

Excellence

Q 1(a)(ii)

Response highlights values and the relative unresponsiveness of feijoa production, in the short term, to changes in the exchange rate.

Succinct, clear explanation.

Q1 (b)(i)

Response establishes clear linkages between the Australia/USA free trade agreement and its flow on effects on NZ supply to Australia.

Accurate values used to support explanation.

Q1 (b)(ii)

Response clearly explains how the relatively low volumes produced for export does not justify a significant marketing organisation.

Q1 (c)(ii)

Response clearly explains how indoor production and storage negate the influence of seasonality on supply. Could have emphasised the all year round polyestrous breeding cycles of pigs.

Q2 (a)(i)

Response supported by data that supports trend in consumer preference. Response highlights virtues of pork rather than deficiencies in other competing meats.

Q2 (b)(ii)

Response provides a concise explanation of why promotion is not attempted.

Q2 (c)(ii)

Response was awarded "Merit" but on reflection the reason why the price increase has not adversely affected demand has not been clearly established. Evidence from Q2 (a)(ii) may have been used in the judgement.

Q3

Response provides evidence of analysis of information relating to the market forces under consideration. In doing so comparisons of their relative importance to supply is explained while critical thinking has been shown when considering some unknowns such as movement in the exchange rate.



NEW ZEALAND QUALIFICATIONS AUTHORITY
 MANA TOHU MĀTAURANGA O AOTEAROA



National Certificate of Educational Achievement
 TAUMATA MĀTAURANGA Ā-MOTU KUA TĀEA

Level 3 Agricultural and Horticultural Science, 2006

90651 Explain how market forces affect supply and demand of primary products

Credits: Four

9.30 am Monday 4 December 2006

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 answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–19 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.

For Assessor's use only				Achievement Criteria	
Achievement		Achievement with Merit		Achievement with Excellence	
Explain how market forces affect supply and demand of nationally significant primary products.	<input checked="" type="checkbox"/>	Explain in detail how market forces affect supply and demand of nationally significant primary products.	<input checked="" type="checkbox"/>	Explain in detail how market forces affect supply and demand of nationally significant primary products.	<input checked="" type="checkbox"/>
				Justify the key market force affecting supply and/or demand of a nationally significant primary product(s).	<input checked="" type="checkbox"/>
Overall Level of Performance (all criteria within a column are met)					<input type="checkbox"/> E

You are advised to spend 70 minutes answering the questions in this booklet.

You are advised to spend:

- 30 minutes answering Question One
- 30 minutes answering Question Two
- 10 minutes answering Question Three.

INSTRUCTIONS

This assessment requires you to answer questions related to **TWO nationally significant primary products** that you have studied this year.

Before you select your TWO nationally significant primary products, **carefully read Questions One, Two, and Three**, and ensure that your selections will allow you to meet the requirements of ALL the questions.

ENTER YOUR SELECTIONS HERE

Nationally significant primary product (1): Pork

Nationally significant primary product (2): Feijoas

For **each** selected primary product, explain **in detail** how the market forces listed below have affected the supply and demand for the product:

For Questions One and Three:

Market forces affecting **supply**

- exchange rate
- market manipulations
- seasonality.

For Question Two:

Market forces affecting **demand**

- consumer preference
- promotion
- price.

Use units and values, where appropriate, to help in your explanations.

QUESTION ONE: Market forces affecting the supply of your productsAssessor's
use only**(a) EXCHANGE RATE**

The value of the New Zealand dollar can influence the supply of most primary products.

For each of your selected primary products:

EITHER

Explain, in detail, how the change in the value of the New Zealand dollar during 2006 is likely to **impact on the quantity** that producers of your selected products would aim to produce over the next 1–2 years

OR

Explain, in detail, why the change in the value of the New Zealand dollar during 2006 will have **little or no effect on the quantity** that producers of your selected products would aim to produce over the next 1–2 years – if you consider this to be the case.

(i) Primary product (1): Pork

Explanation:

The New Zealand dollar has weakened in 2006 from \$US 0.70 to \$US 0.66.

