

# Introduction the demand and supply of the commodity



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## **Introduction**

I would wish to raise my concern concerning the trends in demand and supply in the world as I propose that you look at my opinions and cover them in the coming month's economic magazine. I have been following your articles in the economic magazine and I have realized that the issue has not been covered for a long time. My interest in this topic has been brought about by the current trends in the micro economic sector. It has become quite hard to predict the trends in demand and supply since the trends have been changing in a very irregular manner. It is therefore important to look at this topic in detail in order to determine the causes of the current trends, the effects they may have in the micro economic sector and the possible solutions. Demand refers to the amount of goods and services that consumers may be willing to purchase at a given price.

It is therefore, an economic principle that shows the relationship between the consumers' willingness and desire to pay for a certain commodity and price. Supply on the other hand is an economic principle that refers to the total number of goods and services at the exposure of the consumer at a given price at a particular time. Demand and supply go hand in hand in that when the demand goes high then the supply is low and that the when the supply is high, the demand goes down.

## **Market Forces of demand and Supply**

One of the major causes of the current fluctuation of demand and supply in the microeconomic sector is weather which has currently become so unpredictable due to global warming among other issues. Weather mostly

affects agricultural products. A good example of the effect of weather is when the cold weather hits Florida; the price of juice rises throughout the nation. This affects the demand and supply of the commodity a great deal. It is not likely to attract the supply of the commodity from the producers while the demand goes down as the consumers try to shy away from the high prices.

When the warm weather prevails in summers, prices of hotel rooms in England plummet all as a result of effects of demand and supply. Weather also affects the demand and supply of clothing as well as the production of various goods (Mankiw 65). Globalization and changes in technology have also led to unpredictable fluctuation in demand and supply. This is a very broad topic in that it affects close to all areas of the economy.

For example, any disruption occurring in the oil producing countries will affect the world supply of oil and this effect will be felt even in countries which do not produce oil. Globalization has made countries depend on each other and as a result this has enhanced the effect of supply and demand forces. Nowadays, agricultural products can be produced at any time of the year using technology such as irrigation and green houses that do not depend on weather patterns. It is therefore hard to predict market trends using weather patterns and in most cases nowadays, other factors lead to such changes. Population has been another major factor contributing to unpredictable fluctuations in demand and supply.

When the populations increase a need to supply them with essential products is created. The population in many nations has been falling thus

affecting demand and supply. However, there has been a lot of immigration throughout the world and it is hard to predict the future of the population in any country. This has also been affected by political stability in various nations whereby a nation may be under populated today and overpopulated tomorrow as people flee from political instability.

This also affects demand and supply a great deal.

### **Effects of fluctuating demand and supply to a nation**

There are various effects of fluctuation of demand and supply to the microeconomic sector in any nation. For instance, price increase and decrease has so much effect on the total expenditure as explained by the price elasticity of demand and supply. This refers to the measure of responsiveness of the supply and demand of a commodity to changes in price (Bernanke 92). The measure of responsiveness depends on the nature of the commodity.

For instance, changes in prices of some commodities such as salt may not affect its demand or supply at all. This is because people won't make to do without this commodity since it does not have complements or substitutes. The expenditure on such a commodity may therefore be very high due to high prices since consumers may not be in a position to do away with them. On the other hand, changes in prices of some commodities may not have so much effect on the expenditure. These are mainly the commodities which contain complements. For instance, when the price of coffee rises, most consumer will likely shift using coffee substitutes. For commodities which have supplements, when one commodity is on demand, then its

supplement's demand must also rise. Supplements refer to commodities which complete the others.

For example, Wheat flour cannot be used without cooking oil thus the demand of one of them promotes the demand of the other. The effects of unpredictable weather changes have been prevalent so much in the microeconomic sector since it has been hard to plan for the future. The same case applies to globalization, changes in technology and population changes. All these issues have made it hard to predict demand and supply of commodities in the micro economic sectors thus calling for the producers and consumers to find solutions to the prevailing problems

## **Solutions**

The current situation in the world is a challenging situation since most of its causes are issues that are not planned for or are determined by nature.

For instance, weather changes are natural though in some instances are influenced by human activities. Human beings therefore need to rectify the source of problems such as reviving water catchment as well as applying their knowledge in better methods of food production. Population changes can be controlled through controlling of immigration and political stability. Finally, globalization and advancing technology are human controlled activities thus cooperation can put them under control in order to solve the problem of demand and supply.

## **Conclusion**

Demand and supply is a very important issue in the microeconomic sector since it directly or indirectly affects people's daily lives.

It is therefore important to consider the issues surrounding this issue in order to protect the economy as well as the population.

## **Works Cited**

Bernanke, Ben. Principles of Microeconomics. China: McGraw Hill, 2008.

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