

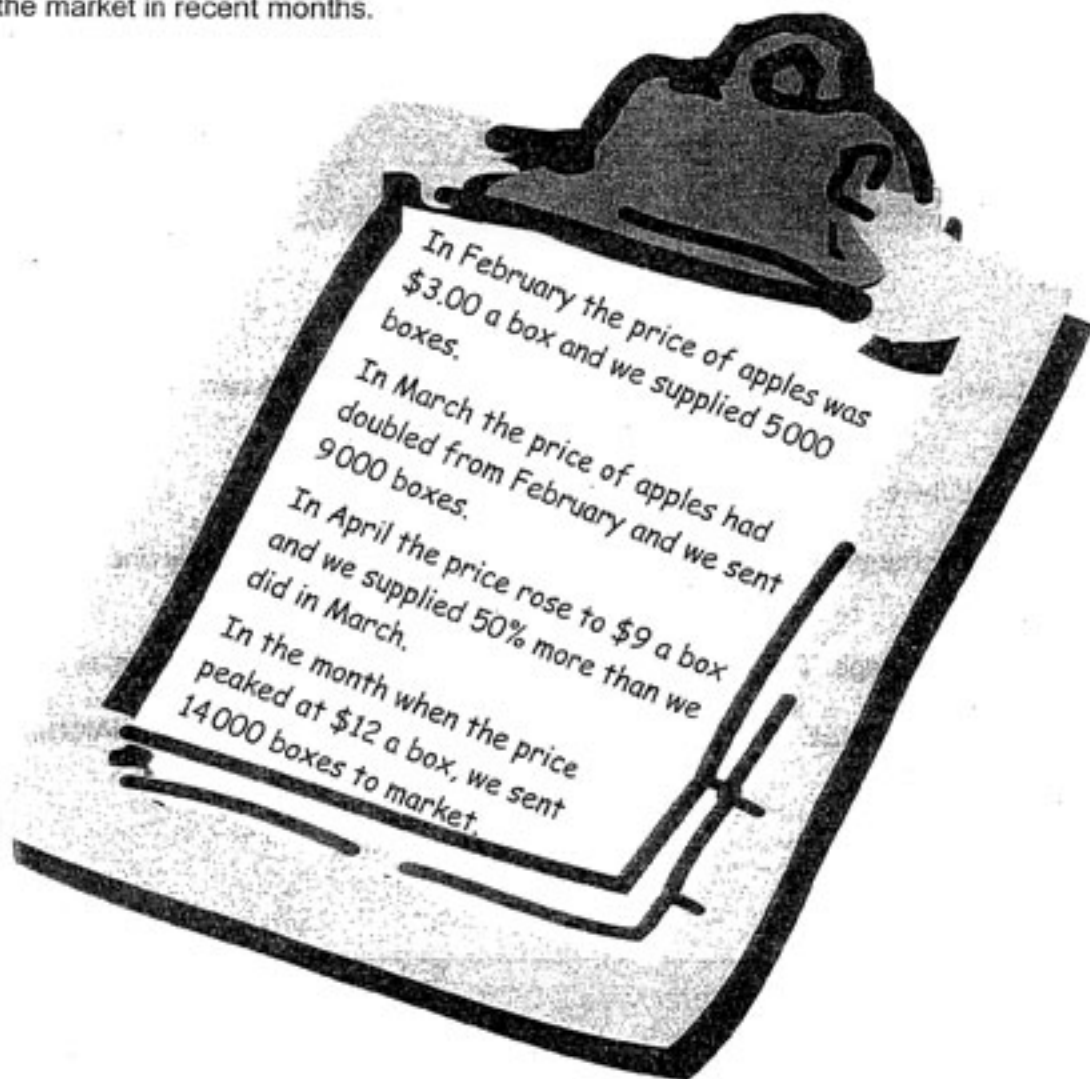
You are advised to spend 30 minutes answering the questions in this booklet.

Sally Wong owns *Wong's Orchards*. She mainly grows apples but also grows stone fruit (peaches, apricots and nectarines).

The amount of each produce Sally sends to the market depends on the prices of her output and various other factors.