~~This makes imported~~ This makes imported pork relatively more expensive to New Zealand consumers encouraging an increase in the supply of New Zealand pork. Producers will aim to increase supply from the current 51900 tonnes. Supply is predicted to increase by 5% over the next 2 years (SONZAF report 2006)

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(ii) Primary product (2): Feijoas

Explanation:

The weakening of the NZ\$ from \$US0.70 to \$US0.66 will not impact on the quantity of feijoas supplied over the next 1-2 years. ~~while it may encourage~~ While a sustained weakening of the \$NZ may encourage growers to expand orchards feijoa trees take around 5 years to mature and as a consequence it will be impossible ~~for~~ producers to increase supply over the next 1-2 years from the current 6000 tonnes.

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(b) MARKET MANIPULATIONS

Governments, producer organisations, and large processing companies can manipulate the quantity and/or timing of the supply of primary products from the producers.

For each of your selected primary products:

EITHER

Explain, in detail, how a **specific** market manipulation is able to **change the quantity and/or timing** of the product's supply

OR

Explain, in detail, why market manipulations have **little or no effect on the quantity and/or timing** of the product's supply – if you consider this to be the case.

(i) Primary product (1): Pork

Explanation:

The USA / Australian free trade agreement has affected the quantity of NZ pork supplied. The trade agreement resulted in an influx of US pork on the Australian market and this has had a flow-on effect on the New Zealand market as Australian producers provide cheap pork for the New Zealand market, lowering the price received by New Zealand producers from \$3.30/kg to \$3.15/kg (2006). This has resulted in a decreased supply from 53 000 tonnes to 51 900 tonnes in 2006.

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(ii) Primary product (2): Feijoas

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Explanation:

Market manipulations have very little effect on the quantity ~~of supply~~ of supply. The \$0.18 ~~per~~ levy per kg of fruit in the US only affects approximately 16 tonnes out of 4000 tonnes of fruit supplied each year. The supply of export fruit has remained stable over the past 5 years. ~~There~~ There is no single large processing companies or grower organisation that can influence supply associated with the feijoa industry.

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(c) **SEASONALITY**

Seasonality of production is an important market force affecting the supply of many plant and animal products.

For **each** of your selected primary products:

EITHER

Explain, in detail, how seasonality of production **influences the supply** of the product to markets throughout the year

OR

Explain, in detail, why seasonality of production has **little or no effect on the supply** of the product to markets throughout the year – if you consider this to be the case.

- (i) Primary product (1): Pork

Explanation:

Pork is unaffected by seasonality as it is produced indoors under controlled conditions. Pork can also be stored frozen for up to 6 months. Therefore as seasonality of pork does not affect supply, the supply remains constant at approximately 4000 tonnes per month.

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(ii) Primary product (2): Feijoas

Explanation:

Feijoas are harvested from March to June each year. Feijoas only have a storage life of 3 weeks so the supply of feijoas is limited to March through to early July each year. Fresh feijoas are unavailable at other times of the year.

4000 tonnes of feijoas are supplied to ^{the} markets from March to June each year.

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QUESTION TWO: Market forces affecting the demand for your products

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(a) CONSUMER PREFERENCE

The preferences shown by consumers for primary products can change over time, and as a result the demand for the product may change.

For **each** of your selected primary products:

EITHER

Explain, in detail, any trend in consumer preference over the past 3–4 years, and how this has affected the demand for your product.

OR

Explain, in detail, why consumer preference has had **little or no effect on the demand** for your product – if you consider this to be the case.

(i) Primary product (1): Pork

Explanation:

Consumers have become more health conscious over the past 3–4 years. Demand for healthy products has increased the demand for pork products such as TrimPork™ which carries the Heart Foundations Tick. New Zealand consumption of pork has grown by 15% ~~over the~~ since 2003 and ~~is~~ currently we consume 20.8 kgs of pork per person per year.

(ii) Primary product (2): Feijoas

Explanation:

Consumers have become more health conscious over the past 3-4 years. Consumers are also more willing to try exotic unknown flavours. As feijoas are a healthy fruit and remain 'undiscovered' by many people demand has increased by 5% over the past 3 years. New Zealanders now consume over 1000 tonnes of feijoas per year ~~is~~ increased from ~~750-800~~ 800 tonnes in 2003.

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(b) **PROMOTION**

Different forms of promotion are used by producer organisations, processors, and producers to increase consumer demand for primary products.

