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91530



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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Level 3 Agricultural and Horticultural Science 2023

### 91530 Demonstrate understanding of how market forces affect supply of and demand for New Zealand primary products

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how market forces affect supply of and demand for New Zealand primary products.	Demonstrate in-depth understanding of how market forces affect supply of and demand for New Zealand primary products.	Demonstrate comprehensive understanding of how market forces affect supply of and demand for New Zealand primary products.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

**You should attempt ALL parts of the task in this booklet.**

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (DO NOT WRITE). This area will be cut off when the booklet is marked.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

Merit

TOTAL 06

## Page 1

### INSTRUCTIONS

Carefully read ALL the instructions and parts before answering.

You must answer the different parts using TWO different primary products – Primary product (1) and Primary product (2).

The primary products chosen must earn significant export revenue in their processed or unprocessed form, or allow for self-sufficiency within New Zealand.

Different primary products are required for parts (a) and (b). Part (c) should be answered using the primary product used in either part (a) or part (b).

In addition, you must use THREE different market forces from the list below.

#### Market forces

- Political intervention
- Production cost
- Price
- Market trends
- Consumer preference
- Promotion
- Quality requirements

## PLANNING

### 3 Promotion - demand (kiwifruit)

Increase supply to those countries up 300% in order to meet the increased demand

'taste it to believe it' campaign - aim to increase the visibility and demand for nz kiwifruit - used tastings, graphic packaging - promoted kiwifruit, and its high levels of vitamin c (green 85.5 mg, gold 167mg) 3 times that of oranges. 20 plus nutrients and its health benefits.

increase in interest

promotion helped to create the niche market that now brings in a very high profit - promotion enabled nz to show the world why nz kiwifruit was of the highest quality, taste, nutrient, and health. promotion showed consumers why they should buy kiwifruit as opposed to not.

1 Consumer preference within the organic sector - dairy is the largest sector (2020/21) worth 723 million up from 2017 (600 million)

exports worth 156 or 121 million dollars

the want for healthy, sustainably sourced products is on the increase

Therefore consumer preference does have an impact of the supply of milk - as seen in the organic dairy sector \$9.30

Price

2015/16 \$4.74 kg MS (saw a decrease in supply)

2013/14 \$9.30 kg MS (saw an increase in supply)

GDTP global dairy trading platform - this platform works to match demand with supply

producers can alter their supply based off price trends and demand

farm gate milk price - \$5.54 kg MS

Therefore Price does impact the supply of milk.

### 2 quality requirements - kiwifruit (niche market)

a high quality standard

helps to ensure the brand

upholds brands quality, and assurance that their products are safe to eat, and are of the highest quality export

green 15.5g dm

gold 16.1g dm

all 70g

for the japanese market - 215g 20.5g dm

NZ has a MRL max residue limit, nz won't let any produce with a residue of anything but 0mg / kg

exporting residue limit is at 5mg/kg

Supply has not yet proven to outstrip demand

### TASK: How market forces affect supply and demand

Name a primary product, and select a market force from the [list](#) above.

Primary product (1): Dairy

Market force (1): Price

(a) How has your selected market force affected the **supply** of your named primary product? Use recent data to support your answer.

<b>B</b> <i>I</i> <u>U</u>
<p>Within the dairy industry, the supply of milk can be altered depending on the price received. Dairy farmers sell their milk on the GDTP (Global Dairy Trading Platform), which is a live auction that takes place monthly, where buyers can bid on their milk. This system works to match the demand with supply. Dairy producers can, and will alter their supply, based off the price trends and the demand. For example if the price for milk is high, producers will try to maximise their supply by manipulating their management practices such as increasing their cows feed. However, the same works for if the prices are low. If this is the case then farmers will tend to reduce their supply, and it can be done by again manipulating their management practices, such as culling some cattle or reducing their feeds.</p> <p>In 2015/16 the price for milk was at \$4.74kg MS, which is a very low price, and so during this period, the supply of milk dropped 3%. However in 2013/14 the price for milk increased to \$9.30 kg MS, and the supply of milk increased by 3%.</p> <p>Therefore the price received does impact the supply of milk. As producers will alter their supply based off price trends. If the price received is high, it is likely that the supply will increase.</p>

Name a **different** primary product to discuss, and select a **different** market force from the [list](#) above.

