

# Demand curve of banana after the flood



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The flood in Queensland happened in the end of 2010 until 2011; this disaster had a lot of impact on Australia economy. The article “ Queensland after the Flood: A Food and Travel Update” is talks about how the flood impact on the economy, especially in food industry and supply such as sugar cane, banana... The article also talks about how supplier and consumer deal with this happened and focus on travel issue in Queensland after the flood. The purpose of this report is to analysis demand and supply of foods and tourism industry increase or decrease after the flood and also to analysis elasticity and economic efficiency. And to analysis these issue the economic models/concepts being used is demand and supply curve.

The flood was a big disaster and had effected across Australia on the food industry and tourism industry of this country and there is many changes in demand and supply also changes in price of productions.

ï, Ÿ Firstly, in demand curve, after disaster the demand for banana increase due to price increase and quantity decrease

## **Demand curve of Banana after the flood**

Demand curve shows the willingness to pay for a product of consumer, the lower quantity the higher the price. There is five variables affect on demand are:

Price of relate goods: there is substitute is the goods can be used to replace another good in the market and complement is goods and services consumed together. For instance, apply can replace for banana

Consumer income: relate to normal goods such as clothes and inferior goods such as second hand product

Tastes or preferences: show the interest of consumer in a product and this is the point for consumer to decide whether buy this product or other product in the same industry.

Population and demographic: demand for goods and services increase when the population increase, demographic relate to location, age, gender and family size of consumer.

Expected future price: customer decide when to buy a product base on their expectation, when consumer expect increasing price in the future they will increase purchase now

In this situation, the price of relate goods (substitute) rise because there is an increase of demand of banana and the substitute for banana could be apple.

Secondly, in supply curve, after the flood, supply decrease because of damage

### **Supply curve of Banana after the flood**

Supply curve shows the relationship between the quantity of a good and its price. When the price of a product increase the quantity supplied increase, and when the price of a product decrease the quantity supplied decrease.

The five important variables affect supplies are:

Price of input: input is used to make the final production, if the price of input increase the price of product will increase

Technological change: new technologies can help to produce more output with the same amount of input

Price of substitute in production: when the price of substitute goods increase, the supply of initial goods will decrease

Expected future price

Number of firms in the market: when new firms enter the market, supply will increase

In this situation, the price of input increase due to increase cost of production.

After the flood in Queensland, price of many products have changed, especially in food such as fruits or vegetables due to price up, quality down. This flood also cost Australia agriculture \$700 million. Banana plantation has been damaged by the flood and 75% crop lost and takes 8 months to recover, the consequent of this happen is demand of banana increase but supply has decrease because of crop lost and due to a shortage of banana in the Australia market and the price has increase higher. Most of bananas in the market come from Queensland and there is an amount of bananas from New South Wales, these banana appearances is not look good but actually the taste is good, according to consumer they concern more about appearance so they have to find a substitute good such as apple.

The prices of vegetables also have increased 40% after the flood and strawberry also affected. In beef market, the price also higher than before the flood because of increasing demand while supply is reducing. In general, the food industry of Australia in this time has being shortage because of strong demand and decrease in supply, conduct to increasing many food and vegetable in the market and take time to recover and reduce the prices.

Another issue in this article is the affect of the flood to the tourism industry in Queensland. We can analysis how travellers deal with travelling to Queensland and how the tourism industry of Queensland deal with this disaster and what will they do to recover by using elasticity. Elasticity uses to describe the responsiveness of consumer to a product or responsiveness of a variable to changes in another variable, there is four types of elasticity:

ï, Ÿ Price elasticity of demand: is the responsiveness to changing price

Measurement: OR Midpoint formula:  $E = \frac{\text{Change in } Q/Q_{ave} \times P_{ave}}{\text{Change in } P}$

When  $E_d > 1$  there is elastic

When  $E_d < 1$  there is inelastic

When  $E_d = 1$  there is unitary elastic

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ii,  $\epsilon$  Income elasticity of demand: measures how much the quantity demanded of a good responds to a change in consumer's income

iii,  $\epsilon$  Cross-price elasticity of demand: measures the responsiveness of Qd for good X to a change in the price of good Y

iv,  $\epsilon$  Price elasticity of Supply: measures the responsiveness of quantity supplied to a change in price

Travelling is a luxury good and it is elastic because more sensitive or responsive. After the flood, tourism Queensland has to spend \$10 million on campaign to attract traveller going to Queensland and Queensland tourism also used other strategy such as lower airfare and free night accommodation and this help the economic industry in Queensland growing up because in fact people going on holiday to Queensland is more than to New South Wales or Western Australia, so Queensland is a better choice. Australia tourism revenue has decrease from \$84. 20 billion in 2010 to \$83. 61 billion in 2011. The change in price elastic of demand show that traveller has elastic to tourism industry of Queensland and according to the income elasticity, the price of travelling to Queensland is now cheaper than before so more and more people with low income can go on holiday to Queensland

In general, this disaster has many affects on many areas of industries and Australia economic such as changes in price of banana from normal to higher because there is a shortage, the result of the flood made losses of banana plantation, the demand for banana increase and supply decrease. In tourism, traveller is more elastic to travelling to Queensland because Queensland tourism has adopted the fact and apply positive strategy to try to grow up

the economic after failure, show a bright sign of growing back economy in Queensland.