For **each** of your selected primary products:

EITHER

Explain, in detail, how the product is promoted in order to **increase consumer demand** for it.

OR

Explain, in detail, why promotion of your selected product is **not attempted** – if you consider this to be the case.

- (i) Primary product (1): Pork

Explanation:

Promotion by the New Zealand Pork Board including T.V. commercials with Mike King and pork products featuring on ~~the~~ 'Food in a Minute' as well as in the 'NZ Woman's Weekly' encourage consumers to use a variety of pork products and promote healthy options on new pork products such as TrimPark™. Promotion has helped to increase consumer demand by 15% to 20.8 kg per person per year.

(ii) Primary product (2): Feijoas

Explanation:

Promotion of feijoas is not attempted. The lack of an overarching single producers board means that it is up to individual producers to promote their own ~~pro~~ feijoas which is not attempted due to the costs involved. Feijoas as a national product will remain unpromoted until feijoa producers organise a board responsible for the promotion of feijoas.

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(c) **PRICE**

Price is the dominant market force influencing consumer demand for most primary products.

For **each** of your selected primary products:

EITHER

Explain, in detail, how average market prices over the last three years have **affected the demand** for your product

OR

Explain, in detail, why the average market price has had **little or no effect on the demand** for your product – if you consider this to be the case.

- (i) Primary product (1): Pork

Explanation:

The price of pork has been forced down from approx. \$10/kg to \$7/kg over the last three years due to an increase of cheap Australian pork on the New Zealand market. As pork prices are now competitive with other meat products the demand for pork has increased by 15% to 20.8 kg per person per year (2006).

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(ii) Primary product (2): Feijoas

Explanation:

The average market price of ~~\$~~ Feijoas has increased over the past 3 years from \$5/kg to \$6/kg however this has had little affect on demand for feijoas. The demand for feijoas has continued to increase despite the price increase from 800 tonnes (2003) to 1000 tonnes (2006).

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QUESTION THREE: A key market force affecting supply

Read the question below, and then select ONE of the primary products you used to answer Questions One and Two.

Selected primary product: Feijoas

Consider the market forces affecting the **supply** of your selected primary product:

- exchange rate
- market manipulation
- seasonality.

EITHER

Select ONE that you consider to be the **key** market force affecting the supply of the product. **Justify** the selection of this market force by explaining why it has a greater influence on the **supply** of the product than the other market forces.

OR

You may consider that there is no **key** market force affecting the **supply** of the product. **Justify** your opinion by explaining why TWO or more of the market forces listed above are of similar importance.

Selected key market force(s): Seasonality

Justification:

Seasonality of feijoas is the key market force affecting supply. Feijoas are only produced from March through to June each year. The total supply of New Zealand's feijoa production (4000 tonnes) is produced and supplied to markets from March to June each year. Feijoas can only be stored for a maximum of three weeks so the total supply of New Zealand's feijoa production is limited from March through to early July each year.

Market manipulations have little effect on supply. The lack of a large processing company or production board means producers can supply as many feijoas

as they can. The minute market manipulation of the \$0.18 levy by the US government has little effect on the total supply. The fact that seasonality limits the supply of feijoas from March to early July each year has ~~an~~ ^a greater influence on supply than the ~~the~~ limited market manipulations.

Changes in the exchange rate can influence the supply of feijoas to the export market. However the weakening of the \$NZ must be sustained over a long period of time (5-10 years) in order for feijoa growers to plant more trees. Feijoas take 5 years to mature so any change in supply is going to be over a longer time period. Changes in the exchange rate only affect the supply of the export feijoas which is a minor part of the feijoa industry (only 16 tonnes are exported out of 4000 tonnes). Therefore the fact that all of New Zealand's feijoas (4000 ^{tonnes}) are produced from March to June each year has a ~~bigger~~ ^{greater} influence on supply of feijoas than the exchange rate.

Seasonality is the key market force influencing supply, as it limits the supply of feijoas from March to

Extra paper for continuation of answers if required.
Clearly number the question.

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Question
number

3 early July each year. ~~This is a~~ therefore
Seasonality has a greater influence
on supply than either market
manipulations or the exchange rate.