

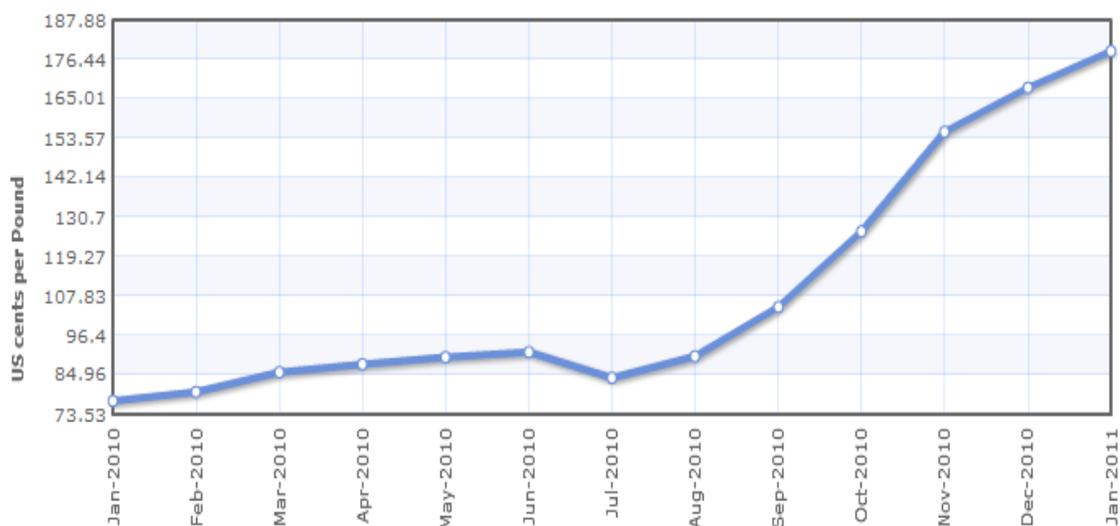
Edexcel GCSE Unit 2: Investigating Small Business

Controlled Assessment Task - September 2010 - May 2011

Exemplar Material and Commentary TASK 5

Cotton:

The commodity cotton is one of the most well know and appreciatively used fabric materials in the world. Its growth and production is currently recognised as one of the most relied on methods of income throughout the whole of the west and eastern areas of the globe. \$120 billion of US business revenue is stimulated by cotton and China is its largest producers and consumers, accounting for 29% of the world's production and 43% of the use of milled cotton. The production of cotton is used for quite a range of products such as clothing, furnishing and other industrial products. Due to such a high demand for the fabric substance the cost of cotton has constantly been on an increasing scale. However in recent years the price of this commodity has dramatically risen on a scale far above a 50% increase as demonstrated in the graph below and there is more than one or two reasons for this, in fact there are several.



As you can see in the graph above, cotton prices have been on the vertical increasing scale from July to January. This is a large growing concern for people all over the world. Not only does it affect the public and their demand for the use of cotton products but it also affects the companies who produce and sell the product. As prices increase customers begin to shy away from the thought of buying cotton and choose to seek out more cheaper and efficient fabrics to use on a day to day basis. On average 64% of cotton is used for clothing, 28% is used for furnishing and 8% is used for industrial products. If the cost of cotton increases even more these numbers will inevitably drop to extremely low percentages. This affects the cotton industry on a massive scale and will consequently make the cost of cotton rise even more due to the need for an even higher income for farmers and production mills.

The grain prices of cotton have increased by an enormous scale over recent years leading to a substantial decrease in its production. As grain prices increase farmers tend to stray away from investing in the growth of the product, thus they decide to choose a much cheaper option that will still sell at a high selling point, and as a result gives them a higher income. US farmers planted 10.54 million acres of cotton in 2007, which is a 30% decrease from the previous year. As the years

have followed the pattern has occurred that this decrease has become more of a common factor towards the growth of cotton, as its growth numbers have gotten smaller and smaller. Other substances such as corn and soybeans are now becoming a huge threat towards the growth of cotton. Due to their cheap grain price and reasonable selling point farmers all over the world have begun to switch to these more financially recommend commodities. If the price of cotton grain increases so does the demand for its unique substance as less of it is being grown and produced for the public to buy. This means companies will lose a lot of income and will be forced to increase their cotton prices even more to get their money back.

