

The Coffee Crisis

Supply, Demand & Price in a Real-World Market

Name: _____

Date: _____

Grade: ____ / 100

Project Overview

You've just finished Unit 2 — Consumer Behaviour & Decision-Making. This project asks you to use those tools (demand, supply, equilibrium, consumer and producer surplus, price controls, PED and its determinants) to explain a real market in your own words.

Read the short article attached to this handout: "The Coffee Market's Hot; Why Are Bean Prices Not?" (Economics by Example). It tells the story of how coffee prices FELL from the 2000s to the 2010s even though global demand ROSE. Your job is to explain why — and then evaluate the Fair Trade response using Unit 2 tools.

Choose Your Topic

You have two options. Pick ONE:

Option A — The Coffee Market (default — use the attached article as your source).

Option B — Pick Your Own Commodity — e.g., cocoa, lithium, avocados, matcha, olive oil, Yunnan coffee, bubble tea, lychee, electric scooters, rare earth metals, or a product you choose. Must be approved by your teacher before you start. You'll need to do your own research (at least 2 reliable sources).

My topic: _____ *Teacher approval (Option B only):* _____

Timeline — 3 Class Periods

When	What to finish
Day 1	Read the article · pick your topic · complete Sections 1–2 (Supply Story, Demand Story) with labelled diagrams · visit a café before Day 2 to fill in the Personal Anchor box
Day 2	Fill in the Personal Anchor box · complete Sections 3–5 (Combined Picture, PED, Fair Trade / Price Floor) with labelled diagrams
Day 3	Complete Section 6 (Your Verdict) and Section 7 (Reflection) · proofread · submit

Required Sections

Your report must have ALL six sections below, each clearly labelled. Write in your own words — do not copy sentences from the article. Hand-drawn diagrams are fine; label every curve, axis, and equilibrium point.

1 • The Supply Story (Unit 2 § 6)

Describe what happened to the SUPPLY of coffee between the 2000s and the 2010s.

- What did farmers in Vietnam, Brazil, and others do, and WHY?

- Was this a 'change in quantity supplied' (movement along) or a 'change in supply' (shift)? Why?

- Name ONE non-price determinant of supply from Section 6 that fits this story.

 **Draw your diagram here (minimum half-page):** *Supply shift only — label original S, new S, and both equilibria*

2 • The Demand Story (Unit 2 § 5)

Describe what happened to the DEMAND for coffee over the same period.

- Which non-price determinants of demand are at work here? (Income? Taste? Advertising?)

- Is coffee a normal good or an inferior good for most people? Defend your answer.

- The article mentions Starbucks' expansion. How does that connect to the Law of Demand?

 Draw your diagram here (minimum half-page): Demand shift only — label original *D*, new *D*, and both equilibria

Personal Anchor — Your Own Coffee Market

Before school or after school, walk to the campus café (or your usual coffee spot). Fill this in by hand with the real prices and your own answers — this part must come from you, not from a classmate and not from AI.

- Price of an Americano at the café you visited: ¥ _____
- Price of a Latte at the same café: ¥ _____
- Which do YOU usually order (or would order)? _____
- What is the MOST you would be willing to pay for ONE cup of your usual order? ¥ _____
- Your personal consumer surplus per cup (max WTP minus actual price): ¥ _____
- In ONE sentence, explain why YOUR consumer surplus would be different from a classmate's for the same drink:
 - _____
 - _____

3 • The Combined Picture — the Paradox (Unit 2 § 7)

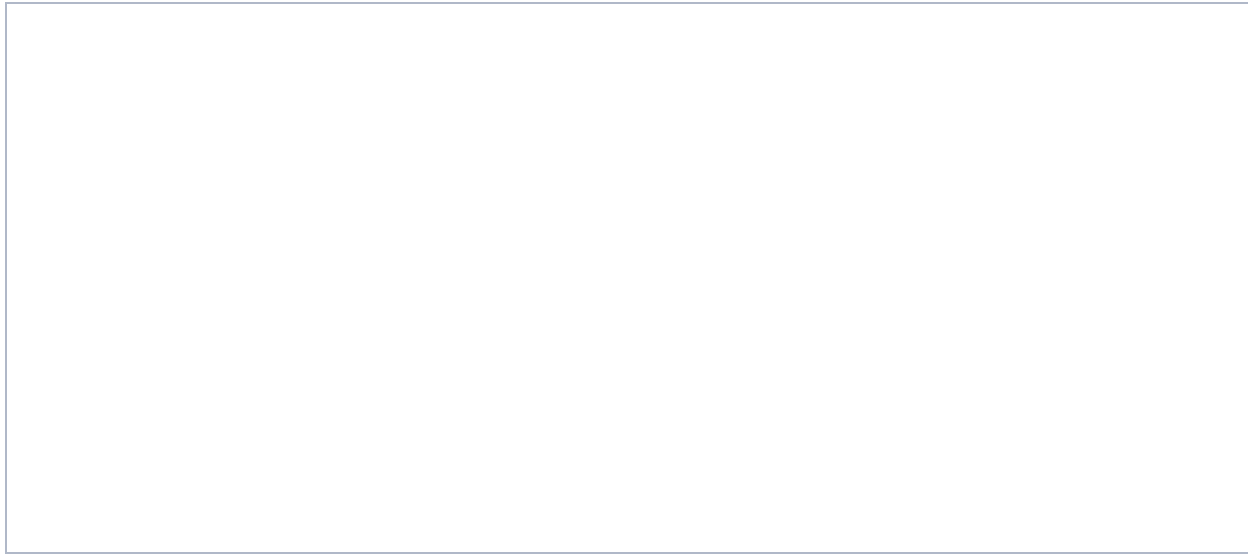
Now put it all together: demand ROSE and supply ROSE. Prices still FELL. Explain.