QUESTION ONE

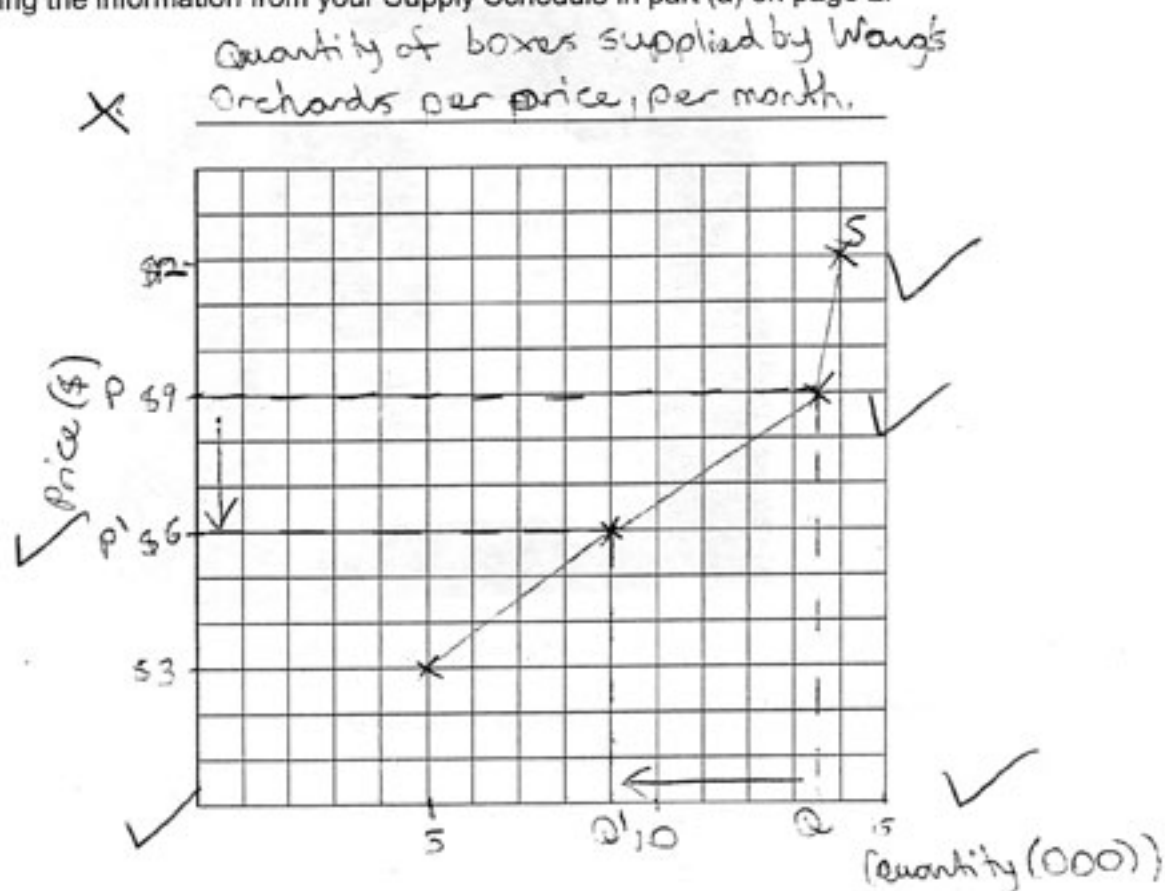
Sally's produce manager made some notes on the prices of apples and the amount picked and sent to the market in recent months.



- (a) Use the produce manager's notes to complete the Supply Schedule for apples from *Wong's Orchard*. Include a heading for each column.

Supply of Apples from Wong's Orchards	
Price	Quantity of boxes
\$3	5000
\$6	9000
\$12 \$9	13500
\$12	14000

- (b) On the grid below, draw a fully labelled **supply curve** for apples from Wong's Orchards, using the information from your Supply Schedule in part (a) on page 2.



Sally is planning her picking for the next season when she reads this in the local paper:

Apple prices in decline

According to experts, the price of apples in the coming season is set to fall.

- (c) On your graph above, sketch the effect of a fall in the price of apples. Use appropriate dotted lines, arrows and labels.
- (d) **Explain** the relationship between the falling price of apples and the quantity of apples supplied by Wong's Orchards.

The fall in price leads to a decrease in Supply of apples by Wong's orchards. Vice versa.
Assuming all other factors remain constant.

