

3

91530



915300



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Level 3 Agricultural and Horticultural Science, 2019

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

2.00 p.m. Monday 11 November 2019
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 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 2–12 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.

Achievement

TOTAL

03

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INSTRUCTIONS

This examination is made up of THREE parts.

Carefully read ALL instructions and parts before answering.

You must answer ALL parts of this examination.

You must answer the different parts using TWO different primary products. The products chosen must be ones that earn significant export revenue in their processed or unprocessed form, or allow for self-sufficiency within New Zealand.

Identify your two products:

Primary product (1): ~~Kiwi fruit Milk~~

Primary product (2): ~~Milk~~ ~~Kiwifruit~~

Choose from the following list of market forces when answering Part A and Part B.

Market forces:

- Promotion *Kiwibrothers light proof bottle*
- Weather events *drought heavy rain hail frost*
- Exchange rates *high ER = cheap to import*
- Consumer preferences *organic*
- Market trends

demand
supply
both
demand
both

PART A: MARKET FORCES AFFECTING SUPPLY

quality quantity timing price

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Market forces can influence primary producers' willingness or ability to **supply** their product to market.

Some market forces will have a greater influence than others, affecting the supply of your specific product.

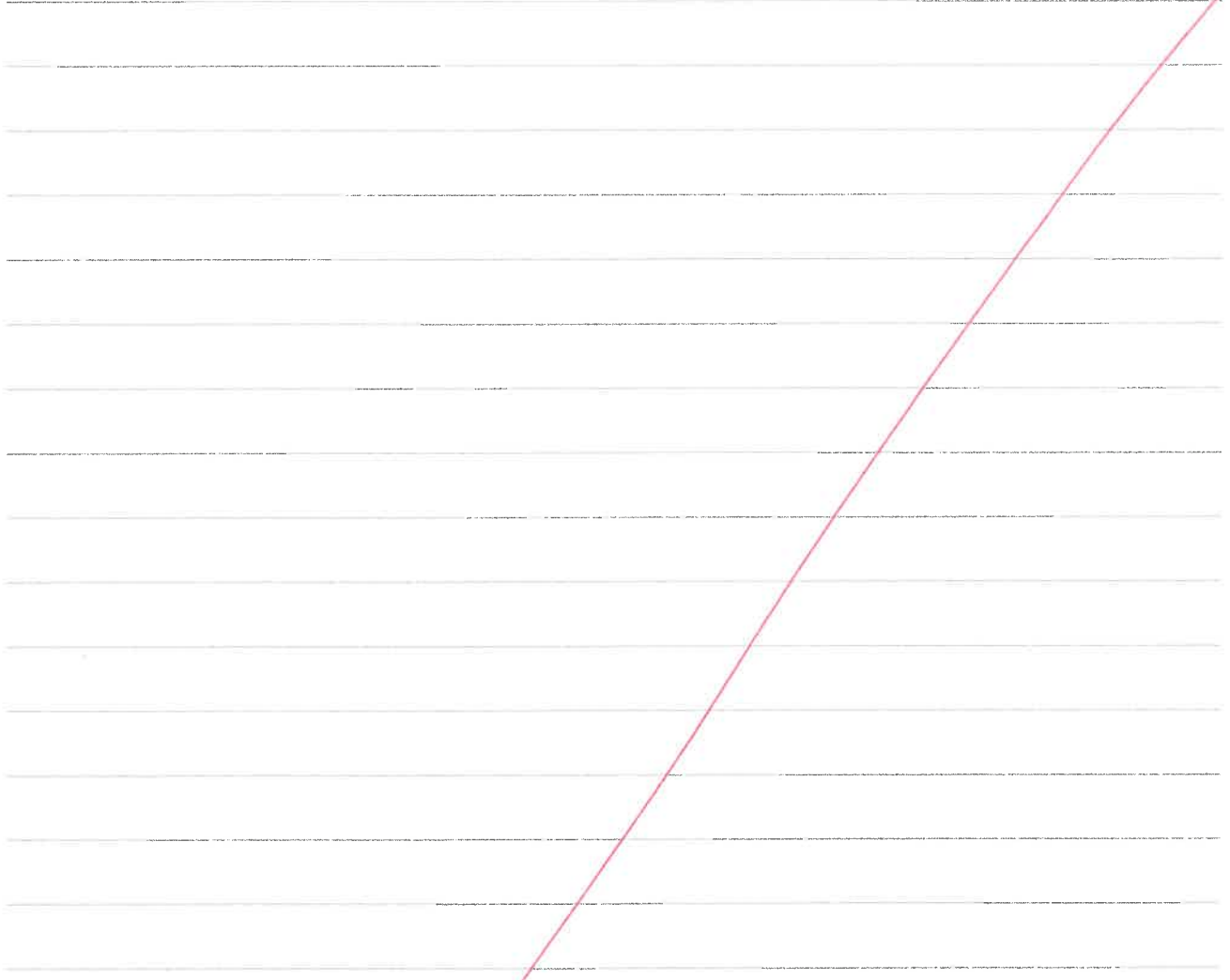
Explain in detail how a market force (from the list on page 3) has affected the **supply** of your chosen Primary Product (1). Use **specific examples**, including **recent units** and **values** where appropriate.

