



Supply & Demand

When students finish working through this section:

1. They will be able to identify how the laws of supply and demand affect their consumer experience.
2. They will have examined at least one example of how supply and demand effects production of a product.
3. They will have examined some of the ways advertisers use knowledge of supply and demand.

The laws of supply and demand play a role in the production and cost of every service or good. Students may be unaware that Christmas tree professionals consider the wants of future buyers when making decisions about what species to plant and how to cultivate that species for sale. They may also be unaware of how retailers tailor advertising to them (a highly sought after market) and that consumer offerings are often based on what sells ... in other words, if consumers buy, more will be offered and more similar products will be produced. This is true buying power and this age-group has a lot of it!

In this section, students will be introduced the laws of supply and demand pertain to the business of growing and selling Real Trees. While this is not meant to be an in-depth study of supply and demand, there are many things you can do to get their economic feet wet!

Possible Discussion Points/Activities:

- This is a great place to ask students to start to observe (and maybe even chart) their spending habits. They can take a look at where they buy, what they buy, and why they buy it. Discuss how their buying decisions are made. What factors influence them? They play a HUGE role in the market demand and most don't even know it!
- If you've had students chart their spending habits (and the dollars spent), you can ask them to put themselves in the place of a store owner. Ask them to think about how sales work ... if kids stop buying the newest CD at \$16.95 and there are many left in stock, the store will likely have a sale on that CD. The Cause/Effect chart found in this document may come in handy for this discussion!
- Older students, after gathering relevant information, can participate in small group negotiations about the price of a Real Tree (or other object) based on the supply and demand issues in your area.
- Ask students to print and complete the *Think Tank* assignment. This can be done as a whole class, in small groups, or as an individual activity. Discuss and share!
- Current events are great ties into the world of supply and demand as well. Ask students to watch the news (or read the paper) for signs of supply and demand at work. For example, in the last few months of 2001, the demand for American flags increased so dramatically that stores couldn't keep them on the shelves. (See *Exercise Your Mind!*)
- In addition to these ideas and the *Think Tank* questions, you may find it helpful to ask a local Real Tree grower to speak about supply and demand from his or her point-of-view. To find a grower near you, visit <http://www.realchristmastrees.org/>.



Words to Know in this Section:

- consumers: a person who uses a commodity (good) or service
- economist: an individual who studies the economy
- laws of supply and demand: The *law of supply* says that as the price of something increases, producers will produce or offer more. The opposite is also true ... if the price of something decreases, producers will produce or offer less. The *law of demand* says that as the cost of something increases, people will demand (or buy) less. The opposite is also true ... if the cost of something decreases, people will demand (or buy) more.
- manufacturers: individuals or businesses who make goods by and or machinery
- market economy: an economic system where buyers and sellers trade goods and services using the laws of supply and demand. In a market economy, both buyers and sellers play a part in deciding what will be available for sale and how much it will cost. The United States is an example of a market economy.
- Producers: someone who makes or manufactures

Read More Titles in this Section:

- *Neale S. Godfrey's Ultimate Kids' Money Book*
Neale S. Godfrey
- *The Everything Kids' Money Book*
Diane Mayr



REAL TREES 4 Kids!

The story and science of REAL TREE farming.



Grades 3-5 | Grades 6-8 | Grades 9-12

Supply & Demand Cause and Effect Chart

Use what you know about supply and demand to complete the chart.

Event	Possible Cause	Possible Effect
The local gas station lowers the price of its unleaded gasoline.		
Vinnie's Video, a favorite teen hang out, raises their price on soda, candy, and other snacks.		
CD Town has put some popular CDs on sale.		
The Boy Scouts are selling their holiday trees at lower price than another tree lot in town.		
Everyone in town seems to want a certain kind of holiday tree. They are hard to find and are more expensive than other types of holiday trees.		