English, Economics for Sek I, Sek II

Economy and society

Trading (9)

Two-track audio
14:30 minutes

Summary

«Trading» follows mother cow Giselle and her calf Congo from the moment when they are bought to when they are sold again at an auction. In doing so, the film outlines the value chain connected to this transaction. Urs Jaquemet works for Vianco, a livestock trading company. To get a high margin, he has to drive a hard bargain. For the livestock trade to be profitable and lucrative, cattle have to look healthy and robust. Moreover, prices at auctions depend on supply and demand.

Didactics

This film provides an excellent introduction to the dynamics of supply and demand. The example of livestock trading demonstrates what costs middlemen face.

Learning goals

The students…

1. know that market prices are determined by supply and demand.
2. are familiar with the procedures of an auction.
3. understand the meaning of margin and intermediary trade.
4. realise that trading carries risks.
5. are able to list different types of cost for the dealer.

Methodical ideas

For this lesson plan, one lesson is required.

1. To introduce the topic, simulate a mini-auction in class: select five students volunteering to buy a small consumer good such as a croissant or a chocolate bar. Offer it at a lower price than at the school kiosk. Then ask the students to make their bids. (5 minutes)
2. On the overhead projector outline a typical auction procedure. (2 minutes)
3. Lead over to the film: auctions often mark the conclusion of a long chain of transactions. The film will demonstrate an example for this. (1 minute)
4. Hand out the observation sheet and have students go over all the questions, asking for clarification if needed. (5 minutes)
5. Instruct students to take down keywords while watching the film. Then show the film. (15 minutes)
6. After the film, pairs complete their answers. (10 minutes)
7. Give the answers either online by way of a digital projector or on a handout. (5 minutes)
8. Sum up what students have learnt. (2 minutes)

Introduction

Auctions are characterised by a particular form of price-setting. Potential buyers and/or sellers offer their bids. Negotiation determines which bid will be accepted while at the same time defining the cash flow among the parties involved. What forms the backbone of such price-setting is so-called asymmetrical information. Sellers often do not know how much potential customers are willing to pay. If prices

are too high, sellers do not make enough of a profit. Customers, on the other hand, know how much they are prepared to pay. Given this, auctions offer traders a flexible instrument to determine appropriate pricing. Ideally, negotiations lead to sales at current market prices while fully exploiting customers' willingness to buy the goods on offer.