

**Internal Assessment Resource**

Agribusiness Level 3

This resource supports assessment against Achievement Standard 91865

Standard title: Analyse future proofing strategies to ensure long term viability of a business

Credits: 4

Resource title: Don’t cry over spilled milk!

**Resource reference:** Agribusiness 3.8B Version 1

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| This resource:* Clarifies the requirements of the achievement standard
* Supports good assessment practice
* Should be subjected to the school’s usual assessment quality assurance process
* Should be modified to make the context relevant to students in their school/kura environment and ensure that submitted evidence is authentic
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| Date version published by Ministry of Education | December 2017 Version 1To support internal assessment from 2018 |
| Authenticity of evidence | Teachers must manage authenticity for any assessment from a public source, because students may have access to the assessment schedule or exemplar material.Using this assessment resource without modification may mean that students’ work is not authentic. Teachers may need to change figures, measurements or data sources or set a different context or topic to be investigated or a different text to read or perform. |

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Teacher guidelines

The following guidelines are supplied to enable teachers to carry out valid and consistent assessment using this internal assessment resource.

Teachers need to be very familiar with the outcome being assessed by the achievement standard. The achievement criteria and the explanatory notes contain information, definitions, and requirements that are crucial when interpreting the standard and assessing students against it.

**Context/setting**

This activity requires students to comprehensively analyse future proofing strategies to ensure long term viability of an identified dairy farm business.

The current damaging period of low dairy incomes and the new regulations for the environment require careful management of risk to ensure long term viability of a dairy farm business.

Before beginning this assessment, you will need to provide opportunities for the students to gain understanding of:

* The primary industry and a range of agribusinesses
* Future proofing strategies in Aotearoa/New Zealand
* Future needs of a business

You may want to consider a visiting speaker who works in the chosen business for further understanding, or providing a case study.

**Conditions**

Where a group approach is used, the teacher needs to ensure that there is evidence that each student has met all aspects of the standard.

A student can present their information in a format of their own choice. For example, written paragraphs, tables, graphs, videos and/or diagrams, which could form part of a poster, slideshow, a blog or website. You may want to give students guidance on the appropriate style and format for their findings. This achievement standard does not assess format or style.

As a guide, the assessment should reflect approximately 40 hours of teaching, learning and assessment in and out of the classroom.

Conditions of Assessment related to this achievement standard can be found at <http://ncea.tki.org.nz/Resources-for-Internally-Assessed-Achievement-Standards>

**Resource requirements**

Access to the Internet and to relevant sources of information.

**Additional information**

If you are choosing an agribusiness context for this assessment, there is no expectation to cover all seven primary industries.

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Student instructions

**Introduction**

This assessment activity requires you to analyse future proofing strategies to ensure long term viability of an identified dairy farm business.

You are going to be assessed on how comprehensively you analyse future proofing strategies to ensure long term viability of a dairy farm.

Teacher note: Insert due dates and timeframes

**Task**

The current damaging period of low dairy incomes and the new regulations for the environment require careful management of these risks to ensure long term viability of a dairy farm business.

You need to respond to the following:

* Identify the future needs of the dairy farm.
* Thoroughly explain future proofing strategies that the dairy farm could use to ensure long term viability.
* Recommend the strategy that best meets the future needs of the dairy farm.
* Evaluate and justify the best strategy that meets the future needs of the dairy farm ensuring long term viability.
* List any sources you have used.

You may choose how you are going to present your work; however, it should be no longer than 2000 words. Discuss options with your teacher.

Assessment schedule: Agribusiness 91869 – Don’t cry over spilled milk!

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| **Evidence/Judgements for Achievement** | **Evidence/Judgements for Achievement with Merit** | **Evidence/Judgements for Achievement with Excellence** |
| The student analyses future proofing strategies to ensure long term viability of a dairy farm business.In their presentation, the student:* explains some future proofing strategies that a dairy farm business could use to ensure long term viability.

**For example: (partial evidence)**Possible future proofing strategies that can be implemented in a dairy farm business are:Economic.* Reduce operating costs to below that of competitors, such as by improving pasture management to reduce feed costs.
* Lock in interest rates, so go to a fixed rate rather than a floating interest rate on debt.
* Accept fixed price milk contracts to lock in a milk price that you are happy with.
* Consider injections of new capital to invest in productivity improvements such as diversification of revenue streams or improving debt / equity balance.

Environmental.* Ensure that fertiliser and effluent systems are at the required standard and meet the new environmental specifications of the local and regional government for nitrogen levels.
* Mitigate methane emissions by reducing livestock numbers, or by using a vaccination, or producing low methane emitting livestock.

