

Assessment Schedule – 2020

Agricultural and Horticultural Science: Demonstrate understanding of how market forces affect supply of and demand for New Zealand primary products (91530)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<i>Demonstrate understanding</i> involves explaining how market forces affect supply of and demand for New Zealand primary products.	<i>Demonstrate in-depth understanding</i> involves explaining in detail how market forces affect supply of and demand for New Zealand primary products, with quantitative data.	<i>Demonstrate comprehensive understanding</i> involves analysing how market forces affect supply of and demand for New Zealand primary products, with a focus on the significance and impact of the market forces.

Evidence

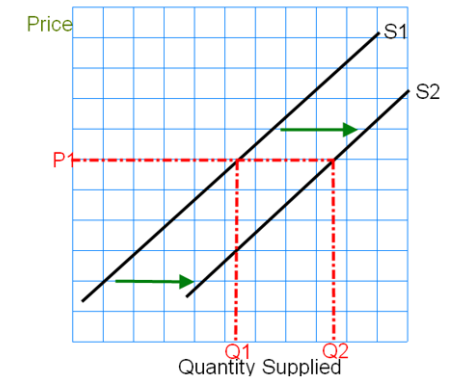
PART A	Evidence
<i>Demonstrates understanding of how market forces influence the supply of New Zealand primary products.</i>	<p>Market force affecting supply</p> <p>Explains how one market force from the list affects the supply of one primary product (Product A) OR</p> <p>Explains in detail how one market force from the list affects the supply of one primary product (Product A).</p> <p>The supply is likely to be represented by a change in quantity, timing or attributes of the primary product. The information and examples used should be recent and relevant, ideally within the last five years.</p> <p><i>Exchange rate</i></p> <ul style="list-style-type: none"> • The candidate can give examples of recent exchange rate movements and relate them to their selected product and market. • Exchange rates impact on the price of goods overseas (and vice-versa). • High NZD affecting export revenue. • For NZ lamb: A decrease in the NZD of just 3 cents (e.g. from USD 0.67 to 0.64) equates to the farmer receiving ~\$9 more at the gate per lamb or \$106 per bull. Because producers get more money at the gate if the NZD weakens, producers are encouraged to increase production, and / or invest in improved production techniques. • For NZ growers, a strengthening dollar makes imports cheaper, and so machinery and other inputs can be bought at cheaper rates during these times.

Production costs

- New technology may reduce production costs, causing the supply curve to shift to the right. Producers are willing to supply more goods at the same price (or supply the same amount at a lower price).
- Increases in the minimum wage in New Zealand increases labour costs. These costs need to be passed onto consumers by increasing prices (supply curve shifts to the left) OR by investigating new technology that reduces the labour costs.

Market trends

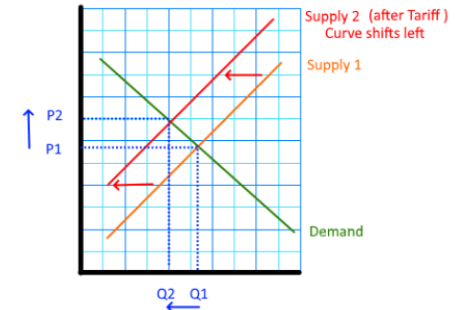
- Changes in the trend or popularity of new or alternative products result in changes in production:
 - As synthetic meats gain popularity (and become price competitive), cheaper cuts of meat such as sausages and mince will become less of a focus for sheep and beef farmers, and they will market higher grade cuts of meat more.
 - As China becomes wealthier, their demand for the higher-grade meat cuts increases.
 - The trend for increased traceability is seeing products (such as New Zealand eggs) include ways for consumers to see where their eggs have come from. This puts greater accountability on growers and farmers to be ethical in their treatment of livestock, be environmentally conscious, and true to product claims.
 - As free range and organic products increase in popularity, there is an increasing shift in the production and supply of these products.



