

## Supply and Demand Poster

Congratulations on your purchase of this Really Good Stuff® **Supply and Demand Poster**—a kid-friendly reference for teaching supply, demand, how the two interact, and their effect on market price.

This Really Good Stuff® product includes:

- **Supply and Demand Poster, laminated**
- This Really Good Stuff® Activity Guide

### Displaying the Supply and Demand Poster

Before displaying the **Supply and Demand Poster**, make copies of this Really Good Stuff® Activity Guide and file the pages for future use. Or, download another copy of it from our Web site at [reallygoodstuff.com](http://reallygoodstuff.com). Hang the Poster where students will be able to see it easily.

### Introducing the Supply and Demand Poster

Review the meaning of *supply*, *demand*, *surplus*, and *scarcity*. Have students suggest other definitions for these words. Ask students to share an experience of wanting a certain item, but not being able to find it. All of them have probably experienced this at holiday time. Ask how long they continued to look, even though they couldn't find it. Discuss the frustration they felt, pointing out that we are often used to having everything readily available. Discuss the price of the item. Ask how much they would be willing to spend (or ask their parents to spend) if they found the only available one left.

Use the Poster to demonstrate how *supply* and *demand* influence *price* and good business decisions.

For example, you might say:

"In the winter, boys and girls get cold playing in the snow. Most want some hot chocolate to help warm them up. If you set up a stand nearby to make money, you would use what you know about what people want (*demand*) and be sure to have plenty of hot chocolate to sell (*supply*). Additionally, the *demand* for lemonade is very low during winter, so you would have to set a very low price in order to sell any. You can charge more for your hot chocolate, though, because there is higher *demand* for it."

"The opposite happens in the summer. Boys and girls get hot playing in the summer. Most want lemonade (*demand*) to help cool them off. So you want to stock your stand with lots of lemonade (*supply*). Very few people would want hot chocolate in the summer, so you would have to make its *price* very low in order to sell any. You can get a much higher *price* for lemonade, however, than you could in the winter."

Here's what to remember about how *demand* affects *prices*:

- Prices increase when *demand* is high.
- Prices decrease when *demand* is low

Discuss the word *scarcity*. Use the Poster to illustrate *increased demand* for a product and say something like:

"When many people want to buy the same thing, we say the *demand* is high. When there isn't enough for everybody to have one, we say there is a *scarcity* of that product. Eight people want lemonade, but you have enough to serve only two. That means that people are willing to pay more for what they want.

## Supply and Demand Poster

You can sell your two lemonades at a much higher price.”

Here’s what to remember about how *supply* and *demand* affect prices:

- When *supply* is low and *demand* is high, prices go up.

Discuss the next word, *surplus*. Use the *Poster* to illustrate *decreased demand*, and perhaps say: “You thought that most of those same eight people would want lemonade again, so you were sure to have a large *supply* of lemonade. But this time, only one person wants lemonade. Now you have too much. You have a *surplus* of lemonade. In order to try to sell it before the day’s end, you *decrease* the price, hoping that someone will change his/her mind to get a good deal.”

Here’s what to remember about how *supply* and *demand* affect prices:

- When *supply* is high and *demand* is low, prices decrease.

### **Supply, Demand, and Price Reproducible**

Copy and distribute the *Supply, Demand, and Price Reproducible*. Read the directions and have students read the first situation and decide if the supply changed; and if so, decide how it changed. Then tell students to decide if the demand changed; and if so, how it changed. Finally, instruct students to determine how the changes affected the price. Continue for the other three situations.

### **Answers:**

- 1) surplus, stayed the same, decreased, decrease,
- 2) scarcity, decreased, stayed the same, increase;
- 3) scarcity, stayed the same, increased, increase;
- 4) surplus, increased, stayed the same, decrease

### **Making Business Decisions Reproducible**

Copy and distribute the *Making Business Decisions Reproducible*. Tell students to use what they’ve learned about supply and demand to answer the questions. Remind them that the goal is to improve their ice cream businesses, and that they should make their decisions based on that premise.

