**Assessment Type 1**: Folio Task 1

**Assessment Design Criteria**: U1, Ap1, A2

**Task Description:** Media Analysis – Supervised Task – Primary Products

**Purpose**

For students to show their understanding of market concepts in relation to a primary resource (such as coffee, sugar, cocoa) markets. Students apply their understanding of concepts such as scarcity and choice in markets. Students suggest the likely consequences for stakeholders of economic decisions in the market.

**Description of Assessment**

Students may be provided with a stimulus articles to read prior to the assessment. During the assessment, students will respond to short answer and extended response type questions. Students support their responses with economic models where appropriate.

**Assessment Conditions**

This is a supervised activity. Students are given 5 min to read the stimulus materials. They have 40 min to complete the assessment. Students are provided with any additional stimulus materials that may aid in their understanding of the topic (eg articles that provide further information) prior to the assessment.

**Assessment Criteria**

|  |  |
| --- | --- |
| U1 | Understanding of economic concepts in a variety of contexts. |
| Ap1 | Application of economic concepts, principles, and models in known and unknown contexts. |
| An2 | Analysis of the intended and unintended consequences of economic decisions for stakeholders. |

**Assessment Type 1**: Folio Task 1 – Supervised Task

**Time Allowed:** to be completed under timed conditions - 45 minutes allowed

# Supervised Task – Media analysis of primary products

Read the following extract and answer the questions below:

**You can’t have chocolate without cocoa**

If the world wants chocolate products in the future, action is needed now to ensure sustainable growth in the cocoa market. The demand for chocolate products is expected to increase substantially in coming decades especially in new markets such as India and China.

The Ivory Coast and Ghana together produce about 65% of the annual global output of cocoa. Approximately 90% of global cocoa production is grown on small farms. Cocoa is a cash crop for farmers but despite this it is estimated that 70% of cocoa farmers live in poverty.

Most demand for cocoa comes from chocolate producers but the price paid for cocoa is a small percentage of the final price of chocolate products. Chocolate production is dominated by a few large multi-national corporations.

Source: adapted from articles available online from Confectionery News and The Conversation

1. Complete the demand and supply diagrams below to show the expected future changes in the following markets. Indicate effects on price and quantity traded.

Market for cocoa

Market for chocolate products

2. “Whilst the price elasticity of demand of chocolate products for some individual consumers might be elastic, the price elasticity of demand for the chocolate market is likely to be inelastic.” Present a case to support or oppose this statement.

3. Identify the likely price elasticity of demand for cocoa. Justify your response.

4. With reference to the information provided, compare the market structure for cocoa farming to the market structure of chocolate production.

5 Explain how the predicted changes in the market for chocolate could impact on the market for cocoa and incomes of cocoa farmers. Support your response with appropriate diagram/s.

6 “The PED of chocolate products is likely to be different to the PED of cocoa.” Evaluate this statement with reference to examples.

Read the extract below and answer the questions that follow:

Cocoa production is, however, facing many challenges which could threaten longer term sustainability, such as:

* In 2017 global oversupply of cocoa led to a 58% decrease in the price of cocoa and despite a recovery in 2019 the price that cocoa farmers are paid for their cocoa is barely enough to cover costs. Many farmers rely on government financial support or overseas aid to prevent extreme poverty.
* Productivity is low because of factors such as a lack of capital investment, little or no research and development and ageing trees.
* Pests, extreme weather conditions and global warming threaten future supply potential.
* Cocoa farmers may choose to grow alternative crops that are more profitable.
* Cocoa trees need to be grown in specific rainforest conditions so new plantings may lead to more deforestation.

Source: (adapted from articles available online from Confectionery News and The Conversation)

7 (a) Explain how global oversupply would have led to a decrease in the price of cocoa. Include an appropriate diagram to support your response.

(b) Explain how the change identified in part (a) could impact on the future sustainability of cocoa farming.

8 The following recommendations have been proposed to ensure sustainability of cocoa production (refer to extract below).

Interest groups are planning to, or have started to put measures in place to try to ensure sustainability of cocoa production

* The governments of the largest cocoa producers, namely Ivory Coast and Ghana are planning to work together to try to secure a higher price for cocoa by exercising more influence over the global market and reducing risks of future oversupply
* These governments are also investigating ways of increasing the income of cocoa farmers by value adding into manufacturing, marketing and sales
* These governments as well as individual chocolate producers are investing in research and development, training programs for farmers and funding new capital investment
* These governments and chocolate producers are also assisting farmers with crop diversification to reduce the effect of price volatility.

Source: (adapted from articles available online from Confectionery News and The Conversation)

(a) The key interest groups have asked you to rank and assess the above measures. Select 1 or 2 that you believe are the most appropriate measures from the extract above, and provide a justification your selections.

(b) Explain the likely reason why 70% of cocoa farmers live in poverty despite cocoa being a ‘cash crop’.

**Performance Standards for Stage 1 Economics**

Please note: marks have not been allocated to this task; teachers can apply marks as required.

| - | Understanding | Application | Analysis |
| --- | --- | --- | --- |
| A | Perceptive understanding of economic concepts, principles, and models in a variety of contexts. | Highly effective application of economic concepts, principles, and models in known and unknown contexts.  Highly effective application of communication skills in an economic context.  Highly effective application of economic thinking to construct reasoned arguments. | Critical analysis of a range of economic data, models, and principles.  Critical analysis of the intended and unintended consequences of economic decisions. |
| B | Well-informed understanding of economic concepts, principles, and models in a variety of contexts. | Mostly effective application of economic concepts, principles, and models in known and unknown contexts.  Mostly effective application of communication skills in an economic context.  Mostly effective application of economic thinking to construct arguments with some reasoning. | Mostly critical analysis of a range of economic data, models, and principles.  Well-considered analysis of the intended and unintended consequences of economic decisions. |
| C | Competent understanding of economic concepts, principles, and models in a variety of contexts. | Competent application of economic concepts, principles, and models in known and unknown contexts.  Competent application of communication skills in an economic context.  Competent application of economic thinking to construct arguments. | Considered analysis of a range of economic data, models, and principles.  Considered analysis of the intended and unintended consequences of economic decisions. |
| D | Basic understanding of economic concepts, principles, and models in a context. | Basic application of economic concepts, principles, and models in a context.  Basic application of communication skills in an economic context.  Basic application of economic thinking to construct one or more arguments. | Description with basic analysis of economic data, models, and principles.  Description of one or more intended or unintended consequences of an economic decision. |
| E | Awareness of some economic concepts, principles or models. | Attempted application of economic concepts, principles, and models in a context.  Attempted application of communication skills in an economic context.  Attempted application of economic thinking to construct an argument. | Attempted description of some economic data, models, or principles.  Attempted description of one intended or unintended consequence of an economic decision. |