

Impact of changes to baby milk prices



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Introduction

The article “ Parents want milk for babies to be made a price controlled item” states the price of baby milk are getting higher and higher day by day and many parents can't buy those expensive baby milk products so parents have to switch to the alternative products but as they are cheaper and because of that its cause diseases to the babies. So now those parents want government to take apart to fulfil their problem.

Micro Economics

Law of Demand

When the price of any product increase then the quantity demanded will decrease

Law of Supply

When the price of any product Increase then quantity supplied will increase.

According to the article, the price of the baby milk has been increased by the manufacturer in order to gain more profit, which result in quantity decreased. The effect is known as Law of demand. Additionally, customers are shifting to the alternative goods, which shift the demand curve of the alternative goods to rightward. This is known as Substitute effect which describe as follows;

Substitute effect:

The substitution effect states that an increase in the price of a product will urge buyers to purchase elective products. The substitution effect measures

the amount the higher cost encourage buyers to use different products, assume the same level of income.

However customers can't afford the higher price for the baby milk, so there is an income effect on the quantity demanded, which lead the demand curve to leftward.

In the context of economic theory, the income effect is the change in an individual's or economy's income and how that change will impact the quantity demanded of a good or service. The relationship between income and the quantity demanded is a positive one, as income increases, so does the quantity of goods and services demanded.

Other than the demand has a few progressions, even the supply will have a few changes as well. Suppliers will never do a business without picking up high benefit, so it satisfies the law of supply that when other things remain constant, the higher the price of goods, the more quantity supplied.

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A price ceiling might be connected to make it illicit to charge a price above the specified amount. The price ceiling ought to be underneath the Equilibrium price so that to guarantee it can bring out the effects needed. This will verify that all legal transactions occurring will be at a price at or underneath the price ceiling. By actualizing a price ceiling for baby milk, parents can then buy baby milk at a lower price and will probably prompt expanded demand. Meanwhile, supply could be relied upon to drop as suppliers will be unwilling to supply a high amount at a lower cost. Hence,

deficiency will happen and it will be represented to by a gap between quantity demanded and quantity supplied. Be that as it may it will benefit parents who are not able to buy baby milk at first.

An alternate choice is that the government present subsidies for baby milk items. By presenting subsidies, the government can drive down the price for baby milk in the business sector. This happens as the introduction of subsidies move the supply curve to the right. This expands the quantity supplied and diminishes the price for baby milk. However, this method likewise has its repercussions as the government may cause more expenses as it gives subsidies to the item. In the event that the government set the value higher than the equilibrium price, it will additionally cause issue which is surplus of the baby milk. Surplus is the quantity supplied of the good surpasses the quantity demanded for the goods. Thusly, government can't set the price excessively low or excessively high which will result in enormous issues to customers and suppliers.

As I would like to think, this issue is happening on the grounds that baby milk is considered as an inelastic item. This implies that regardless of the fact that the price of baby milk is high, individuals will even now need to purchase them. Some may contend that parents can select less expensive baby milk products, how many parents would really take risk and conceivably hurting the development of their own child? This is the reason baby milk is impressively inelastic. So this demonstrates that baby milk has quite weak substitutes making it inelastic. An alternate test that can demonstrate that baby milk is inelastic is to see the extent of income used on child milk. So due to this, numerous business firms comprehend that

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when they increase the price of baby milk, they can build their aggregate income. Most firms are smart enough to understand that reducing price for inelastic items will just imply that they will make less profit. Since, price of baby milk won't be going lower whenever soon, it is just consistent that parents request a price ceiling to be forced.

Conclusion

Baby milk is a paramount item in the market and wields extraordinary impact on the development of the future generation. Hence, the government ought to do something inside their capacity to guarantee that parents can afford the price of quality baby milk products for their children. The most proficient path for the government to do so would be to introduce subsidies in the market for baby milk. This exertion will be the most great and expand the prosperity of children across the country, at the expenses of the need to distribute resources to fund the subsidy. Contrasted with a price ceiling which has numerous inefficiencies, subsidies has significantly more benefits. Executing subsidies will be the best approach with the goal that each child can delight in fitting development in this extremely imperative phase of their lives.

References:

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Article

Parents want milk for babies to be made a price controlled item

KUALA LUMPUR: Parents are urging the government to consider making baby formula a controlled item in order to curb recent price hikes.

They are concerned that the manufacturers' increase in prices would cause lower income parents to choose the cheapest and lowest quality milk in the market which would jeopardise their babies' growth.

A mother of two, housewife Azila Awaludin, 35, expressed her concern over the volatile prices of the products lately.

" My husband doesn't earn much and I'm forced to choose the cheapest milk for my baby," she told Bernama.

Father of one, Al-Hafiz Jaamat Wok, 27, felt the government needed to play a bigger role in controlling the hike in baby formula prices.

" The government should subsidise baby milk and not take this issue lightly as many parents are not able to cope with the extra expenses now," he said.

Wan Norasikin Abdul Cader, 42, who is a babysitter, said she had to spend an extra RM200 monthly just on baby formula alone.

" Supermarkets usually offer promotions on other items but never for baby formula," she added.

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Meanwhile, a Jalan Kasipillay mini market owner, K. Sathiah, 43, explained that people were buying less baby formula since prices started going up recently.

“ Most people have to choose the cheapest milk and we have to sell it lower than the suppliers’ set prices. I hope the government can do something to control the situation,” he said.

A media report on Friday said that some baby formula manufacturers had increased prices up to RM15 per kg in the past two weeks and others would follow suit soon.

It also quoted Domestic Trade, Cooperatives and Consumerism Minister Datuk Seri Ismail Sabri Yaakob as saying the government did not control the prices of baby formula. – Bernama