Elasticity and Coffee

Elasticity of demand is based on the elasticity of human wants. Moreover, the price elasticity of demand helps determine the impact of raising the price of a unit with the consumer expectation of it. The price elasticity of demand is also defined as the ratio of the percent change in quantity demanded to the percent change in price as we move along the demand curve. For example, if gas prices increases by 50% and gas purchases fall 20% then the price elasticity of gas is with the absolute value would be .4. Therefore, for every percentage point that gas prices increase the quantity of gas purchased decreases by a 2/5 of a point. The midpoint method is a technique for calculating the percent change in a variable compared with the average, or midpoint of the starting and final values. Interpreting the price of elasticity of demand will be if demand is inelastic, which the quantity demanded does not respond to all changes in the price and the demand curve has a vertical line. Demand is perfectly elastic occurs when any price increase will cause the quantity demanded to drop to zero and has a horizontal line in the demand curve. Price elasticity can be defined as elastic if the price elasticity demand is greater than 1. Inelastic if the price elasticity of demand is less than 1. Unit-elastic if the price elasticity of demand is exactly 1. The price and quantity effect determines which will be effected on the elasticity of demand. The four main factors that determine the price elasticity of demand is the availability of close substitutes, whether the good is necessity, the share of income a consumer spends on the good and the time that has elapsed since the price change. The other Cross-Price elasticity of demand is the measure between two goods of the change in one good’s price on the quantity demanded of the other good. The income elasticity of demand is the percent change in the quantity of a good demanded when a consumer’s income changes divided by the percent change in the consumer’s income. The price elasticity of supply measure the responsiveness of the quantity of a good supplied to the price of the good. If the price has no effect on quantity than the supply curve has a vertical line and perfectly inelastic and if the price will lead to a large change in quantity making the price elasticity of supply infinite and with horizontal line. The factors that determine price elasticity of supply is the availability of inputs and time.


In the article “Coffee Cravers ignoring Bean-Price Surge for Caffeine Fix” by Marvin Perez and Lynn Doan quote a Chief international strategist Paul Christopher when he says “There’s a very low price-elasticity of-demand for coffee” (par.7). Furthermore, Christopher believes that people in the U.S will not likely to substitute tea or soda if the price rises. For reasons of being a largest consumers in the whole continent of Europe and becoming a morning ritual to proceed through our day. In the past year from 2014 back to 2013 the average consumer drinks 1.7 cup a day and up to 1.4 cup from a decade ago. As many consumers will likely purchase on the quality not quantity of coffee as the price increases and in other words from local resident of Brooklyn says that if the price rise to 200 percent, they would probably drink less of it.

The article was very interesting to see about how the price elasticity of coffee is like since the coffee is mainly consume as carving from an early morning or brainstorming night. Since the chief international strategist Paul Christopher believes coffee price elasticity is very low. This may I curious since a local resident says that they will consume less coffee if the price is 200%. If percentage increase changes then
the percent change in quantity demanded must fall below 200% for price elasticity to be inelastic. Since 200/200=1 which is unit-elastic. This was a great article that I enjoy reading and love learning how the authors give people a say about the elasticity of coffee.