In recent years it has been world widely approved that all economies should seek for a more environmentally friendly future. Most governments and eco-friendly advisors have strongly assured and advised that farmers should begin to invest in the growth of bio-fuels to make a strong contribution to our attempt to make the world a much more eco-friendly environment. As the world begins to run out of natural resources such as crude oil and other fossil fuels, the search for new ways to power the globe becomes a much higher priority than the growth of materials like cotton, thus the substance is pushed aside quite easily for the exchange of newly approved bio-fuels. As more and more farmers advance into the bio-fuel industry in exchange for the growth of other resources, the production levels of commodities such as cotton suffer on a massive scale and thus their demand becomes greater and their prices increase.

Climate change is a huge contributing factor towards the recent decline of cotton growth and the increase in price. Due to the theory of global warming and the increase in temperature around the earth's atmosphere, the different climates across the globe have fluctuated on a dramatic scale. As a result of climate change many natural hazards have occurred worldwide such as droughts, flash floods, hurricanes, twisters' earthquakes and tsunamis. These unfortunate natural occurrences come with many negative and violent consequences, environmentally and financially. Not only do the high majority of these completely destroy precious space needed for the growth of products, but they also destroy most of the produce that are currently in the process of growth at the time. This becomes a major setback for most farmers and takes a huge chunk of money out of their profit margins, plus there becomes a ridiculously large decrease in the production of products such as cotton, meaning demand rises and as a result so does their cost. Furthermore, many long term disadvantages are created by these natural disasters, land that was once used takes years and years of care and looking after before it can be fertile again and able of being put to good use. Many roads and transportation methods are constantly being destroyed by these hazards and some take at least 2 years to repair, as a result of this the ability to transport goods from country to country becomes much more difficult and complex, this also reduces the rate of production for resources such as cotton and thus the cost increases even more.

Many competing fabrics such as polyester have been placing a lot of pressure on the shoulders of the production companies of cotton over the last decade or so. Polyester is classed as a much more durable and consistent fabric in comparison to cotton, yet cotton is still produced on a much larger scale. Due to this, many companies have begun to shift towards different cotton/polyester blends because of their better durability and easier maintenance. This puts strain on the individual cotton growth production companies as the blend of two materials means less cotton is used in its own production mills causing a higher demand again for pure cotton and making prices creep higher.

Cotton based textiles and clothing industry employs over 25 million workers directly and over 36 million have been employed in allied sectors. The import and export of cotton are the two key driving factors towards to great income that the cotton industry brings into different countries. However, as the cost of cotton increases, many companies choose to invest in different fabrics and products to import and export as the expense of buying and exporting cotton may cost far too much for the company to make a profit, thus the demand for cotton increases and the cost increases even more. If more companies chose to export and import different materials in exchange for the high

prices of cotton, prices will have to take a giant leap up to try and gain a reasonable enough profit and to keep the industry going strong.

As the different countries across the globe begin to develop there is a great fluctuating change in economy across the world. As different economies increase and decrease on a regular scale so does the price of the individual products it sells to its public on a massive scale. Cotton is a prime example of this. The product is sold in almost every country in the world and as economy rates change the prices of the commodity will also undergo a vast number of price changes. As economies are always increasing and decreasing at a constant rate it means that cotton will also follow the same pattern and change and vary from country to country and economy. This has a massive impact on the cost of exporting and importing goods between two countries with very large margins between the sizes of their economy rates. This means that the price of the commodity can either not benefit at all or benefit on a great scale due to the change in value of the commodity from country to country, thus either increasing or decreasing the demand and cost of cotton.

I believe the most significant factor causing changes in the price of cotton over the last 12 months is the increase in price of cotton grain. I believe this because the cotton grain is the primary source of the whole industry; it's where the entire process of producing the product begins. If the cost of the primary source increases; in this case cotton grain, then more and more farmers will choose not to grow and invest in the commodity, as they will have doubts that it will not give them enough profit. Profit is the most important factor to any business, if you don't gain a profit there would be no point in even running one. You'd just lose money. So as the cost of cotton grain increases, it only makes sense that more and more farmers choose to invest in a completely different substance with a lower price and much better income rate in exchange for the recent high cost of cotton grain. If cotton grain increases in price then farmers do not invest in the cotton industry, as a result of this there becomes a dramatic decrease in the amount of cotton going through the production system, thus less cotton products are created and provided to the public. This creates a massive up raw across the world for the demand of the commodity and as an overall result the prices of cotton sky rockets as more people request it unique qualities.

