Term Paper #1

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**Product (Coffee)**

There is a number of products and services that I use on a daily basis. Most of them are associated with my basic needs so that is why they are used on a routine based or every day. But the item that I like and use on a daily basis which is not highly associated with basic needs instead that is connected with the luxuriousness is the Coffee. I use Coffee almost every day as I prefer it over several other items like tea and juices. In addition to it, I am going to analyze this product because it is the products about which I consider myself having more knowledge about the things asked in the assignment. First of all, the market for this product is stable and exists in almost every corner of the world as Coffee is also is a luxurious product used by everyone who can afford.

**Factors influence Coffee Demand and Supply**

**Factors influence Coffee Demand**

Many factors are there that have a huge impact on the demand for Coffee products but it is a fact that priorities exist almost everywhere. Hence some factors are more important and crucial than others. It means that some factors have a higher influence on the demand for Coffee so the factors that have higher influence are;

Preference of Consumers of the Coffee and Taste it provides to them. This means that the demand would be higher if people or consumers prefer to use Coffee while the product ensures good and desired taste. Otherwise, the case would be different (MacCuaig, 2018).

**Income and Income Level of People**

The income level is the factors that almost influence the demand of Coffee the most because as high as the income level the demand would be similarly high and vice versa.

**Changes in the Prices of related products**

The demand also varies when changes in the related products come to see by the consumers. Like, if the prices of tea and other drinks goes higher then users would switch to coffee (MacCuaig, 2018).

**Costs and Number of Consumers in the Market**

The cost like production cost and advertisement cost etc. also influence the demand for coffee while the number of customer and consumers mattes highly. It means that the demand would be high if the costs are low that lead to lower prices and the number of users in the market are high.

The factors that influence the supply of Coffee the most are as follows.

1. The changes in the conditions like climate condition and weather etc. For example, the supply of hot coffee may be lower in summer and would be high in winters.
2. Inventory level or existing level of the coffee stocks with the company e.g. Starbucks that produce and sell coffee.
3. The number of producer and sellers of the coffee products in the market and industry (coffeehouses or chains).
4. The production and farming of coffee beans and other items used in the production of coffee and investments in coffee production (MacCuaig, 2018).

**Effect on the Price Equilibrium**

The factors listed above influence that demand and supply of coffee put enough impact on the Price Equilibrium of Coffee products. These factors affect and affected the price equilibrium in the following ways.

1. The companies or coffeehouses and chains such as Dunkin Donuts have changed their prices as per the preferences and income level of communities where they operate. In some regions, the companies have decreased the prices where the economic condition is not much impressive.
2. The price equilibrium is affected in a way that companies increase the prices when the costs go higher while they look for decreasing prices when the prices of alternate prices get down by competitors and when the number of customers goes lower.
3. Furthermore, the companies look to decrease the prices in the seasons where the demand of coffee decreases and prices goes high when the demand goes higher like the event of Christmas (Ghoshray, 2010).
4. Inventory and number of sellers affect price equilibrium in a way that prices are lowered when the number of sellers is more and companies have a huge amount of inventory at hand and vice versa.
5. The production of farming and investing in it by companies themselves e.g. Starbucks that invest in improving the farmers and farming of coffee affected the price equilibrium that the increase in such costs and investments lead to high and increase final prices of the coffee product.

**Changes in Demand and Supply in Future**

Based on my personal analysis and prediction as being a permanent and even loyal use consumer of coffee, I see that both demand and supply of coffee will be facing changes in the near future. These changes would be faced due to many different factors and forces. But the factors that may play huge and critical roles in these changes are but not only the following.

* The increase in the economic conditions of families and individuals at any time in the future while their spending patterns for the luxury items and products.
* The increase in supply may be seen if new competitors in the future entered the coffee industry and market.
* The increase in demand and supply is likely in the future because most consumers of coffee expect better quality coffee products while companies like Starbucks are aggressively investing in improving quality (Ghoshray, 2010).
* The offerings of new and substitutes products would also affect the demand (even inversely) in the future while the supply would be changed by the companies selling coffee products in the same way (MacCuaig, 2018).

**References**

Ghoshray, A. (2010). The Extent of the World Coffee Market. Bulletin of Economic Research, 62(1), 97-107.

MacCuaig, S. (2018). Up & Down: Supply vs. Demand Forces and the C. Retrieved 12 December 2019, from <https://dailycoffeenews.com/2018/11/26/up-down-supply-vs-demand-forces-and-the-c/>