

SYLLABUS REFERENCE 1.1 (In Class Worksheet)
Demand+Supply : Some Problems

Webnote 115

Task1/Table 1:

Supply of Coffee: what are the effects of the following events on the supply of coffee in Duesseldorf ?

What are the effects of the following events on the market for coffee? (Answers need only show changes in prices and quantity.)

Effect: how is the market affected? Use a diagram. Show full effect of events 1-12: P/Q or

- (1) 'fair trade' causes increased costs for suppliers of coffee
- (2) workers on the coffee plantations demand higher wages
- (3) Rise in the price of production substitutes e.g Tea.
- (4) Poor technology means crop is packaged at a higher cost
- (5) Rise in the price of sugar (consider sugar a strong complement)
- (6) Tea firms launch successful advertizing in schools.
- (7) Change in taste away from coffee.
- (8) government raises taxes on coffee
- (9) research shows that coffee is bad for health
- (10) Coffee retailers collude in Duesseldorf
- (11) Rise in the price of substitute (same market) goods
- (12) government provides subsidies to coffee procucers

Answers Task 1:
see answers in schoology

Task 2/Table 2: Demand + Supply schedule for Coffee industry

price	q demanded	q supplied
10	155	0
15	130	50
20	110	80
25	100	100
30	90	125
35	75	140

Answers Task 2

- 1. draw the market for coffee.
- 2. what is the clearing price?
- 3. Why is the clearing price important?

Answers Task 2

Task 3 Supply + Demand: draw each statement below with a simple supply and demand diagram to show the market price and quantity for:

- 1. market for world oil before and after the outbreak of war in the Middle East.
- 2. black market for tickets prior to a world cup football final
- 3. market for potatoes at a large outdoor market with 200 sellers offering the same product. Assume supply is fixed on any particular day of the market.
- 4. market for 'I' phone 4 before and after the announcement of technical problems with the product.
- 5. what is a black market? (write a brief explanation)
- 6. market for air travel in Europe before and after the arrival of Ryanair into the market
- 7. market for wind energy after the government announces subsidies for the industry