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# DUNMAN HIGH SCHOOL
## Weighted Assessment 2 (Mock Paper B)
## Year 5

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## Economics (Higher 1) 8843/01

Paper 1 Case Study Questions **50 Minutes**

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**The UK food crisis**

**Table 1: United Kingdom Price Indices**

| Year | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Consumer Prices, General Indices (2000=100) | 140.6 | 144.90 | 148.80 | 151.20 |
| Consumer Prices, Food Indices (2000=100) | 147.10 | 152.40 | 155.40 | 153.10 |

Source: Office for National Statistics (ONS), UK

**Extract 1: Household spending on food**

Average household spend increased nearly 3% between 2013 and 2014 from £517.30 a week (adjusted for inflation) to £531.30, with the amount spent on recreation and transport increasing. But average household spend on food remained static at £58.80 a week, accounting for 11% of total expenditure – with no change since 2011.

The report from the ONS said this was partly due to the "increase of discount supermarket chains, increasing consumer choice and competition in the market". This comes at a time when farm prices are at their lowest for years and farm business cash flow is tight.

The decline in household spending started in 2007, just before the economic downturn. The UK economy showed signs of increasing momentum throughout 2013 and into 2014.

Source: *Farmers Weekly UK*, 9 Dec 2015

**Extract 2: A supermarket price war is bad news for Britain's ability to feed itself**

There has been a global explosion of affluence, especially in Asia. At the beginning of this century, 14% of the world's middle classes were there. By 2050, 68% will be in Asia, and they are insisting on eating as we do, with meat consumption in China alone almost quadrupling over the past three decades. Already Chinese retailers are willing to pay more for ungraded, unpacked apples than British supermarkets will pay for graded and packed. At least if we have access to a robust internal food market we'll be protected from some of the worst price excesses.

But there is another, more moral issue. The global population is expected to rise from seven billion now to more than nine billion by 2050.

Even so, this country still has the capacity to get back above the 70% self-sufficiency it achieved 30 years ago. It's noticeable that the decline, which kicked in through the late 80s and early 90s, corresponds directly with a Thatcherite change in planning laws that allowed for the massive expansion of the supermarket sector into out-of-town megastores and, with it, the wars on price that have forced so many British farmers to give up farming.

Source: *The Guardian*, 8 June 2014

**Extract 3: Rich nations spend $250 billion on farm subsidies, hurting poor growers**

Rich nations are spending $250 billion annually subsidising their agricultural sectors to the detriment of poor farmers as they artificially lower prices for some crops and block market access for growers from poor countries, a new study said.

"There are a lot of ways countries can give artificial support for their own farmers, hurting farmers in Asian or African countries who could supply that (product) for better value," a researcher involved in the study told the Thomson Reuters Foundation.

Subsidies from the 31 members of the Organisation for Economic Cooperation and Development (OECD), a group of wealthy countries, included direct payments to farmers, trade barriers to food from poor countries, and mandates for biofuels, he said.

These supports for farmers in wealthy countries can hinder food production in developing states, by artificially allowing food to be sold on international markets below the cost of production, hindering access for unsubsidised growers.

This process, known as "dumping" in international trade, discourages poor farmers from investing in their operations or ramping up production as they cannot fairly compete with subsidised crops. This in turn hurts food security in poor countries.

But it is not only rich-world subsidies that hurt poor farmers. Countries in Africa and Asia also need to invest more in infrastructure, fertilizer and crop insurance to help growers reach their potential to feed the 795 million worldwide who don't have enough to eat.

Source: *Reuters UK*, 16 Oct 2015

**Extract 4: Boost agriculture with big data**

The UK should invest much more in agricultural R&D if it is to guarantee its food security. Productivity in UK agriculture has been relatively static for the last ten years. The easy wins in agricultural R&D have been found. Now, just as the green revolution is needed to ensure that productivity continues to grow in a sustainable and resilient way. The government's $160-million agri-tech strategy is a start, but much more money and support will be needed to train tomorrow's food and agricultural scientists and to ensure that the very best science reaches the market. The UK's food security needs to be considered in a global context -- we won't be able to do it on our own. By 2050 the world's population is estimated to increase from seven billion to nine billion. If we are unable to meet the food demands of the population, the resultant social and political instability will be significant.

For the UK to play its part, raising productivity here is both an opportunity and an imperative. We need to build on the advances we have made in precision agriculture and use big data better to improve yields. But we also need to research a better understanding of the connections between farmed and natural ecosystems, which will allow natural resilience to contribute to food-system resilience. Only that way will the UK preserve its own food security and contribute to the rest of the world's.

Source: *Wired.com*, 02 Mar 2015

**Questions**

**(a)** **(i)** Using Table 1, compare the change in general prices and food prices between 2011 and 2014. [2]

**(ii)** With reference to Extract 1 and Table 1, explain the likely value of PED for food. [2]

**(b)** With the help of a diagram, use supply and demand analysis to explain the likely change in future world food prices. [5]

**(c)** Extract 3 explains how dumping of food by wealthier countries in the international market negatively affects farmers in less developed countries.

Discuss whether a subsidy on domestic food production or a price floor would have a greater impact on the total revenue of a farmer in Africa. [10]

**(d)** Using Extract 4 and a Production Possibilities Curve, explain how the adoption of agricultural R&D might affect the UK's productive capacity. [3]

**[Total: 22 marks]**

Adapted from 2016 NJC Prelim H1 Q1 - The UK food crisis