raised concerns about the environmental sustainability of Brazil’s agricultural practices. These environmental issues, coupled with political instability, have created uncertainty for the sector's long-term future.

Moreover, the Brazilian government has introduced several policies aimed at protecting and promoting the agricultural industry, including import quotas, export tariffs, and subsidies. These measures aim to shield domestic farmers from the fluctuations of international markets and ensure a steady income for rural populations. Yet, despite these efforts, the agriculture sector remains vulnerable to external shocks, particularly as global demand for biofuels has created a competitive market for agricultural land.

Another important factor influencing Brazil's agricultural economy is the growing demand for biofuels. With Brazil's commitment to reducing its reliance on fossil fuels, sugarcane-based ethanol has become a significant export product, contributing to both the energy and agricultural sectors. This has led to higher demand for land, resulting in price increases for agricultural products such as sugar, corn, and soybeans, which are also used for biofuel production. While this shift has helped diversify Brazil's economy, it has also raised concerns about food security as land is increasingly devoted to fuel production rather than food crops.

In terms of employment, Brazil's agriculture sector remains one of the largest employers, particularly in rural areas. The sector provides jobs to millions of Brazilians, though it is increasingly susceptible to automation and technological change. Despite technological advancements, labor conditions in rural areas are still a concern, with many workers earning low wages and facing difficult working conditions. The government has attempted to address some of these issues with labor reforms, but progress remains slow.

Table 2: Distribution of Income in Brazil's Agricultural Sector (2015–2020)

Year	Lowest 20% Cumulative Income (%)	Next 20% Cumulative Income (%)	Middle 20% Cumulative Income (%)	Next 20% Cumulative Income (%)	Highest 20% Cumulative Income (%)
2015	5.0%	12.0%	22.5%	37.5%	55.0%
2016	5.1%	12.3%	23.3%	38.9%	56.7%
2017	5.2%	12.7%	24.0%	40.1%	58.3%
2018	5.3%	13.0%	24.6%	41.2%	59.5%
2019	5.4%	13.3%	25.0%	42.5%	60.7%
2020	5.5%	13.6%	25.3%	43.1%	61.4%

**The information provided in the case study, including Table 1 and Table 2 is a simplified, illustrative example for the purposes of the case study, and it may not reflect the reality in Brazil's agricultural sector.*

a) (i) Define the term “subsidies”. [2 marks]

(ii) List two reasons why the PES of primary goods tends to be low. [2 marks]

b) (i) Using information from Table 1, calculate the Price Elasticity of Supply (PES) of soybeans between 2015 and 2016. [2 marks]

(ii) Draw a Lorenz curve to show the distribution of income in Brazil’s agricultural sector during the year 2020, based on the data in Table 2. [3 marks]

c) Using an externalities diagram, explain why farming technologies may be underprovided by the market. [4 marks]

d) Using a production possibilities curve (PPC) diagram, explain how technological advancements in Brazil’s agricultural sector may lead to economic growth. [4 marks]

e) Using an appropriate diagram, explain how the introduction of import quotas on foreign agricultural goods would impact the revenues of domestic producers in Brazil. [4 marks]

f) Using a labour diagram, explain low wages and how poor working conditions could lead affect the quantity of labours in the agricultural sector. [4 marks]

g) Using information from the text/data and your knowledge of economics, discuss the effectiveness of Brazil's current and proposed measures in achieving economic growth and development. [15 marks]