



Rewarding Learning

ADVANCED
General Certificate of Education
2011

Business Studies

Assessment Unit A2 2

assessing

The Changing Business Environment

[AT221]

TUESDAY 24 MAY, MORNING



TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer the **one** question.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed throughout the paper.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question or part question in allocating the available examination time.

Study the information and answer the question that follows.

Wrights Ltd.

Source 1: Wrights Ltd.

Wrights Ltd. is a family-owned medium-sized supplier of chickens based in Magherafelt in Northern Ireland. The company was established in 1999 and supplies fresh and processed chickens to local and national retailers. However, in recent times it has faced major competition from larger suppliers in the sector. The business has experienced a steady decrease in both sales and profits as shown in **Table 1** below, and this has resulted in board members calling for a change in company strategy.

Table 1: Information relating to Wrights Ltd.

	2008	2009	2010
Sales	£3.1 million	£2.3 million	£1.3 million
Net Profit	£1.3 million	£0.7 million	£0.5 million
ROCE	2.1%	1.5%	1.1%
Current Ratio	1.9:1	1.4:1	1.1:1
Number of Employees	250	225	200

Source 2: The Northern Ireland food and drink industry

Despite the recession, the food and drink industry in Northern Ireland has remained strong. It makes a significant contribution to the Northern Ireland economy with 20 000 people employed in food processing plants, and a further 40 000 in farming.

Northern Ireland also has some of the UK's biggest and most successful companies in this sector. Moy Park in Craigavon has a turnover of £650 million, Dunbia in Dungannon has a turnover of £500 million and the Foyle Food Group in Londonderry has a turnover of £250 million. Dale Farm is a leading player in the dairy sector selling cheese and other products to customers in 45 countries.

Northern Ireland ships 10% of its beef and 30% of its lamb products to Europe's leading retailers and food service organisations. In 2009 the growth in exports was most marked in the Food, Drink and Tobacco sector, contributing an additional £130 million (14.4%) to exports. This sector sells almost two thirds of its output outside Northern Ireland. These statistics show how businesses that are committed to exporting can help to pull the Northern Ireland economy out of recession.

Smaller firms are also seeing the benefits of exporting. Kestrel Foods in Craigavon, Fivemiletown Creamery in County Tyrone and Whites in Tandragee are increasingly winning business in niche markets within the US and Hong Kong.

Source 3: Moy Park developments

Moy Park is Northern Ireland's largest food processing company and one of Europe's leading poultry companies. Since 2008 it has completely reorganised its business and has recently embarked on a major investment programme to increase capacity, upgrade technology and improve facilities. Further significant investment in plant, technology and people is planned.

As one of Europe's largest growers of organic, free-range and corn-fed birds, Moy Park has invested heavily in improving farming welfare standards. The firm is part of the Rose Energy consortium which is aiming to build a chicken litter fuelled power plant in County Antrim, although the proposal has met with opposition from community groups.

Adapted from: © Belfast Telegraph, Top 100 companies, Moy Park, 16 April 2010

Source 4: Moy Park sale

£450m sale “best thing” for Moy Park

In 2008, leading Ulster food processor Moy Park joined Marfrig, one of the largest meat and poultry groups in the world. Marfrig, based in Brazil, has 92 plants in 13 countries and exports to more than 110 countries.

Speaking about the sale, Moy Park company spokesman, Gareth Jones said there was no longer any room in the marketplace for medium-sized companies. “You’ve either got to be very, very small and do something special . . . or you’ve got to be big volume,” he said. “The worst place to be in chickens these days – and most foodstuffs in fact – is in the middle ground. You do not want to be a medium-sized food company because you just can’t compete.”

Moy Park, founded in 1943, employing 3500 at its Craigavon site, has become the biggest chicken processor in Ireland. With additional plants in Great Britain, France and the Netherlands, it employs a total of 8700 people.

However, as Mr Jones explained, the scale of Marfrig is different: “These people are probably the fourth largest processor of beef in the world. They’re big in lamb and pork as well, so the next logical step was poultry.

Moy Park are now in a different league in terms of our competitors. Marfrig have bought us for our volume and our on-the-ground knowledge. To us, this is potentially an extraordinarily good fit and a good deal and we feel very good about it, as do our employees.”

© The News Letter. Text adapted from article, “£450m sale ‘best thing’ for Moy Park”. 27 June 2008

Source 5: European Union issues

Across the European Union (EU), the import, sale and marketing of most food products is regulated by European Commission (EC) marketing standards. These are designed to ensure that produce is sound, clean, correctly labelled, of marketable quality and – for some specific commodities – achieves a quality class. The Department of Agriculture and Rural Development for Northern Ireland manages these standards in Northern Ireland.

However, some businesses have found that these regulations can be restrictive.

UK firms exporting to the EU benefit from the elimination of trade barriers within the European single market. However, they face the additional exchange rate risk of trading outside the Eurozone.

Adapted from: © NI Business Info – Trading in fruit, vegetables and plant products

Source 6: “Passport to Export”

“Passport to Export” is the name of Invest Northern Ireland’s (InvestNI) range of services and programmes that have been created to help businesses access world markets. The programmes are designed to help companies succeed with exporting, and this is crucial to the long-term growth of local businesses and the Northern Ireland economy.

Five areas of export support:

The cluster of programmes and services are organised in five different areas.

- Building export skills and knowledge
- Researching markets
- Testing export markets through trade missions
- In market support
- Graduate placement programme.

Adapted from © Invest Northern Ireland – Developing New Markets

Source 7: Problems encountered in international trade in West Africa

In this age of specialisation, West African countries find that they must depend on other countries for items they need but cannot produce, or for the purchase of commodities which are needed to supplement home production. For instance, Nigeria imports items such as machinery, vehicles, ships, airplanes, raw materials and many other things from other countries. At the same time it exports commodities such as crude oil, palm produce, cocoa, groundnuts, hides and skins and cotton.

However, there are additional problems which must be considered when trading with non-EU countries including West Africa, India and China.

Adapted from: © bizcovering.com - Problems encountered from International Trade in West Africa, 4 February 2008

Source 8: Background to Report

Wrights Ltd. has been approached by one of its larger competitors and some board members wish to explore the possibility of selling the company. This suggestion has been met with strong resistance as other board members believe the company could be secured if it looks at the possibility of exporting its products. It has been suggested that exporting to West Africa should be considered as market research has shown that West Africa is a region with significant potential for growth. Additionally, since regulations regarding the export of foods are more lenient in West Africa than in Europe, some directors have suggested that this should be exploited. These board members believe that this would also make the company profitable and save local jobs. However, worries regarding fluctuating exchange rates, ethical considerations, the size of the firm, and the problems associated with international trade make this option risky. Other members believe that exporting to Europe would be more sensible.

Question 1

You are a consultant employed by Wrights Ltd. You have been asked to prepare a formal report entitled "The Future of Wrights Ltd."

The aim of the report is to examine the problems currently faced by Wrights Ltd., analyse and evaluate the options of selling the business or seeking to grow the company through an export strategy.

Your report should be in an appropriate format and should include recommendations to the board of directors at Wrights Ltd.

(You **may** find it useful to address **some** of the following areas in your report; problems of international trade, the trend of globalisation, ethical issues, the impact on corporate image, exchange rates, EU membership, economies of scale, managing change effectively, government objective of increasing exports, multinational businesses, takeovers/mergers).

[80]

THIS IS THE END OF THE QUESTION PAPER

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