Market force:

Weather events

Weather events affect the supply in many ways, during heavy rain cows are more susceptible to disease, If a cow is diseased then the quality of its milk ~~is~~ can breach phyto-sanitary requirements such as ~~the~~ somatic cell count (SCC) which cannot exceed 400,000 cells per millilitre of milk. A diseased cow will produce less milk that is up to standard and so will decrease supply. During rain, pasture is also prone to pugging from the cows walking on the wet grass, this means there is less feed for the cows and so milk production and supply are decreased.

During drought the pasture will be negatively impacted and so there will also be less feed for the cows thus less supply, it can also affect water supply for the cows to similar affect. If the milk is not of good enough quality, or if there is not enough milk due to production loss then the farmer may choose to dry off his herd early to save financial loss, this means his farm will supply little to no milk.



PART B: MARKET FORCES AFFECTING DEMAND

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Market forces can influence consumers' willingness to **demand** primary products.

Depending on the market force, the demand may increase or decrease for your primary product.

Explain in detail how a market force (from the list on page 3) has affected the **demand** for your selected Primary Product (2). Use **specific examples**, including **recent units** and **values** where appropriate.

Market force:

Promotion

Promotion affects the demand for kiwifruit by encouraging consumers to buy Zespri kiwifruit. This was shown in the promotion run by Zespri called 'Kimi Brothers'. This promotion ran in Japan and featured 2 cartoon style characters who looked like a gold and a green kiwifruit (KF). The brochures appeared in short advertisements and gave information about the health benefits of KF. Due to Japan being a very lucrative market, shoppers were less concerned about the price and only cared about the quality (such as health benefits). This promotion led to an increase in sales and popularity of Zespri KF so demand was greatly increased.

A series of horizontal lines for writing, with a red diagonal line crossing through them from the bottom-left to the top-right.

PART C: POLITICAL INTERVENTION

As a trade-dependent economy, geographically distant from export markets, New Zealand is a firm supporter of free and open trade. We have one of the most open market economies in the world.

Source: <https://www.mfat.govt.nz/en/trade/nz-trade-policy/>

Since the establishment of the World Trade Organisation (WTO) in 1995, New Zealand's trade policy has been informed by two key assumptions:



