NEWS ARTICLE

Avocados are dropping in price — great news for some, lousy for others

ABC Rural
Ashleigh Bagshaw
Tuesday 15th June 2021
https://www.abc.net.au/news/rural/2021-06-15/huge-avocado-supply-means-better-prices-for-consumers/100208446

A recent drop in avocado prices may help relieve some of the guilt you feel about splurging on smashed avo on toast at a Sunday brunch when you ought to be saving money.
Peak industry body Avocados Australia's online retail pricing report has listed the price of an avocado at about $1 each in major supermarket chains across the country.
Chief executive John Tyas said there had been a significant increase in avocado production and supply, pushing prices down.
"Compared with last year, we're going to [see] … 65 per cent more Australian avocados harvested this year," he said.

Tough market for growers

While that was great news for consumers, it could mean problems for growers. Tim Keogh, owner of MMM Mangoes and Avocado's near Rockhampton in Central Queensland, said the increase in supply would hurt growers.
"It's pretty tough at the moment in terms of price, just because of a huge supply that's come into the market," he said.
"This season we've probably had the biggest crop we've ever had within our trees and I'm sure that's right across the board.
"Everyone's having a big season."
Mr Tyas said demand for avocados had not quite matched up with the sheer volume of product available this year.
There were, he said, a few factors at play leading to reduced levels of demand:

- The pandemic had led to cafes and restaurants within the major cities periodically going into lockdown
- More people were choosing to eat at home
- There was generally a natural dip in the numbers of avocados consumed during cooler months

ARTICLE ANALYSIS 1A - QUESTIONS

Q1. Using the demand and supply model, explain and illustrate graphically, why writer 'Ashleigh Bagshaw' is suggesting that, 'drop in Avocado's prices is good news for some and lousy for other'.

Hint: Make sure you discuss the equilibrating process, and clearly outline the assumptions in discussing the factors causing change in price and quantity.

(6 marks)

Q2 (a). Assume avocados are sold in a perfectly competitive market and firms are making zero economic profit. Explain and illustrate graphically, the effect of decrease in market price on the short run position of a single firm selling avocados.

(Hint: Make sure your graph includes the firm's demand curve, marginal revenue curve, marginal cost curve and average total cost curve and also explain the profit maximising position of a firm)

(6 marks)

Q2 (b). Based on the short run position identified in Q2 (a) explain and illustrate graphically effect of entry/exit on the long run position of the firm.

(Hint: your answer should include graphs for both market as well as individual firm.)

(4 marks)

Your assignment will also be assessed on how effectively you can communicate with the reader, i.e. how well you have presented your arguments and ensured your analysis is logical and consistent. In addition, 2 marks will be awarded for correct grammar, referencing and formatting. Importantly, make sure you use appropriate diagrams in your analysis.