- On your combined diagram, which shift was LARGER — supply or demand? How can you tell?

- What happened to equilibrium PRICE? What happened to equilibrium QUANTITY?

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- In 2–3 sentences, state the "paradox" in your own words.
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 **Draw your diagram here (minimum half-page):** *Combined shift — both curves move. Mark $P_1 \rightarrow P_2$ and $Q_1 \rightarrow Q_2$ clearly*



4 • The PED Angle (Unit 2 § 10–11)

Coffee prices falling by half should trigger a huge jump in quantity demanded — but it didn't save the farmers. Use Price Elasticity of Demand to explain.

- Is demand for coffee more ELASTIC or more INELASTIC? Give TWO reasons from Section 11 (substitutes, necessity, proportion of income, time).
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- Use the Total Revenue Test: when coffee prices fell, what should have happened to farmers' total revenue? Did it?
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- If 25 million farmers in 50 countries saw incomes sink to below \$1.00/pound, what does that tell us about PED and the real-world impact of inelastic goods?
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5 • Fair Trade as a Price Floor (Unit 2 § 8–9)

The article says Fair Trade organizations sell coffee at prices HIGHER than the market price. That's a classic PRICE FLOOR. Analyze it with the Unit 2 toolkit.

- Why do suppliers (farmers) GAIN from a price floor? Show the gain on your diagram (shaded area).
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- Why do consumers LOSE? Show the loss.
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- What happens to total surplus? Is there a deadweight loss? Why or why not?
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- What happens to the quantity SUPPLIED vs the quantity DEMANDED at the Fair Trade price?
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 Draw your diagram here (minimum half-page): Price-floor diagram — label P^* , P_{floor} , CS and PS areas, surplus region, and DWL

6 · Your Verdict (½ page)

In 150–200 words, give YOUR reasoned opinion: Should coffee always be sold at a Fair Trade price? Use at least TWO Unit 2 concepts to defend your answer — don't just give an opinion. There is no "right" answer; the quality of your reasoning is what matters.

7 • Reflection (required — must be in your own words)

Answer in your own words, in COMPLETE sentences. This section is required and will be checked for authenticity, but is not scored on the main 24-point rubric. Short, honest answers are better than long polished ones. Do NOT use AI for this section.

- Which of the six sections above did you find the HARDEST, and what specifically confused you?

- Which Unit 2 concept finally 'clicked' for you while doing this project — and what made it click?

- What's ONE question about Unit 2 you still have after finishing this project?

What to Submit

Your completed handout, with ALL diagrams drawn (hand-drawn, in pencil or pen, with a ruler) and ALL seven sections filled in — the six analytical sections AND the reflection. The Personal Anchor box (café prices) and the Reflection section must be in your own handwriting; they will be spot-checked for authenticity. Report should be in YOUR OWN words. Quotes from the article may be used sparingly and must be in quotation marks.

Grading

This project is marked out of 100 using the rubric on the last page of this handout. Hand this handout in with your work — your teacher will fill in your score beside each row.

Grading Rubric · Total out of 100

Your teacher will mark each part of the project out of the points shown. Full points require ALL the elements listed in the "What earns full marks" column, with correct Unit 2 vocabulary, clear reasoning, and labelled diagrams drawn with a ruler.

Part of Project	What earns full marks	Score
1 · Supply Story (§ 6)	WHAT happened + WHY (incentive from high prices); correctly identified as a SHIFT not a movement; names one non-price determinant; labelled supply-shift diagram.	____ / 15
2 · Demand Story (§ 5)	Names TWO non-price determinants of demand; classifies coffee as normal/inferior with reasoning; connects Starbucks expansion to the Law of Demand; labelled demand-shift diagram.	____ / 15
· Personal Anchor (§ 4 CS)	Real café prices filled in (Americano + Latte); own usual order named; max willingness-to-pay given; personal CS calculated correctly; one-sentence explanation of why your CS differs from a classmate's.	____ / 5
3 · Combined Picture (§ 7)	States that BOTH curves shifted right; argues which shift was LARGER and HOW we can tell from the fallen price; identifies new P and Q; crisp 2–3 sentence paradox statement; combined diagram.	____ / 15
4 · PED Angle (§ 10–11)	Classifies coffee demand as inelastic; gives TWO determinants from § 11 (substitutes, necessity, proportion of income, time); correctly applies Total Revenue Test to explain falling farmer incomes.	____ / 15
5 · Fair Trade / Price Floor (§ 8–9)	Correctly identifies Fair Trade as a price floor above P^* ; diagram labels P^* , P_{floor} , CS loss area, PS gain area, deadweight loss triangle, and the $Q_s > Q_d$ surplus; explains both the gain and the loss.	____ / 15
6 · Your Verdict	150–200 words; uses at least TWO Unit 2 concepts (CS, PS, DWL, PED, surplus, elasticity, price floor) as evidence; acknowledges a trade-off rather than one-sided; reasoning — not just opinion.	____ / 15
7 · Reflection	All THREE questions answered in complete sentences, in own handwriting, in own words. Content not graded for	____ / 5

	correctness, but short/polished/AI-sounding answers lose marks here.	
TOTAL	<i>Sum of all eight rows above</i>	<u> </u> / 100

Teacher Comments