Primary product (2):

Market force (2):

(b) How has your selected market force affected the **demand** for your named primary product? Use recent data to support your answer.

**B** *I* U

The New Zealand Kiwifruit holds very high-quality requirements for their domestic crops, and especially their exporting crops. This is done to ensure that all the produce that is produced under their name, is of the highest quality. By ensuring this, the industry is building trust, loyalty, and reliability with its consumers, which overall increases the demand for their products.

Zespri (New Zealand's Kiwifruit exporting company) upholds its strict quality requirements by making sure that all exported kiwifruit must have a dry matter content of greater than 15.5g for green kiwifruit and 16.1g for gold kiwifruit, and this fruit must weigh more than 70g. Additionally, for the fruit exported to Japan, the dry matter content must be greater than 20.5 g and must weigh more than 201.5 g. These requirements are set in place to ensure that only NZ's best quality kiwifruit is exported.

Zespri also has a Zero Residue Policy, which means that NZ will not export anything with an MRL (maximum residue Limit) of anything but 0mg/kg. Most importing countries have a residue limit of less than 5mg/kg. So by Zespri installing these strict quality requirements, they are ensuring that no exported fruit will have to be discarded (which is a complete loss in profit), and Zespri won't risk losing their reliability streak.

Because Kiwifruit is a niche market, these quality requirements must be upheld and met, otherwise, NZ will risk losing its high-paying customers. In Japan NZ high-quality kiwifruit earns up to \$3.50 a piece, which is exceptionally high, and brings in a high profit for NZ growers. These quality requirements work to increase the trust, quality, and reliability of NZ Kiwifruit, which in turn increases the demand. Therefore, quality requirements do affect, and work to increase the demand for NZ Kiwifruit.





Answer this part using either primary product (1) or primary product (2).

Primary product:






Select the market force from the [list](#) above that has the most **significant impact** on **supply and demand** for your chosen primary product. It must be **different** from the market forces used in parts (a) and (b).

Market force (3):

(c) Justify your selection by discussing how your selected market force impacts both the **supply of and demand for** your chosen primary product.

In your answer you should:

- use recent data
- explain the significance of this market force for supply and demand
- explain why the significance is greater than that of the market forces chosen in parts (a) and (b).

**B** *I* U     

The promotion of NZ Kiwifruit effects and has the most significant impact on both the supply and demand of NZ Kiwifruit.

Promotions are targeted to increase the visibility, interest, and appeal of the product, and in turn, increase the demand and supply of the product. In this case, the promotion of NZ Kiwifruit helped to create a niche market that now brings in a very high profit for the NZ growers.

In the 2020/21 season the 'Taste it to Believe it' campaign was launched, and its aim was in increase the visablity and demand for NZ Kiwifruit through tastings and bold graphic packaging. This campaign highlighted the high levels of Vitamin C that are in Kiwifruit (green 85.5 mg, gold 167mg), and the 20 plus nutrients that are within kiwifruit. As there is a current drive for healthy nutrient-rich foods, this campaign increased the intrest and therefore the demand and hence the supply of NZ Kiwifruit. This campaign increased the supply to the countries that the champaign was launched in by 300% in order to meet the increased demand.

Promotions enabled NZ to show the world why NZ Kiwifruit is of the highest quality, taste and nutrition. It created the niche market which is one of NZ most valuble markets and sources of income. Hence Promotion is the market force that has had the greatest effect on the supply and demand of NZ Kiwifruit

## Merit

**Subject:** Agricultural and Horticultural Science

**Standard:** 91530

**Total score:** 06

Q	Grade score	Marker commentary
One	M6	The candidate provided a well-supported and well-structured explanation of how price effects the supply of dairy. They then provided a well-supported and structured response to how quality effects the demand of kiwifruit.