*The examples above are indicative samples only.*  | The student analyses, in-depth, future proofing strategies to ensure long term viability of a dairy farm business.In their presentation, the student:* explains what the future needs of the dairy farm business are
* explains thoroughly some future proofing strategies that the dairy farm could use to ensure long term viability
* recommends the strategy that best meets the future needs of the business.

**For example: (partial evidence)**In addition to the evidence for achieved:The future needs of a dairy farm business are:* To ensure long term viability.
* To be able to trade out of low price periods rather than inject capital.
* To minimise environmental impacts.
* To make a profit.

Possible future proofing strategies that can be implemented in a dairy farm business are:Economic.* Reducing operating costs to below that of competitors, such as improving pasture management to reduce feed costs. In the current dairy climate, operating costs are higher and increased farm scale has not led to increased operating efficiency. Farm operating costs in 2005-2006 were $2.66 per kg milksolids, which has increased to $4.33 in 2013-2014. Black Oak Farms need to reduce costs down to about $3 to become competitive with overseas competitors.
* Lock in interest rates, so go to a fixed rate rather than a floating interest rate on debt. By fixing interest rates on the majority of debt means that the farmer knows what they need to pay and are able to pay for it at these rates. If the farmer is on floating, they are fully exposed to interest rate increases that usually take effect immediately. So a moderate increase can be disastrous for farmers with high debt. A 2% increase would be 40c per milk solid and increase debt servicing of 35%.
* Accepting fixed price milk contracts - lock in a milk price. Farmers that can lock in the milk price are able to have a consistent income and therefore can budget and allow for that price. This means that they can assess and manage the risk of price changes and can defer the possible impacts of the market changes, allowing time to plan, respond and / or adapt.
* Look at injections of new capital to invest in productivity improvements such as diversification of revenue streams or improving debt / equity balance. The farmer may need to look at these options. There are plenty of domestic as well as overseas investors that the farmer may be able to attract by ensuring that they have a strategic plan, and detailed financials.

Environmental.* Ensure that fertiliser and effluent systems are at the required standard and meet the new environmental specifications of the local and regional government for nitrogen levels. This is important as both New Zealand’s export markets and our local communities want to be reassured that dairying is not having adverse impacts on the environment. Consumers may stop buying our milk products if this occurs.
* Mitigate methane emissions by reducing livestock numbers, or by using a vaccination, or producing low methane emitting livestock. This is an issue that is becoming more important to New Zealand’s customers, so we need to plan for the future of low emitting livestock.

All these strategies are required to ensure that Black Oak Farms are future proofing their businesses. However, the future proofing strategy that best meets the future needs of the dairy farm and ensures long term viability is to reduce operating costs, such as improving measures to improve pasture management to reduce feed costs.*The examples above are indicative samples only.* | The student comprehensively analyses future proofing strategies to ensure long term viability of a dairy farm business.In their presentation, the student:* evaluates and justifies the best strategy that meets the future needs of the business and ensures long term viability.

**For example: (partial evidence)** In addition to the evidence for achieved and merit:The future proofing strategy that best meets the future needs of the dairy business and ensures long term viability is to reduce operating costs, such as improving pasture management to reduce feed costs. Some farmers have moved from this to high input feeding and this can increase costs. New Zealand has a competitive advantage because of ideal grass growing conditions so the farmer can reduce costs of production by focusing on maximising the pasture harvested per hectare rather than purchasing expensive supplements. By not using brought in feed such as palm kernel extract the farmer is not only lowering costs but also reducing environmental impacts from deforestation and the associated transport costs. Low input pasture systems also have the potential to reduce nitrate leaching.Reducing operating costs to the future needs of a dairy farm business will:* Ensure long term viability. By reducing costs so low price periods will not have as much of an impact on profitability. This also means that New Zealand dairy farmers have an advantage over their competitors and are therefore able to continue selling their milk products overseas for a profit.
* The farmer will be able to trade out of low price periods rather than inject capital. By reducing costs, less debt is accumulated. If they had to use extra capital funding, the farmer may incur more debt and higher interest costs.
* By meeting environmental specifications especially with fertiliser and effluent application the farmer is less likely to be fined for breaching local environmental bylaws.
* Fencing and planting waterways will reduce erosion and nutrient runoff, which will reduce phosphate and other contaminants in waterways.
* Make a profit. The dairy farmer farms to make a profit. Reducing costs ensures that the farmer spends money on only the important and necessary costs and not on unnecessary items. The farmer must stick to their budget and if the payout price goes higher than what the farmer had budgeted for, then they should bank it and/or pay off debt.

The use of this strategy will see the farmer continue to sell milk products in the future. *The examples above are indicative samples only.* |

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the Achievement Standard.