PART B	Evidence
<p><i>Demonstrates understanding of how market forces can influence the demand for New Zealand primary products.</i></p>	<p>Market force affecting demand</p> <p>Explains how one market force from the list affects the demand for one primary product (Product B) OR</p> <p>Explains in detail how one market force from the list affects the demand for one primary product (Product B).</p> <p>The demand is likely to be represented by a change in quantity or the prices paid for the primary product. The information and examples used should be recent and relevant, ideally within the last five years.</p> <p><i>Consumer preferences</i></p> <ul style="list-style-type: none"> • The Asian market prefers sweeter and smaller kiwifruit. Kiwifruit GOLD meet this preference and so demand is increasing for this product in these markets. • The taste of kiwifruit is linked more to the dry matter than sugar (brix) measurement. Growers are encouraged to alter production techniques in order to increase the dry matter of kiwifruit. Higher levels in dry matter result in a better eating experience and an increase in demand. • Butchers make cuts based on the weather of the day (steaks and chops on BBQ days, roasts on colder days). However, the UK market prefers primal cuts (lamb leg / forequarter) so those decisions can be made over there. • Consumers prefer New Zealand fresh lamb to UK fresh or New Zealand frozen lamb. Using strict meat handling techniques, New Zealand lamb can be “fresh chilled” for 73 days to deliver to the UK. Higher prices are paid to New Zealand producers. • Halal-killed meat products are produced so that New Zealand meat is suitable for Muslims (approximately 5% of UK market) without needing further differentiation. This results in increased volumes in demand as more potential consumers’ needs are catered for. <p><i>Exchange rate</i></p> <ul style="list-style-type: none"> • The exchange rate directly affects the price the consumer will need to pay. If the NZD gets stronger, the price consumers will pay in export markets increases. This will result in a shift along the demand curve where consumers will buy less at the higher price. <p><i>Reliability of supply</i></p> <ul style="list-style-type: none"> • Reliability of supply is more critical for commodity goods as required by commercial businesses. Your home consumer will not switch brands permanently because they are unable to buy New Zealand beef patties for their BBQ this week. However, McDonalds will look to a different beef supplier should they not be able to reliably receive contracted quantities. <p><i>Market trends</i></p> <ul style="list-style-type: none"> • Food safety is a factor in consumers’ purchasing decisions. The New Zealand dairy industry has a reputation for having high standards of food safety, in the production, processing, and storage of dairy products. Consumers are willing to pay more for products produced with high standards. Our dairy products receive high returns, more than many of our competitors, due to the consumers being willing to pay more for our products. Infant milk formula from New Zealand is another example of a product receiving higher prices than competitors’ products. • The apple industry in New Zealand has been working to produce apples with low chemical residues to satisfy consumers overseas who have concerns about chemicals in the food they eat. As New Zealand growers have been able to produce fruit with extremely low MRLs (maximum residue limits), they have been receiving premium prices in overseas markets, far more than competitors’ products. The volume of fruit demanded also continues to increase.

- Consumers are more interested than ever to know where the food they are eating or where the clothes they are wearing comes from, and how it was produced. Icebreaker was one of the companies to really pioneer the traceability of the end product back to its origin. Consumers were able to trace their base layer clothing back to the farm the wool came from, and that gave them a connection with how their product was produced. People are prepared to part with more money for a product, and it increases their desire to have it if they have this deep connection with how it is produced.

PART C	Evidence
<p><i>Demonstrates understanding of the impacts of political intervention on supply and demand in New Zealand's export markets.</i></p>	<p>Market force affecting supply and demand – political intervention</p> <p>Discusses how political intervention affects the supply of and demand for one selected primary product (Product A or B). The information and examples used should be recent and relevant, ideally within the last 5 years of the primary products. The demand is likely to be represented by a change in quantity or the prices paid for the primary products.</p> <p>The impact and significance of political intervention as a market force is justified in detail and the impact this has on the supply and demand for New Zealand primary products is clearly identified and discussed.</p> <p><i>Political intervention example</i></p> <ul style="list-style-type: none"> • Tariffs are defined and their generic impact on supply and demand is explained as a shift of the supply curve to the left. This results in prices increasing and / or the quantity sold decreasing. • Foreign governments use protectionist measures to support their domestic producers from primary products produced in New Zealand. Their domestic producers may be smaller than producers in New Zealand, they may have lower yields per hectare than New Zealand producers, or the foreign government may just want to ensure they are supported by their citizens in political elections. • Tariffs being charged on our primary products entering their markets makes our products more expensive for their consumers. This keeps the demand low for our primary products, keeping our volumes supplied low. • Free trade agreements encourage specialisation, whereas trade barriers encourage a country to keep producing products that they may not be efficient at. New Zealand is very efficient with our primary industries and we benefit by specialising in these, rather than other products. • Non-tariff barriers, such as sanitary and phytosanitary restrictions. Foreign countries having low pest tolerances make it harder for us to produce to an acceptable standard. This causes less supply into their market due to the standards being hard to meet, or it may mean costs of production are increased to produce to an acceptable standard, which ensures our products are more expensive in market, ensuring demand stays low. • Trade deals being signed between us and a trading partner such as China, and the resulting reduction in tariffs makes our products less expensive in market, which then causes an increase in demand followed by an increase in volumes of primary products supplied from New Zealand. • Political instability between large countries such as China and the US cause some nervousness for producers in New Zealand as we rely on open and free trade. We don't want borders to be closed, or tariffs to be added to traded products. • Brexit will affect us as we may lose flexibility in where we supply our products in these two 'new' markets that used to be one market.



Significance of market forces

- Political intervention could be compared against other market forces for products in terms of supply and demand.
- The significance of political intervention is stated, and then reasoned as to why it is more or less significant than other market forces.

The answer will be reasoned and supporting data included.

Answers should be well prepared and laid out in logical order.

N1	N2	A3	A4	M5	M6	E7	E8
Partially explains ONE market force.	Partially explains TWO market forces.	Explains TWO market forces in general terms (one market force weak).	Explains TWO market forces in general terms.	Explains in detail ONE market force (using qualitative and / or quantitative material where appropriate) AND explains ONE market force in general terms.	Explains in detail TWO market forces (using qualitative and / or quantitative material where appropriate).	Explains in detail TWO market forces (using qualitative and / or quantitative material where appropriate) AND partially discusses the impact and significance of political intervention for demand AND supply for ONE selected primary product.	Explains in detail TWO market forces (using qualitative and / or quantitative material where appropriate) AND fully discusses the impact and significance of political intervention for demand AND supply for ONE selected primary product.

N0 = No response; no relevant evidence.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 2	3 – 4	5 – 6	7 – 8