

Supply and Demand

Grade Level: 4-8

Lesson Overview

Students will work together on the concepts of supply, demand and pricing. Working with various scenarios, they will decide the effects of these scenarios on supply, demand and pricing of items.

Student Objectives

1. Determine how changes in supply and demand affect prices.

Materials

- ✓ Supply and Demand worksheet

Vocabulary

- **demand** - the amount of a commodity or service that people are ready to buy for a given price.
- **price** - the amount of money or goods, asked for or given in exchange for something else.
- **supply** - products made available for use.

Background Information

A basic economic concept is supply and demand. The supply of an item as well as the demand of that item determine the price one can obtain for it.

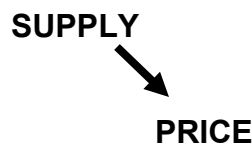
Procedure

1. As an interest approach, show a rock to the class. "Who would like to buy this rock?" (nobody)
 - "Why not?" (There are plenty of rocks around)
SUPPLY is great. The DEMAND is low. Therefore, the PRICE is low.
 - "What if I tell you that this is a rock from Mars?"
SUPPLY is low. Even if DEMAND stays the same, the price will probably go up.
 - "What if you had a space museum and needed a rock from Mars?"
SUPPLY is low. DEMAND goes up. The price goes higher.

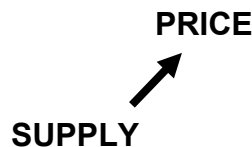
- “What if all of you worked for a space museum and needed a rock from Mars?”
Supply stays the same. DEMAND goes up. By introducing competition, the PRICE goes very high.
 - You could repeat this activity using a pencil, eraser, or other school supplies. Then have the students present their own ideas using desk items or something from their lunch. What are students willing to spend more on? What is the cause of this: supply or demand?
2. Determine how changes in supply and demand affect prices. Have the students work together to decide answers to different scenarios, do the Supply and Demand worksheet and assist one another in applying the concepts of supply and demand.

Supply and Demand Explanation: The **PRICE** of a product will vary because of **SUPPLY** and **DEMAND**.

- a. When large SUPPLIES of an item are made or grown, the item’s PRICE will go down.

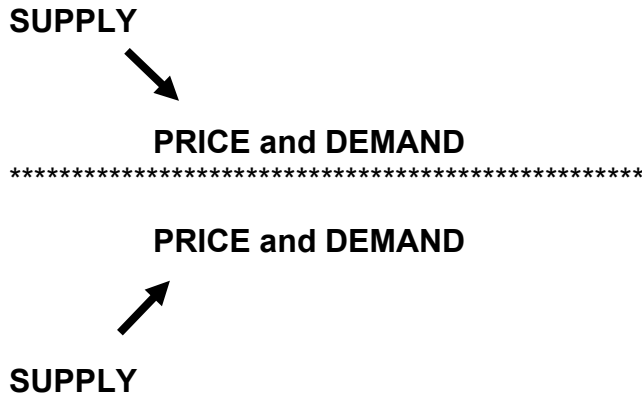


- b. When very few SUPPLIES of the item are made or grown, the item’s PRICE will increase.



- c. When the DEMAND of an item is high, the PRICE rises.
DEMAND high = high PRICE
- d. When the DEMAND of an item is low, the PRICE is low.
DEMAND low = low PRICE

e. If we combine the two ideas, we would come up with this diagram:



In real life sometimes supply and demand and prices do not work as shown in diagram above.

3. Supply and Demand Class Activity:

If a new diet craze were to take over the United States, how would that affect farmers? Work with your students to help them see how SUPPLY, DEMAND and PRICE would be affected.

- Have your students put thumbs up if there is an increase.
- Thumbs held out straight if there would be no change.
- Thumbs down if there were a decrease.

Once you see that your students understand the concept, you may want to assign the worksheet to them. The worksheet is made up to mirror your instruction, so students shouldn't have a problem doing the work on their own or in groups.

Scenario A:

A new diet has become popular. This diet calls for lots of meat and little or no breads, fruits and vegetables. Due to this diet, how would each of the products be affected?

