

91530



NEW ZEALAND QUALIFICATIONS AUTHORITY
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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.

Merit

TOTAL

06

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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): Dairy Industry: Milk

Primary product (2): kiwifruit industry: kiwifruit.

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

Market forces:

- Promotion
- Weather events
- Exchange rates
- Consumer preferences
- Market trends

→ kiwifruit → BRES → Health nutrition → Children
 → pasture growth → drought 2013

PART A: MARKET FORCES AFFECTING SUPPLY

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.

Milk production in cows can be easily manipulated by how much pasture and feed intake the cows receive. In this way farmers are able to control the supply of milk, by how much feed is available, dependant on the price received. ~~the~~ Fonterra started the GDT ~~Trade~~ (Global Dairy Trade) as a way to match supply and demand. Farmers supply what they want to GDT, which is then offered to the export market, and is often matched by demand. In this way there is rarely over or under supply of dairy ingredients.

~~Farm~~ What farmers cannot control however, are weather events. Milk prices soared to \$8.40 per kgms (kg of milk solid) ~~in 2013~~ in the 2013-2014 season as there was a great drought in the summer of 2013. Because pasture growth was low, and a nation wide shortage of hardfeed, milk supply from New Zealand dropped by 2%. In this way too little or too much rain affects the

Supply of ~~low~~ Milk. Because prices were so high farmers were very willing to supply, but ~~the~~ food shortages restricted them.

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.

The kiwifruit industry is a lucrative market, especially in the largest market of Japan. kiwifruit is often a sign of wealth and is given as a gift at celebrations. There is a holiday at the end of April beginning of May ^{called Golden Week} where kiwifruit is so popular, they can sell as high as \$3 a piece. But with a rapidly ~~aging~~ ageing population and ~~long term~~ the longest standing large market relationship with zespri; sales were not increasing. So in 2015-16 season onwards the zespri marketing team started a new promotion "kiwifruit Brothers".

The Japanese have a particular interest in health, nutrition and easy to eat products. As well as a particular want to please their children. Which is why the kiwifruit brothers appealed so highly, ~~the~~ the promotion increased sales by 30%. The loveable mascots were made into an animated cartoon for television where they

promoted the health and nutrition benefits of kiwifruit, high in vitamin C. 30,000 plush toys were used in stores across Japan, sought after by children. Kiwifruit Brothers is just one example of how promotion affects demand.

Another promotion was the ~~"New"~~ "Sweeter than you think" campaign, aiming to raise green kiwifruit sales.

It promoted that by ~~the~~ leaving the fruit longer to ripen would increase the sweet taste after green kiwifruit gained a reputation for being sour.

FTA 20% ↓ till 2016.
 over 135,000 Tonnes → P farmers.
 ↑ 24%.

PART C: POLITICAL INTERVENTION

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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.

New Zealand's Dairy Industry is the largest export market in the world. Last year's export merchandise revenue ~~came~~ for Dairy came in at \$15.7 billion dollars. This is why political intervention ~~was~~ has such a large impact on supply and demand of New Zealand's Dairy industry.

