

Well here we are back with the part 3, and we'll continue with that. And, we're going to continue talking about a shift in the demand curve. This time our demand curve is going to shift to the left. And, that will mean that there will be less demanded at every price. And, some reasons for that to happen, one would be that there were fewer consumers. For example, with the United States was our complete market for coffee beans, and California were suddenly to pass a law that said that nobody can drink coffee anymore then, that would significantly reduce the amount of demand for coffee, and there would be less demanded at every price. If there was a significant decrease in income for the consumers, let's say for instance, the current recession has put a significant number of people out of work, and of course if that people are not working anymore then they're not going to buy nearly as many things, and we will find that demand is less at every price. Now there may be a change in taste for this item. For some reason people are less interested in purchasing this item, let's say for instance, that the United States Surgeon General comes out and says the coffee causes cancer and nobody should drink coffee and therefore, there would probably be some kind of a decrease in demand, and we would see less demanded at every price. There could be some kind of change in expectations of the consumers, that would cause them to not want to purchase as much, as stretching for an example, let's say that the weather's been extremely good and there's been a bumper crop of coffee and that consumers don't fear the supply of coffee so, they're not likely to go out and buy a lot of extra coffee, and we may see the demand for coffee actually decline so there'd be less demanded that every price. And then, finally, if there was a decrease in the price of the substitute item, remember we said earlier that it's possible that tea might be an equal substitute for coffee, and that if, the price of tea went really, really low then a lot of people who were drinking coffee might switch to tea and therefore, there would be less coffee demanded at every price. Now, we're going to take a look at the flip side of the coin, now we're going to look at constructing a supply curve. And again, we're going to start off with a set of data like similar to what we did for our demand curve, and this time we see at \$9 a pound, suppliers are willing to supply 11,000,000 pounds, \$7 9,000,000 pounds, \$5 6,000,000 pounds, \$3 3,000,000 pounds, and at a \$1 only 1,000,000 pounds of coffee are they willing to supply. Course we can connect those points with our curve and we would label our curve "S1" for the supply curve the first one in this analysis. Now couple things we noticed, we noticed that the curve moves to the right and upward which is the opposite of what happens with the demand curve. Now, we'll continue this discussion in part 4. Thank you.