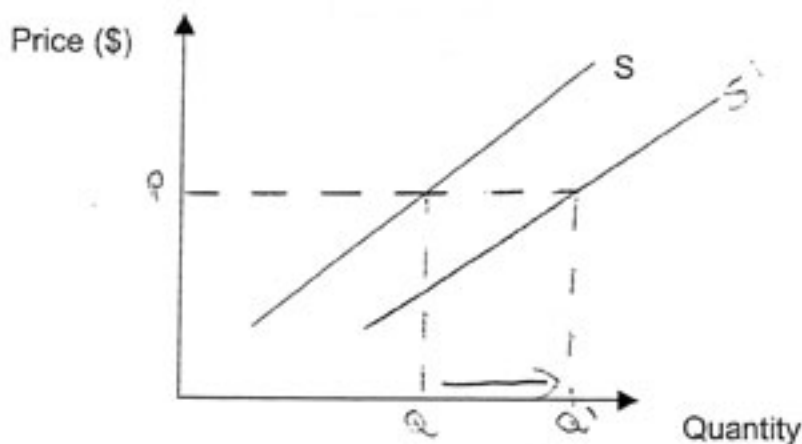
QUESTION TWO

Sally read some more news items about factors that could affect the supply of fruit from *Wong's Orchards*.

Assessor's
use only

- (a) (i) If the summer is long and mild, show the effect this would have on the supply curve for Wong's stone fruit.

Supply of stone fruit from *Wong's Orchards*



- (ii) Explain why the long, mild summer weather would affect the supply curve for Wong's stone fruit in this way.

The long mild summer improves the growth and survival of stone fruits. This will lead to an increase in supply. Curve shifts to the right.

- (iii) Explain an economic consequence of this event for Wong's Orchards.

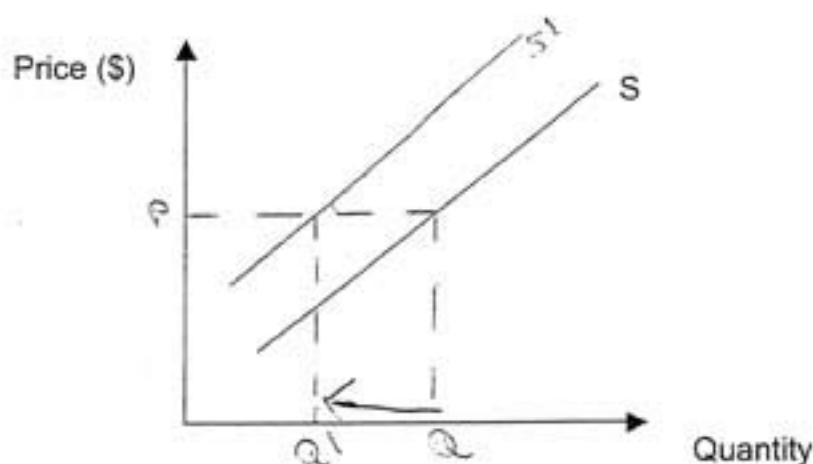
More workers needed to sell the goods, which will lead to increased costs.

Skilled apple pickers in short supply

At a time when consumers want better quality apples, workers specifically skilled in picking and grading apples are becoming scarce, according to many growers.

- (b) (i) Show the effect a short supply of skilled pickers would have on the supply curve for Wong's apples.

Supply of apples from *Wong's Orchards*



- (ii) **Explain** why this short supply of pickers has affected the supply curve for apples in this way.

Decreased amount of workers means the apples are picked slower. More time is spent and less is produced.
 The productivity of unskilled pickers is slow.

- (iii) **Explain** an economic consequence of this event for *Wong's Orchards*.

Decrease in supply ~~and it will also~~ led to an increase and increase costs because Wong's has to pay extra to attract more skilled pickers.

QUESTION THREE

In order to promote exports of New Zealand-grown **stone fruit** (eg peaches, nectarines and apricots), the government may decide to subsidise stone fruit growers.

- (a) Explain what a **subsidy** is.

A payment made by the government to producers to encourage them to supply more.

- (b) Make a recommendation to Sally as to whether she should concentrate her resources into **apples OR stone fruit** for the coming season, assuming the subsidy is introduced.

Recommendation: Apples Stone fruit (circle your choice)

Fully explain TWO reasons why the option you have recommended is better than the alternative. Use information from Questions One, Two and Three relating to both apples and stone fruit in your explanation.

First reason: She will earn more income because the subsidy encourages Wang to supply more. The revenue of the company increases. He may decide to reward the workers with increased payment.

Second reason: There is no need to increase her productivity. There isn't a shortage of workers to pick stone fruit. She doesn't need to work fast.