
Question 26 (9 marks) PETE

- (a) Identify THREE external factors that affect food product development, and give a relevant example for each. 3

<i>External factor</i>	<i>Example</i>
Political	Policies & legalisation. Trade practises act 1974 food act 2003.
Technological	MAP packaging, GM Foods
Economic	economic cycles, i.e. recession (Global financial crisis 2009)

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Question 26 (continued)

- (b) How does the food industry adjust its pricing structures in response to changes in the economy? 6

Economic factors include, economic cycle, currency fluctuations, interest rates, tax rates, & the business/economic climate. The food industry adjusts its prices in response to the economy in many ways. For example, the economic cycle refers to the fluctuations of the economy i.e. booms, recessions. The food industry must adjust their prices accordingly.

During a recession, such as the GFC 2009, the food industry adjusted its prices by lowering them in order to maintain market share. Consumer spending decreases during recession, therefore prices must accommodate.

The food industry must also adjust its prices in order to capitalise on the growth and increased spending power of consumers by increasing prices to achieve increased profits during the "boom" phase. The food industry and its relationship is paramount in pricing structures.

End of Question 26