Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2024**

INSERT **1 hour 45 minutes**

INFORMATION
- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages. Any blank pages are indicated.

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Soymai Farms (SF)

SF is a private limited company. SF owns three farms in country B. SF's core activity is growing a range of agricultural crops. Soya and maize account for 90% of output. Most of SF's output is sold to manufacturers of products such as soymeal and soya oil.

To increase value added, SF has diversified into manufacturing soya-based products including tofu and soya ice cream. SF owns a factory close to its farms. SF's sales of tofu have been successful since it was launched in 2010. SF has developed its branding and sells tofu to independent retailers and a national supermarket in country B.

Flexible employment contracts

Core workers, who are employed on full-time permanent contracts, include mechanics, farm labourers and machine operatives. Labour turnover is low.

Most employees, however, have flexible employment contracts which include temporary or zero-hour contracts. These employees are unskilled and receive limited training. All employees on flexible contracts are paid the same hourly wage.

Market conditions and sales forecasting

The market for soya and maize is competitive and SF has to accept the price set in the market in country B. Output can vary significantly each year because of the weather and this affects the market price. Country B currently imposes tariffs on all imported agricultural commodities, including soya and maize. Processed food imports also have a tariff of 10%.

There is a growing market for non-dairy products in country B. In 2015, SF launched Sosoy Ice Cream as a premium non-dairy ice cream. SF's marketing department is responsible for forecasting sales and makes use of industry market reports, its own market research and quantitative techniques such as time series analysis. Table 1.1 is an extract of sales data for Sosoy Ice Cream. The marketing department is using it to forecast sales for 2024 and 2025.

Table 1.1 Sosoy Ice Cream selected sales data by volume (000 litres)

Year	Quarter	Sales volume	Centred quarterly moving average
2022	3	29	22.75
	4	20	23.00
2023	1	16	23.75
	2	27	**See Q3(b)**
	3	35	26.00
	4	24	
2024	1	20	

SF does not yet export any manufactured products. However, SF's latest SWOT analysis highlights opportunities to sell its food products in neighbouring countries. The Marketing Director has recommended that SF export Sosoy Ice Cream to country D.

Factory operations nearing capacity

With the increasing sales of Sosoy Ice Cream, tofu and other soya products, capacity utilisation is a problem as it is above 90%. The factory already operates three shifts a day to fulfil demand. SF's Managing Director is considering whether to expand capacity to meet forecast demand. He believes there are two viable options:

- invest in the latest technology to automate production in the existing factory
- outsource production of Sosoy Ice Cream.

Table 1.2 provides details of the investment appraisal for automating production. SF sets a minimum ARR for investments of 20%.

Table 1.2 Investment appraisal data

	Net cash flow ($m)
Year 0 (capital cost)	(3.0)
Year 1	0.3
Year 2	0.5
Year 3	0.8
Year 4	1.0
Year 5	1.1
Year 6 (Including residual capital value of $0.5m)	1.7

Quality problems

SF uses quality control inspectors to check final products meet quality standards. The factory manager is concerned about a rise in the proportion of soya ice cream and tofu rejected by inspectors in the last year. She has discussed this with directors, who have decided to implement total quality management (TQM) at SF.

International trade

The cost of key inputs such as fertiliser and energy has risen recently, increasing pressure on SF to raise prices to customers. SF imports fertiliser into country B from country D.

The government of country B has negotiated to join a zero-tariff international trading agreement, the NFTA. The NFTA is a trading bloc of seven countries including country D and other neighbours of country B. The members are high-income countries and include one of the largest producers of soya in the world. The government argues that joining the NFTA will raise living standards and agricultural efficiency. Country B will join the NFTA in January 2025.

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