

# [Introduction the direct products, wine and pasta as](https://assignbuster.com/introduction-the-direct-products-wine-and-pasta-as/)

## Introduction

This paper seeks to examine the effect of bad weather on a wheat season. The effect of bad weather on wheat affects different markets that has relations with it and hence will trigger a chain of events. Based on the changes arising from the main event, we shall discuss five of them and study the kind of impact and that happens. We shall examine its effect on direct products of wheat, the substitute of the wheat products and also a complementary product in relation to the demand and supply impact. This project explains the effect of bad weather on the season of wheat along the lines of demand, supply and the equilibrium price. Demand is defined as the willingness and ability of potential consumers to buy a particular commodity in a particular quantity at a particular price at a particular time.

Supply on the other hand is the willingness and the ability of sellers to make available certain commodity in the market. Demand and supply of a particular commodity is defined by either the law of demand or the law of supply. The law of demand indicates that the relationship between price and quantity demanded is the inverse and in the demand graphically it is represented by down sloping demand curve. The law of supply on the other hand explains that the relationship between price of a commodity and its supply in the market is direct. The forces of demand and supply can not be explained without mentioning substitute goods and also complementary goods. Substitute goods are those that can replace or that which can be used in the place of the main product. Goods are described as complementary if they can be used together or their consumption is tied together.

In the case of our topic that bad weather destroyed wheat season, we may analyze that this situation negatively impacted on the quantity of wheat produced. This means it led to the increase in the price of wheat and subsequently that of wheat products in the market like bread, beer, and biscuit. Increase in the price of these commodities, according to the forces of demand and supply, led to consumers opting for the substitutes. In this scenario, the demand for complementary goods will be affected, more so it will decrease. All this is explained and demonstrated graphically in the main body of this project. In the case of my analysis I have studied the effect of bad weather on the following markets; Beer and bread as the direct products, wine and pasta as the substitute to these products and also I will explain the effect of the event on tea/coffee as the complementary.

In the chart below, the markets and the chain of events are illustrated through graphs.

## Effects of bad weather on the wheat season

### Market 1 – Bread market

Bread is considered the principal product of wheat and as such its production and supply to the market will be greatly be diminished in case of bad weather during wheat season. If a bad weather is experienced during the wheat season, then the price of bread at the market increases resulting in subsequent decrease in demand for bread. This will mean that its net effect on the market will be negative and supply will be decreased and the supply curve will decrease hence causing the supply curve to shift towards left resulting to a change in price equilibrium where the price of the good and its substitute will increase and the quantity supplied will diminish. This is as shown in the supply and demand curve below.

### Market 2 – beer market

Since bad weather diminishes the supply of wheat products, beer being one of the products from wheat will also be affected. One of the ingredients of beer is wheat and decrease in the production of wheat will mean decrease in the quantity of beer produced into the market. This scenario will have an effect on the supply side of the market.

This effect will be negative since it is understood that with the bad weather of wheat, the supply of the products which depend on wheat will decrease which applies in the case of beer. This will cause the supply curve to shift towards the left thus changes the equilibrium price and quantity supplied. The price of beer will increase whereas its supply will decrease.

This effect is demonstrated by the demand and supply curve below.

### Market 3 – wine market

My analysis of wine in this context is due to the substitutive principle of demand and supply. This implies that decrease in the production of beer and subsequent increase in its price will force consumers to look for goods with the same use and value as beer. Following the rise in the price of beer as explained above, consumers will go for wine. This is because wine has similar value with beer and hence can be substituted for it and may be it might be cheaper since its price will not be affected. This will have the net effect of affecting the demand side of the curve.

This effect will be positive because if the price of a product increases, the demand for its substitute will increase. The demand curve will shift outwards towards the right direction changing the equilibrium price and quantity. This will subsequently result in the rise in the price of wine and also increase in the quantity of wine supplied into the market. This is demonstrated by the demand and supply curve below.

### Market 4- Pasta market

Just as we have analyzed in the case of wine, pasta can be used as a substitute for bread (Wheat, 2011). Bad weather diminishes the production of wheat in the market. This has the net effect of pushing the price of bread up and diminishing its supply.

This will lead to consumers looking for a commodity that has similar nutritional value and that which serve similar purpose as a bread. These commodities may include sweet potatoes, yams and pasta. From the above analysis on the bread market, the price of bread had risen due to the decrease in production of wheat. This will result to consumers looking for a different product that’s cheaper but which has similar nutritional value and can serve similar purpose as bread. If we assume that pasta becomes the substitute, so, since the price of the related good rises, the demand side of the curve will be affected.

The net effect will be positive because if the price of the commodity rises, then the demand of its substitute increases. This scenario shifts the demand curve to the right leading to change in equilibrium quantity and price causing the price of pasta and subsequent increase in the quantity of pasta demanded. This is demonstrated by the demand and supply curve below.

### Market 5 – Tea/ coffee market

Tea or coffee is discussed here as complement commodities. It is a principle that bread being the primary commodity from wheat is always taken in the morning during breakfast.

It has been made a norm that breakfast is always accompanied with wheat products like donut, pancake and bread (Wheat, 2011). Increase in the price of these commodities will mean that breakfast will never be similar again since consumers will skip it due to absence of compliments . If it is assumed that people take bread with coffee or tea, then tea and coffee will be considered complement to bread. When the prices of bread goes up then, the demand for its compliments will be expected to decrease hence resulting in a negative relation. With the decrease on the demand of rice the demand curve will shift inwards to the left changing the equilibrium of the tea/ coffee market. This has the net effect of decreasing the price of coffee/ tea and the quantity demanded will decrease as shown in the demand and supply curve below.

## Conclusion

The forces of demand and supply are dynamic and they are normally triggered by any one instrument of supply or any one chain of production. In the above event a bad whether during wheat season affected directly not only the direct products of wheat but also the price of substitutes and complements. Demand and supply only apply in the presence of the invisible hand of the market.

## References

Wheat. (2011).

Wheat Substitutes. Retrieved on May 30, 2011 from: http://www. eatingwithfoodallergies. com/wheatsubstitutes. html