

# **PRICE AND COMMODITIES**

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# MARKET PRICE

market price is the economic price for which a good or service is offered in the marketplace.

# COMMODITY

- commodity is a marketable item produced to satisfy wants or needs
- refers to a basic, marketable good or service that is produced to meet a demand, whether that be a want or a need.

An important feature of a commodity is that *its price is determined as a function of its market* as a whole – by the interaction of market demand and market supply.

**Soft commodities** are agricultural products such as wheat, coffee, cocoa and sugar.

**Hard commodities** are mined, such as gold and oil.

Commodities are good examples to use as a way to consider the factors that affect the level of demand in a market.

## EXAMPL

**E**Oil is one of the most heavily traded commodities in the world. Fluctuating prices have important effects for oil producers/exporters and the many countries and businesses that depend on oil as a key raw material.

*Commodities* are traded by dealers on an open exchange.

That means the prices change every day.

This can be difficult for the consumer, who must face price variations in everyday products such as gasoline, meat and grains.

It especially impacts poorer people around the world, who pay more of their limited income on food and transportation.

# ACTIVITY

1. ) How does price commodities affect demand and supply?
2. ) What is the impact of Price Commodities to the Consumer?