Q27 — Define ‘minimum price’ (Extract E, line 6) [3 marks]

A minimum price is a legally enforced price set **above the equilibrium price** to prevent prices from falling too low. It is designed to protect producers’ incomes but can lead to excess supply if set too high.

Q28 — Number of dairy farms in January 2017 (4 marks)

Extract E predicts that **20% of dairy farms would close in 2016**.

Number of dairy farms in January 2016 = 9,633
Number closing = 9,633 × 0.20 = 1,926.6 ≈ 1,927

Number remaining in January 2017 =
9,633 − 1,927 = **7,706 dairy farms**

Q29 — Two significant points of comparison between employment and output (4 marks)

Employment in agriculture, forestry and fishing fluctuates over the period, falling overall from 389,000 in 2009 to 370,000 in 2016, despite some years of increase, such as 2012 and 2014.

In contrast, output shows a general upward trend. The output index rises from 97.1 in 2009 to 111.4 in 2016, indicating that agricultural productivity has increased even though employment has not risen significantly.

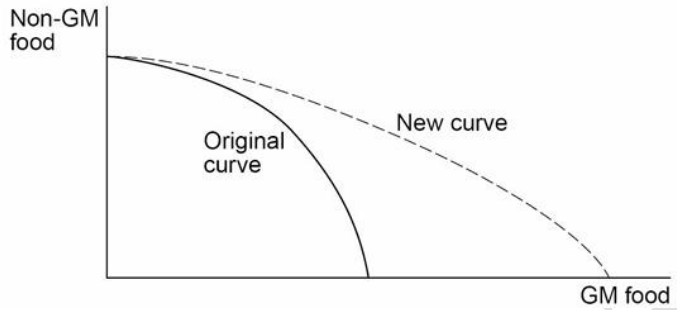
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30 *Agricultural production can be divided into genetically modified (GM) food and non-GM food.*

*Draw a production possibility diagram showing the production of genetically modified (GM) food and non-GM food **and**, on the same diagram, draw a new production possibility curve to show the effect of increased productivity in GM food but no change in non-GM food.*

[4 marks]

The expected diagram involves an initial curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with a second curve (or straight line) extending further along the GM food axis but with no change in its finishing point on the non-GM food axis.



Q31 — Explain two factors that could increase the price of milk (10 marks, chain-of-analysis)

First factor:
Extract F states dairy prices are expected to rise due to lower supply → some dairy farms close because prices are volatile and incomes are low → the supply of milk decreases → supply curve shifts left → with demand remaining relatively stable, price rises → leading to higher milk prices for consumers.

Second factor:
Extract F states the fall in the value of the pound has increased import prices → higher costs of imported inputs such as animal feed and fertiliser → costs of production for dairy farmers rise → supply of milk decreases → supply curve shifts left → cost-push pressure increases milk prices.

Q32 — To what extent should the UK government intervene in the agricultural sector? (25 marks)

Introduction:
Extracts E and F highlight uncertainty and volatility in the UK agricultural sector, with falling prices, rising costs and the loss of EU support following Brexit. The issue is

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whether the UK government should actively intervene to support farmers or allow market forces to operate.

Point 1:
Government intervention could stabilise farmers' incomes → Extract E notes that many farmers have relied on EU subsidies and minimum prices → intervention such as subsidies or minimum prices raises farm incomes → higher incomes allow farmers to survive periods of low prices → farmers can invest in improved technology → productivity rises → output increases → food security improves and rural employment is protected.

Evaluation of point 1:
However, intervention can distort market signals → minimum prices can lead to excess supply → government may need to buy surplus produce → increasing opportunity cost and taxpayer burden → inefficient producers may remain in the market → reducing long-term efficiency.

Point 2:
The government could support long-term competitiveness rather than direct price intervention → Extract F highlights productivity gains in poultry farming and potential benefits of GM crops → funding research, innovation and training increases productivity → lower unit costs improve international competitiveness → farmers become less dependent on subsidies → incomes become more sustainable without constant intervention.

Evaluation of point 2:
However, technological investment is expensive → Extract E states many farmers struggle to finance improvements due to volatile prices → smaller farms may be unable to benefit → inequality within the sector could increase → some farms may still exit the market despite support.

Conclusion:
Overall, some government intervention in agriculture is justified to support incomes, food security and rural communities, especially during periods of uncertainty. However, intervention should focus on improving productivity and competitiveness rather than long-term price support. A targeted approach balancing market forces with strategic government support is most likely to ensure a sustainable agricultural sector.

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