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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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Level 3 Agricultural and Horticultural Science, 2013

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

2.00 pm Monday 2 December 2013

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 the questions 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 2–14 in the correct order and that none of these pages is blank.

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

TOTAL

ASSESSOR'S USE ONLY

You are advised to spend 60 minutes answering the questions in this booklet.

INSTRUCTIONS

This assessment requires you to answer questions related to either TWO OR THREE **distinctly different** primary products. Note the following points:

- Before you select your primary products, **carefully read** the rest of this page, and Questions One to Three, to ensure that your selection will allow you to meet ALL the requirements of the questions.
- Enter your selections in the box below. The primary product for your discussion of **demand** must be different from that for your discussion of **supply**.
- The primary product that you use to discuss the exchange rate may be either one that you have previously used, or a different one, but it must earn significant export revenue.

Question One requires you to select TWO market forces from the list below, and explain in detail how they affect the **supply** of your selected primary product (1):

- seasonality
- prices
- market trends
- political intervention (not including exchange rate).

Question Two requires you to analyse TWO of the three market forces listed below in terms of their effect on the **demand** for your selected primary product (2):

- consumer preferences
- promotion
- quality requirements.

Question Three requires you to discuss and analyse the impacts of **exchange rate** movements on the supply of, and demand for, primary products.

SELECTION OF PRIMARY PRODUCTS

Primary product (1) for discussion of supply: _____

Primary product (2) for discussion of demand: _____

Primary product for discussion of exchange rate: _____

Note: In your answers, use specific examples, including recent units and values where appropriate, to help explain how market forces affect supply and demand – eg volume of product, typical costs, and returns to producer.

QUESTION ONE: Market forces affecting the supply of primary products

Answer all parts of this question, using your selected primary product (1).

Primary product (1): _____

Select TWO market forces from the list below:

- seasonality
- prices
- market trends
- political intervention (not including exchange rate).

(a) Market force 1: _____

Explain how this market force has, in recent years, affected the supply of your primary product.

(b) Market force 2: _____

Explain how this market force has, in recent years, affected the supply of your primary product.

The two market forces you have used to answer (a) and (b) will vary in their effect on the quantity of product available in the marketplace.

Rank these market forces in order of the effect they have on the quantity of your primary product available in the marketplace, both now and in the future.

1 _____

2 _____

(c) Justify this ranking by explaining, in detail, the significance of each market force on the supply of the product.



QUESTION TWO: Market forces affecting the demand for primary productsASSESSOR'S
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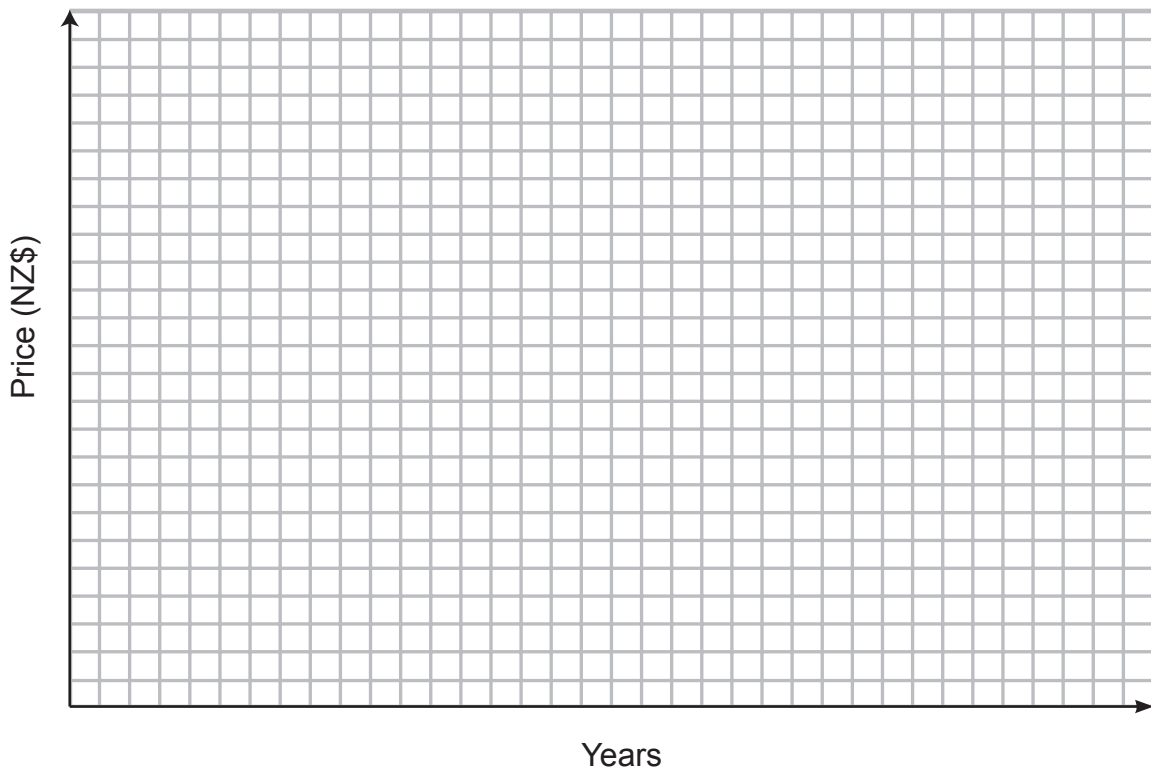
Answer all parts of this question, using your selected primary product (2). This **must** be different from the primary product used in Question One.

Select TWO market forces from the list below:

- consumer preferences
- promotion
- quality requirements.

Primary product (2): _____

- (a) Draw a graph on the grid below, showing the typical price received by New Zealand producers over recent years. Include units and values.



Describe the trend of the graph.

(b) Select TWO of the market forces listed on page 6, and analyse their effect on the demand for your selected primary product.
Explain (using data and evidence where appropriate) how each of the TWO selected market forces have contributed to the price pattern shown on the graph.

Market force 1: _____

Market force 2: _____

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The examination continues on the following page.**

QUESTION THREE: Impacts of exchange rate movements on supply of and demand for primary products

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Read this question fully before choosing your primary product. You may use either your selected primary product (1) from Question One, your selected primary product (2) from Question Two, or a third product. The product you choose for this question must earn significant export revenue.

Primary product: _____

Consider the information in the box below and answer the question.

The NZ dollar has been steadily increasing in value since 2009, reaching as high as \$US0.87.

\$NZ/\$US exchange rate trend, 2009–2012

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www.oanda.com/currency/historical-rates*

A high NZ dollar can have both positive and negative impacts for producers of primary products.

- (a) Explain ONE positive impact of a high NZ dollar on the production of your selected primary product.

(b) Explain ONE negative impact of a high NZ dollar on the production of your selected primary product.

(c) If the value of the NZ dollar fell to around US\$0.70:

- explain how this could impact on the demand for your selected primary product on the international market, and
- explain possible actions that producers could take in response to the impact on demand.

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