Commentary

Below is a summary of marks for each of the assessment criteria.

Research

The candidate has carried out some useful research from more than one source. For this activity it is advisable to provide evidence of the change in price at the outset. This candidate does this. The research is interesting, indicating that the price of cotton has increased significantly over the past 12 months (and particularly the past 6 months). This is potentially an interesting area for investigation. There must be reasons behind this rise in price of cotton. There is evidence of reference to other sources throughout the piece. This is enough to move the Research marks into band two. However, the descriptor makes reference to 'selectivity and focus', and here the candidate does less well. Some of the observations appear to be assertions, rather than being based on actual research. For example, in paragraph 5 the candidate indicates that climate change is a factor causing the price of cotton to increase. There is no real evidence to back up this observation. Indeed, it is questionable as to extent to which a process as broad as 'climate change' can explain the sudden increase in the price of cotton in 2010.

The Research in this investigation does not represent 'good selectivity' and therefore cannot be in the 7-9 band. It was judged to be at the lower end of the 4-6 band as it does show evidence of research from more than one source, but with limited selectivity.

Mark for Research = 4/12

Presentation

The investigation is presented using a 'limited range of methods' only. A chart is provided to illustrate the rise in price of cotton. This is effective presentation. However, the rest of the piece relies on continuous prose. No further charts or graphical techniques are used to present information. The candidate could have used quotes from sources, or annotated the actual chart as methods of presenting information in a more detailed manner. There is some simple evidence of 'attention to detail' as paragraphs are used, including concluding paragraph.

Mark for Presentation = 4/8

Analysis

The candidate offers some simple analysis of the issues, but this analysis is not always of the actual research data. For example, in paragraph 4 they suggest that as pressure grows on countries to use land to produce bio-fuels, rather than other commodities, then so the price of such commodities is forced up. This is fair analysis of the issue, but is not based on any research data and is rather generalised rather than being focused on cotton. If they had provided evidence of the falling amount of land devoted to producing cotton, and linked this in some way to the changing price of cotton from 2010-11, then this would offer good opportunities for analysis. To score 4+ marks, Analysis must be based on the actual data/information researched. Quality of Written Communication (QWC) is reasonable but is not always strong and this was taken into account when choosing where to place this piece within the agreed band.

Mark for Analysis = 4/12

Evaluation

A conclusion is provided, but this is not fully justified. The candidate suggests that the main cause of the rise in price of cotton is the price of cotton grain. They state in simple terms without any reference to supporting data. To demonstrate skills of Evaluation the candidate could have researched different possible causes of the rising price of cotton, before using their Analysis to arrive at a reasoned conclusion. This might involve weighing up the relative impact of different factors on the price of cotton. The candidate could have considered why higher prices for cotton grain is a more significant factor than, say, higher levels of demand by textile producers.

Evaluation requires candidates to think originally and creatively about their research and their findings. It is not something which can be achieved in a simple, formulaic manner. Providing a conclusion in itself is not enough to award high marks for Evaluation. Is it balanced? Is it based on Analysis? Does it demonstrate some original thinking? Has the candidate thought about the 'it depends' rule?

Note that the part of the assessment criteria which requires, 'suggestions for improvements', is not appropriate for this particular investigation title.

Mark for Evaluation = 3/8

Total mark = 15/40

The candidate could have improved their mark by:

- Identifying 3-5 specific sources of information that help to answer the question. The price of cotton started to rise sharply from July 2010 onwards. Research at least one piece of information to explain this increase. For example, was supply affected due to bad harvests, poor weather, labour shortages, etc.? Or was the growth in demand from textile producing countries the reason. From this they could have isolated a maximum of 3 factors driving the price of cotton and analysed and evaluated these.
- Stating clearly the source of each piece of research. Use footnotes to reference these sources.
- Presentation - use sub-headings to organise findings into distinct sections.
- Analysis - explaining how each piece of research data helps to answer the title of the investigation.
- For Evaluation the candidate could have considered the three different reasons for the rising price of cotton identified before justifying which reason is most important for the period in question.
- Reading the final piece carefully for careless spelling, punctuation and grammar.