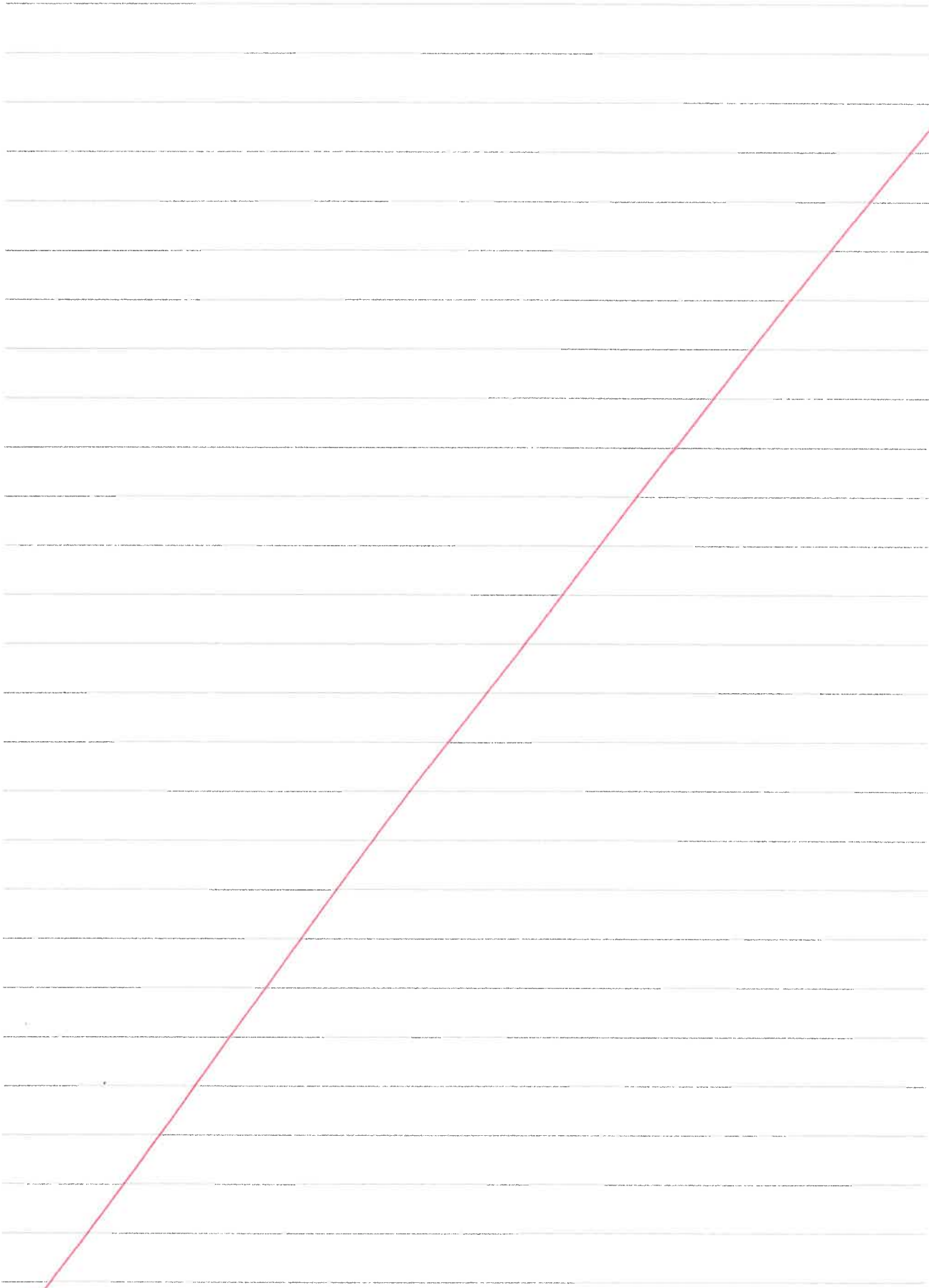
- Global market openness will continue to increase.
- The rules-based trading system (of the WTO) will strengthen and expand.

At the start of 2019, developing tensions in international trade are challenging those assumptions. We now see a trend of increasing global protectionism, e.g. uncertainty in New Zealand's trade with the UK and EU during Brexit negotiations; tensions between China and America over controversial Huawei telecommunications contracts, and New Zealand balancing our trade position between both.

As a country that relies heavily on trade and access to intended markets, New Zealand takes this situation seriously.

Source: (adapted): https://www.mfat.govt.nz/assets/FTAs-in-negotiations/UK-FTA/International-Trade-Rules_0.pdf

Discuss the significance and impact of **political intervention** on the supply and demand of ONE of your selected primary products. Use specific examples, including units and values where appropriate.



There is more space for your answer on the following page >

The page contains a large red diagonal line that starts near the top-left corner and extends to the bottom-right corner, crossing through the lined writing area. This line is a common indicator on exam papers to show that a page is not to be used.

Achievement Exemplar 2019

Subject	Agricultural and Horticultural Science	Standard	91530	Overall grade	03
Q	Grade	Annotation			
1	A3	In this question the candidate gave a partial response about how weather events effects supply and explained how promotion effects demand for their primary product. For Merit they would need to have given data as to how a specific weather event has effected the supply volumes or time and how the promotional event has effected the demand volumes or price paid.			