
Jan 21, 2002

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WHY CHEAP GREEN COFFEE DOESN'T MAKE CHEAP CAPPUCCHINO?

DISCUSSION QUESTIONS

1. Draw simple demand and supply curves to illustrate the global coffee-bean market situations in 1994-95 and 2000-01.
2. Assuming a fixed demand for roasted coffee and perfect competition, analyze the business situation for coffee roasters between 1994 and 2001.
3. Assuming a fixed demand for roasted coffee and accepting that Nestlé have a monopolistic position, analyze the business situation for coffee roasters between 1994 and 2001.
4. What would be the effects on green and roasted coffee prices, if the Oxfam's suggestion of an internationally-agreed minimum coffee price were implemented?
5. Suppose that there were two types of coffee : low-quality and high-quality. The demand for low-quality coffee was falling while that for high-quality was rising. Analyze the effects of destroying 10 percent of the output of low-quality coffee.

Note: Make additional assumptions if needed.