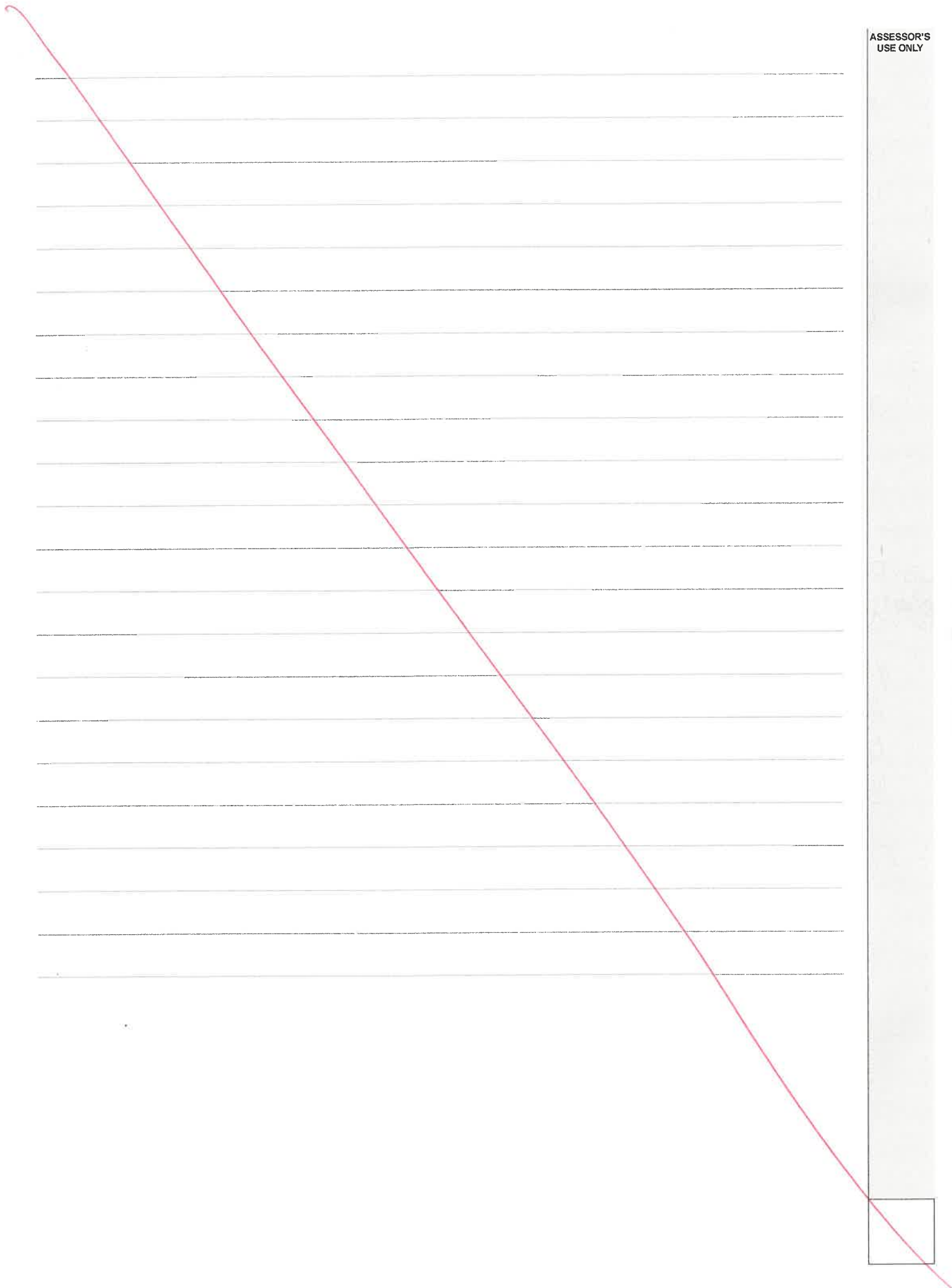
The Free trade agreement ~~established in 2016~~ between China and New Zealand meant that tariffs would decrease by 20% ~~until it is~~ each year until 2016 where it would reach 0%. However, in

an effort to protect local Chinese dairy farmers, China's Free trade agreement was only for ~~anything~~ under 135,000 tonnes of processed milk products. This did not discourage Fonterra as the demand for milk products is so high that supply has increased by 24%.

The current tariff for New Zealand export goods in Japan is 6.4%, however are due to be lifted in 2024.

^{supply or} Political intervention holds little significance in the export markets as large as supply of Dairy products as the demand for New Zealand products are so high. Especially as New Zealand's Dairy export is the largest in the world, where 95% of our Dairy produce is exported.

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 in educational materials that the page is not to be used for an assessment.

Merit Exemplar 2019

Subject	Agricultural and Horticultural Science	Standard	91530	Overall grade	06
Q	Grade	Annotation			
1	M6	In this question the candidate explained both market forces in detail. They used supportive data for both of the market forces answered. There was some extra text which was off topic. While the student gave some supporting data and attempted the last part of the question it was not at Excellence level.			