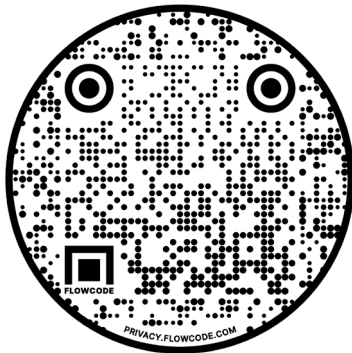


THE INELASTICITY OF THE GRAPE NUTS SUPPLY

Why Grape-Nuts Cereal is No Longer Easy to Find - The New York Times

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<https://www.nytimes.com/2021/01/29/business/grape-nuts-shortage.html?smid=em-share>

A supply shortage of the venerable, if polarizing, cereal has customers scouring online for boxes, sometimes listed at inflated prices.

This article provides a great illustration of the concept of supply elasticity. Unlike other cereals, Grape Nuts has such a unique production process that it doesn't allow for a rapid reallocation of resources to meet the demand. Possible answers to the questions provided.

QUESTIONS:

1. What impact has the pandemic had on the demand for Grape Nuts cereal? According to the article, what are some people willing to do to get their hands on these nutty nuggets? (There has been an increase in demand as people seek out comfort foods amidst the stress of the pandemic. The demand curve has shifted to the right. People have been willing to pay exorbitant prices in secondary markets for the product.)
2. The positive slope of the supply curve indicates a willingness to produce a greater quantity as the price goes up. Why is that not happening as the price of Grape Nuts increases? (The unique production process in making Grape Nuts doesn't allow for a shifting of resources away from another, less popular product).
3. Why might Wheaties, Corn Flakes or Frosted Flakes be much more responsive in ramping up production after a price change? (Because these cereals share similarities with other brands and resources could be easily pulled to where they are most needed).
4. If you were comparing the slope of Grape Nuts supply curve to the curve of Wheaties, how would the angle of the curves differ? (The slope of the Grape Nuts supply curve is going to be more vertical illustrating the lack of elasticity when compared to Wheaties.)

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Answer Key:

1. There has been an increase in demand as people seek out comfort foods amidst the stress of the pandemic. The demand curve has shifted to the right. People have been willing to pay exorbitant prices in secondary markets for the product.
2. The unique production process in making Grape Nuts doesn't allow for a shifting of resources away from another, less popular product.
3. Because these cereals share similarities with other brands and resources could be easily pulled to where they are most needed.
4. The slope of the Grape Nuts supply curve is going to be more vertical illustrating the lack of elasticity when compared to Wheaties.