

Pearson Edexcel International Advanced Level

Time 1 hour 45 minutes

Paper
reference

WEC11/01

Economics

International Advanced Subsidiary

UNIT 1: Markets in action

Source Booklet

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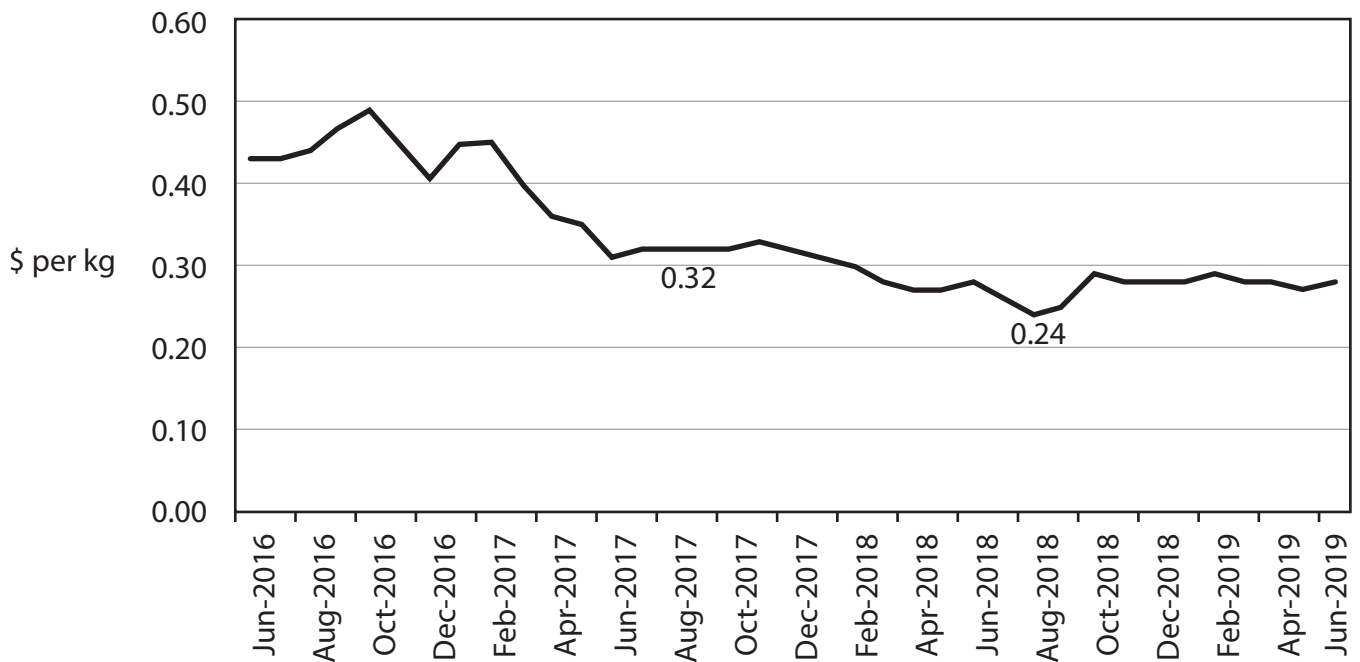


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Sources for use with Section C.

The market for sugar

Figure 1 World price of sugar, US\$ per kg, June 2016 – June 2019



Extract A Global production of sugar

Between August 2017 and August 2018 the world price of sugar fell as a result of favourable weather leading to good harvests. In 2018, India, the world’s second largest sugar producer and Thailand, the world’s fourth largest sugar producer, had record levels of production. In 2018 global production was 11% higher than in 2017. In 2018 world production was so high that there was a surplus of 17 million tonnes. This led to large quantities of sugar being held in storage.

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In recent years, consumption of sugar has fallen because of increasing health concerns. There is also competition from substitutes such as artificial sweeteners. In the USA, Europe, China and Australia sugar consumption has fallen or remained unchanged.

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Sugar is grown in 119 countries. It takes sugar cane one year to mature in countries with warm temperatures and two years in cooler countries.

Extract B Overconsumption of sugar

In the USA the recommended maximum amount of sugar consumption is 50 grams per day. In the USA average consumption is 73 grams per day. The human body can comfortably process 25 grams a day. However, any sugar consumption in excess of 25 grams per day will normally be processed into body fat. This is contributing to obesity.

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One study found that a high sugar diet increased the risk of heart disease by 38%. Another study found that excess sugar consumption caused an increased risk of many types of cancer. A further study found that men who consumed 67 grams or more of sugar per day were 23% more likely to experience depression than men who consumed less than 40 grams per day.

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Extract C Indian subsidy for sugar production

The Indian Government subsidises sugar growers that export sugar. Before the subsidy, exports were 620 000 tonnes per year. After the subsidy was introduced exports rose to 3.3 million tonnes per year, helping to make India the world's second largest producer of sugar. The size of the subsidy will increase from 55 rupees a tonne in 2018 to 138 rupees a tonne in 2019. This increase in subsidy is expected to increase exports to over seven million tonnes per year. Production in India was 20.3 million tonnes in 2017 and increased to 33.0 million tonnes in 2019.

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The Governments' of Brazil and Australia have complained to the World Trade Organization that these subsidies give Indian producers an unfair advantage. They argue that these subsidies contribute to lower world prices, making the market unprofitable for many growers outside India.

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Acknowledgements

Figure 1 based on data taken from <https://www.indexmundi.com/commodities/?commodity=sugar&months=60>

Extract A adapted from 'Sugar prices are the lowest in a decade, but haven't hit bottom yet', Myra P Saefong, Market Watch, Aug 24, 2018, <https://www.marketwatch.com/story/sugar-prices-are-the-lowest-in-a-decade-but-have-yet-to-hit-bottom-2018-08-23>

Extract B adapted from 'What Happens to Your Body When You Eat Too Much Sugar?', Mercola, March 23 2019 <https://articles.mercola.com/sugar-side-effects.aspx> and '11 Reasons Why Too Much Sugar Is Bad for You', Jillian Kubula, June 3 2018, <https://www.healthline.com/nutrition/too-much-sugar#section6>

Extract C adapted from 'Exclusive: India to keep sugar export subsidies even as rivals complain-sources', Rajendra Jadhav, Reuters, 15 July 2019, <https://www.reuters.com/article/us-india-sugar-exports-exclusive/exclusive-india-to-keep-sugar-export-subsidies-even-as-rivals-complain-sources-idUSKCN1UA137>