

Data Response Tips

- **Read** each question carefully: Within the question there are always trigger words.
- **Decide** which you part d you feel more confident in answering, since most of the points are there.
- **Labeling Graphs:** Graphs are a crucial part of questions b and c. You need clearly label graphs to ensure that they relate specifically to the material in the extract. Remember each graph has a particular set of labels.
- **Explaining Graphs:** Question B and C are always worth four marks and follow an standard format. Two of these four marks will be attributed to the graph and two to the explanation. Therefore check that you have explained the graph by identifying the related causes that have lead to the change.
- **Evaluation:** Question D will always ask you to evaluate a statement or policy that is mentioned in the extract. The question will be graded according to criteria levels. To attain **Level 1** you need to have recognized the concepts in the question and perhaps attempted a definition, or discussed the idea. To attain **Level 2** you need to explained these concepts in some depth and have tried to apply the concept to material presented in the extract. Evaluate means that you have to go further than purely explaining the concept this is required for a **Level 3** response. Finally to attain the highest grade to need to make some judgement on what the main point of argument is. All of these aspects are considered effective evaluation. Given the time constraints of the exam you will be rewarded for using one or more of these approaches, but I think the final judgement and using material from the extract is most important. Without references to the data you won't attain higher than Level 2.
- **Proofread:** If time permits try go back and double check your graphs for any obvious glaring errors and fix labels and arrows. Try to fix any common mistakes such as suggesting that the curve shifts to the right instead of the left.

a) Definitions (8 minutes)

0	1	2
The work does not reach a standard described by the descriptors	Vague definition	Accurate definition

b) Diagram and explanation (8 minutes)

c) Diagram and explanation (8 minutes)

0	1	2	3	4
The work does not reach a standard described by the descriptors	There is a correct diagram or an accurate written response		There is a correct diagram and an accurate written response	

d) Evaluation. [16 minutes]

0	1	2	3	4	5	6	7	8
No valid discussion	Few relevant concepts recognized. Little discussion or only basic understanding		Relevant concepts recognized and developed in reasonable depth. Some attempt at application and analysis.			Relevant concepts developed in reasonable depth, demonstrating effective evaluation, supported by appropriate evidence or theory.		

Answer **three** questions. Each question is worth [20 marks].

1. Study the extract below and answer the questions that follow.

Demand for chicken up after price cut

- ① There has been a fall in the demand for chicken following the avian flu¹ scare which led to people being afraid to eat chicken for fear of becoming ill. In response to this, chicken farmers reduced the selling price.
- ② Yesterday, there was a 10 per cent increase in the sales of both processed chickens and live chickens, with some 800 000 birds sold in the market nationwide. The price cuts were agreed upon at a meeting of the Federation of Livestock Farmers' Association, Malaysia (FLFAM). The FLFAM is a cartel, which sets prices for livestock sales in Malaysia. It controls 80 % of the suppliers in the country. Processed chicken now costs only RM² 3.20 per kg and live chicken RM 2.80 per kg. Previously, the prices were RM 4.00 and RM 3.50 respectively.
- ③ "The response is good and we hope that consumers now realise that chicken sold in Malaysia is safe to eat," said a FLFAM spokesperson, adding that the industry was worried when chicken sales dropped by 300 000 a day following the avian flu outbreak in neighbouring countries. Some 1.1 million chickens are available daily to meet consumer demand.
- ④ The spokesperson said that the drop in prices was to overcome the excess supply of chicken in the market, adding that poultry farmers in the country were holding an "Eat Chicken" campaign and were considering other marketing schemes. "We will continue with the current production of chicken," he said, "we have decided not to reduce the supply as planned earlier when sales dropped."
- ⑤ It was feared that, if the supply were reduced, then the **maximum price** of chicken that had been fixed by the Agriculture Ministry, would have to be increased. The FLFAM was considering getting their baby chick supply for production from abroad, especially from Australia and the European Union countries. These would take the place of supplies from neighbouring countries, although the prices of the new imports would be higher.
- ⑥ Cattle farmers were initially hoping that the misfortune of the chicken farmers might lead to a bonus for them. However, a positive **cross elasticity of demand** and a fall in the price of chicken is now likely to hurt suppliers of beef and lamb if the demand for chicken continues to rise.