- a. Meat (DEMAND would increase, while SUPPLY would remain the same-at least for a time, so PRICE would increase.
- b. Bread (DEMAND would decrease on breads, while the SUPPLY would remain the same-at least for a time, so the PRICE would decrease.)
- c. Fruit (DEMAND would decrease on fruits, while the SUPPLY would remain the same-at least for a time, so the PRICE would decrease.)

- d. Vegetable (DEMAND would decrease on vegetables, while the SUPPLY would remain the same—at least for a time, so PRICE would decrease.)
- e. Make sure that the students see that usually either the demand or the supply vary, not both.

Scenario B:

Point for discussion: If this diet remained popular, in the future, would farmers plant more or less vegetables and wheat? (They would plant less, due to the DEMAND being less. The same could be said about the number of orchards in the future.)

No one wanted medium sized eggs, but they wanted the extra-large eggs. Due to this DEMAND, what changes would be made?

- a. Medium sized eggs? The Demand would decrease, so the PRICE would decrease, while the SUPPLY would remain the same.)
- b. Extra-large eggs? (The Demand would increase, so the PRICE would increase, while the SUPPLY would remain the same.)

Extension Activities

1. Students share with the class their made-up scenarios from question #5 on the worksheet.
2. Have a discussion amongst the students as to current events making for changes in supply. demand and pricing of an item.

Additional Resources

- <https://youtu.be/2Wp-diDRVKI> using blueberries, supply, demand and pricing explained.
- <https://youtu.be/VHLxAjy5ztk> Supply and demand in Disney Movies

Standards

Illinois Social Science Standard

SS.EC.2.6-8.MC: Explain how changes in supply and demand cause changes in prices and quantities of goods and services, labor, credit, and foreign currencies.

Illinois English Language Arts Standard

L5 Demonstrate understanding of figurative language, word relationships, and nuances in word meanings.

The **M**ultidisciplinary **A**gricultural **I**ntegrated **C**urriculum (mAGic) was created in 2004 under the leadership of the Illinois State Board of Education (ISBE) and the Facilitating Coordination in Agricultural Education Project (FCAE). Funding was made available through the FCAE grant budget from the agricultural education line item of the ISBE budget. This revision, as printed, was developed in September 2021.



These mAGic lessons are designed to bring agriculture to life in your classroom. They address the Illinois Learning Standards in math, science, English language arts and social studies.

Dairy mAGic project update writers/reviewers: Rhodora Collins – Dekalb County; Suzi Myers – Kane County; Connie Niemann – Montgomery County; Debbie Ruff – Livingston County; Jennifer Waters – Sangamon County; and Dawn Weinberg – Hancock County.

Supply and Demand Worksheet

1. What does SUPPLY mean?

2. What does DEMAND mean?

3. How do supply and demand affect the PRICE that we have to pay for an item?

4. How do events affect the price of a product? Read each situation below. Will there be a change in the SUPPLY, DEMAND or PRICE of the product? Fill out the Chart to show what will happen.

The government ran a "3 a Day" campaign for people to drink more milk.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
Fewer people wanted to be dairy farmers.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
Ice cream became the favorite dessert.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
A milk scare took place due to finding some contaminated milk.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
People started drinking more juice and water than milk.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
During the pandemic, there was a shortage of truck drivers.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑

5. In the empty box create your own supply/demand/price scenario. Explain how it would affect supply, demand, and price.

Supply and Demand Worksheet ANSWER KEY

1. What does SUPPLY mean?

Supply - products made available for use.

2. What does DEMAND mean?

Demand - the amount of a commodity or service that people are ready to buy for a given price.

3. How do supply and demand affect the PRICE that we have to pay for an item?

As the supply goes down the demand goes up and the price goes up. As supply goes up the demand goes down and the price goes down.

4. How do events affect the price of a product? Read each situation below. Will there be a change in the SUPPLY, DEMAND or PRICE of the product? Fill out the Chart to show what will happen. **Answers are in the shaded box.**

The government ran a "3 a Day" campaign for people to drink more milk.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
Fewer people wanted to be dairy farmers.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
Ice cream became the favorite dessert.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
A milk scare took place due to finding some contaminated milk.	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑
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	SUPPLY ↓ → ↑	DEMAND ↓ → ↑	PRICE ↓ → ↑

5. In the empty box create your own supply/demand/price scenario. Explain how it would affect supply, demand, and price. **Answers will vary.**