### **Answers:**

- 1) strawberry, I should make strawberry flavor the largest part of my next order because that is the flavor that most people choose. If I want my business to succeed, I must supply what is most in demand.
- 2) chocolate, I should make chocolate flavor the smallest part of my next order because that is the flavor that the fewest people choose. If I want my business to be successful, I do not want a surplus of any flavor. A surplus will drive the price down, and I won’t make as much money.
- 3) vanilla
- 4) D, There is a demand for new flavors. If I don’t supply new flavors to meet the demand, my customers will go somewhere else that sells new flavors, and I will lose business. If I only supply one new flavor, that might not meet the demand of all of my customers, and I will lose some of my business. If I don’t supply the old flavors, some of my customers who like the old flavors will go somewhere else where they are offered, and I will lose some of my business.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### How Supply and Demand Affect Price

Read the following situations carefully. Decide if there is a surplus or a scarcity and circle the correct answer. Circle whether the supply and demand have increased, decreased, or stayed the same. Circle whether the price will increase or decrease.

1. Winter arrived and people were buying snowblowers. The stores had a large supply of snowblowers. Now spring is almost here and people want to buy patio furniture not snowblowers. The stores are still full of snowblowers. This is an example of (surplus, scarcity). What will happen to the price of these snowblowers?

Supply of snowblowers

increased  
decreased  
stayed the same

Demand for snowblowers

increased  
decreased  
stayed the same

Price of snowblowers

increase  
decrease

2. Crab fishermen came back to the harbor with nearly empty boats. There are very few crab legs in the grocery stores. Customers still want to buy crab legs. This is an example of (surplus, scarcity). What will happen to the price of crab legs?

Supply of crab legs

increased  
decreased  
stayed the same

Demand for crab legs

increased  
decreased  
stayed the same

Price of crab legs

increase  
decrease

3. The weatherman has predicted a blizzard for tomorrow. People rush to the stores to stock up on bread and milk. This is an example of (surplus, scarcity). What will happen to the price of bread and milk?

Supply of bread and milk

increased  
decreased  
stayed the same

Demand for bread and milk

increased  
decreased  
stayed the same

Price of bread and milk

increase  
decrease

4. Several new dentists have moved into town but otherwise the population hasn't changed and everyone already has a dentist. This will cause a (surplus, scarcity) of dentists. What will be the effect on the price of a dental check up?

Supply of dentists

increased  
decreased  
stayed the same

Demand for dentists

increased  
decreased  
stayed the same

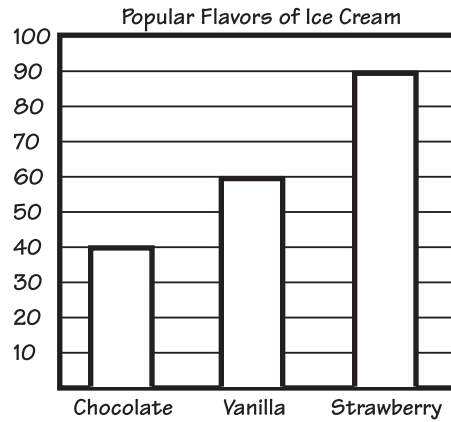
Price of dental checkup

increase  
decrease

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Making Business Decisions



You make your living by selling ice cream. Based upon the chart above, answer the following questions about your business. Use complete sentences when explaining your answers.

1. Which flavor of ice cream should be the largest part of your next order? \_\_\_\_\_

Why? \_\_\_\_\_

\_\_\_\_\_

2. Which flavor of ice cream should be the smallest part of your order? \_\_\_\_\_

Why? \_\_\_\_\_

\_\_\_\_\_

3. Which flavor of ice cream is neither the most nor the least favorite? \_\_\_\_\_

4. Some of your customers are asking why you only sell three flavors of ice cream. They tell you that they would like to try something new. What should your next order include?

- A. only the same three flavors
- B. all new flavors
- C. the same three flavors plus one new flavor
- D. the same three flavors plus several new flavors

Explain why. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_