¹ avian flu – a disease that humans contract from eating chicken

² RM – Malaysian Ringit

[Source: adapted from *The New Straits Times*, Malaysia, February 2004]

$$\frac{10\%}{\frac{0.4}{3}} = 0.1 \cdot \frac{3}{0.4} = 0.75 < 1$$

(This question continues on the following page)

(Question 1 continued)

definition + one more thing

(a) Define the following terms indicated in bold in the text:

(i) maximum price (paragraph 5)

= price ceiling

must be below P_e .
sometimes results in a shortage.
[2 marks]

(ii) cross elasticity of demand (paragraph 6).

[2 marks]

(b) Using a supply and demand diagram, explain why there was an "excess supply of chicken in the market" (paragraph 4).

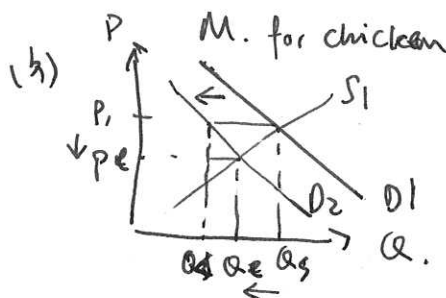
refer to the imposed or P_e use figures from the text
[4 marks]

(c) Using an appropriate diagram, explain the likely effect of importing higher priced baby chicks from Australia and the EU on the market for chickens.

[4 marks]

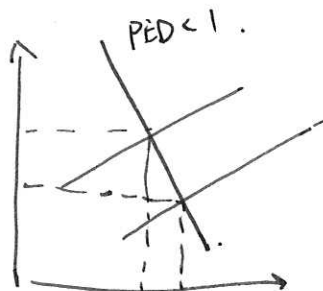
(d) Using information from the text and your knowledge of economics, especially elasticity of demand, evaluate the economic situation facing the chicken farmers and consumers of chicken.

• vulnerable to shocks.
• calculate \rightarrow inelastic
[8 marks]
 \rightarrow suppliers $\uparrow P$.



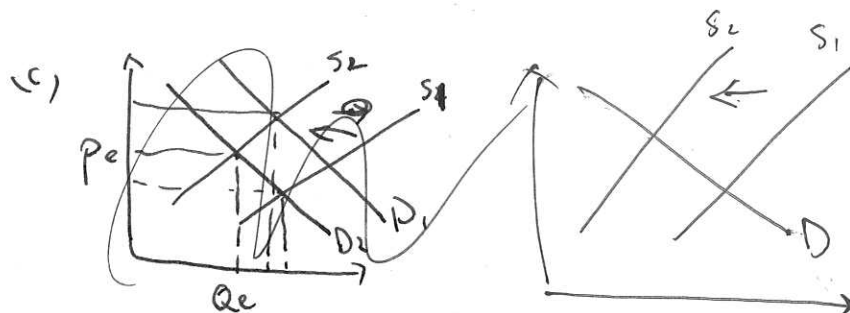
people's preference for chicken \downarrow
 $\Rightarrow D \downarrow$.

At the original price P_1 ,
 $Q_d < Q_s$
 \Rightarrow excess supply



farmer $\downarrow TR$.

consumers. \rightarrow switch to alternatives.
 \rightarrow \uparrow spending on ~~the~~ food.



higher cost of production

$\Rightarrow S \downarrow$ shortage

\Rightarrow price mechanism

makes price at equilibrium.

$\Rightarrow P_e \uparrow Q_e \downarrow$ balancing out the quantity while maintaining the price roughly around P_e .

