

SYLLABUS REFERENCE 2.3 (In Class Worksheet)
Demand+Supply : Some Problems

Webnote 215

Task1/Table 1: Market for Coffee: what are the effects of the following events on the market 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