

Rising Hummus Prices? Blame a Drought Half a World Away by Amie Tsang

Posted on September 20, 2019

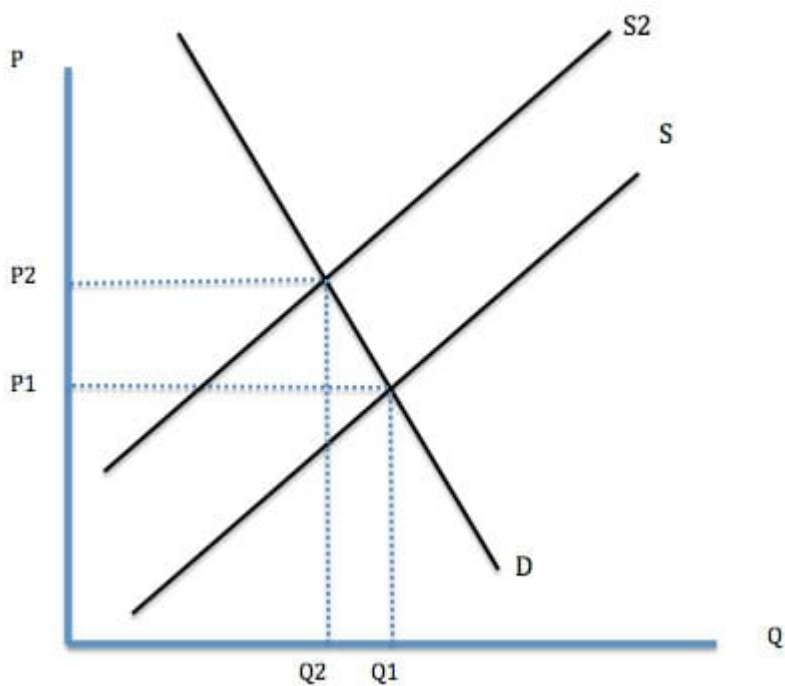
Introduction

Amie Tsang, a business reporter, in her article “Rising Hummus Prices? Blame a Drought Half a World Away”, discusses the various reasons for the rising price of food items such as hummus, incorporating the market forces of demand and supply. Tsang focuses on the dramatic increase in the price of hummus in the UK due to the decrease in chickpea harvest in India. Chickpeas is one of the main ingredients of hummus, and India is the largest exporter of chickpeas, which has resulted in a decrease in the supply of the ingredients for hummus and directly impacted the supply of hummus. However, the product is one of the most popular foods in the British market and is in high demand. These changes in the market forces of demand and supply have resulted in an increase in the price of the good (Tsang).

Tsang, for further understanding, has given examples from past events of supply shortages and droughts that resulted in the increase in prices of food items, such as the increase in the price of vanilla and shortage of vanilla-flavoured ice cream due to a cyclone hitting Madagascar, which accounts for 80 per cent of the world vanilla supply. Similarly, a drought in California in 2015 led to a decrease in the production of almonds. The decrease in supply and increase in the consumption of nuts raised the price drastically. On another occasion, the supply of cocoa was reduced as a fungus attacked the West African crops, which hit the chocolate market right during the times of Valentine’s Day when demand was at its peak.

Analysis

The UK market has experienced a drastic change in the price of hummus due to a shortage of one of the main ingredients, i.e., chickpeas. Tsang related the drought in India to the market change in Britain, which is a thousand miles away, referring to the market forces of demand and supply. This demonstrates the microeconomic concept of demand and supply that influences the market price. Demand stands for the quantity that the consumers are willing and able to buy of a certain product at a certain time, while supply refers to the quantity that the producers are willing and able to sell in the market. Demand and supply work together to form an equilibrium in the market, determining the price. The figure below shows how the two forces create an equilibrium and affect price (Callaway, Annie).



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The figure shows that supply (S) shifted leftwards from S to S2, which shows that the supply in the market has decreased while the demand remains the same. The price increases from P1 to P2 as there is more demand for quantity than is available to the consumer. Similarly, the decrease in the supply of chickpeas due to a bad harvest in India for several years resulted in a shortage of hummus production (*When Coping Crumples / UNICEF*). Producers weren't able to produce hummus to meet the market demand, which boosted its price to rise.

Nevertheless, supply is not the only market force that is increasing the price of hummus. The demand for the product in the UK has experienced an increase, which has led to further increases in price. It is common for shoppers to shop for higher quantities of a good when the price is expected to rise in the future, or a shortage may occur. Hence, the demand curve shifts to the right, which increases the price of the product. A decrease in supply with a combination of an increase in demand results in a drastic increase in the price. The article gives another example of a similar situation for nuts and almonds when a drought hit California in 2015. The consumption of almonds increased in China, which resulted in an increase in prices. This was also combined with the shortage of almonds and nuts. Therefore, both the demand and supply forces of the market pushed up the prices to a new equilibrium.

Moreover, the market price for a product, whether that is hummus, chocolate or almonds, is also impacted by the elasticity of demand and supply. The elasticity of demand is the responsiveness of demand to the change in price. The elasticity of supply, on the other hand, is the responsiveness of quantity supplied to the change in price (Kirschen et al.). The demand for chocolates during

Valentine's is inelastic and highest, and it is not affected by the increase in price. Hence, when the supply was reduced due to the shortage of cocoa, and the prices increased, the inelastic demand for chocolates was not affected, and the prices rose even more. However, the supply remained the same as it was inelastic due to the increase in price due to shortages of the main ingredient.

Similarly, the shortage of vanilla pods due to the cyclone in Madagascar and poor crops in West Africa resulted in the decreased elasticity of the supply of vanilla. While the prices of vanilla rose, the supply remained the same as producers were unable to provide to meet the market demand. An ice cream chain in London, Oddono's, stopped producing vanilla ice cream for several months due to the unavailability of its main ingredient, even though the demand was high and the prices reached their peaks. The concepts of price elasticity of demand and supply are applied in the article on several occasions.

Tsang has discussed the relationship between supply and demand on several occasions and how the two forces affect each other. For example, when there was a noticeable increase in the demand for hummus, more producers shifted their focus towards growing chickpeas. This is because when the market demands a certain product, the economy responds with a similar supply, which defines the basic function of a perfect and free market. However, when the demand and supply fail to meet each other over a certain equilibrium, it results in a market failure (Dillon and Barrett). Such market failures either create excess supply or excess demand.

Moreover, Tsang sheds light on the importance of trade and the interdependence of countries over each other in the supply of certain goods. This is also an example of specialization. The UK markets depend on India's production of chickpeas, while 80 per cent of the world's vanilla production comes from West Africa. Similarly, the shortage of water in California resulted in an increase in the prices of almonds, which are known to be the major producers (*Water Source for Almonds in California May Run Dry - The New York Times*). While interdependence is an effective strategy that results in increased productivity and high-quality products, the over-dependence on a single producer can result in market failures.

Conclusion

The market forces of demand and supply are the main tools that determine the price and how a market functions. The basic aim of every economy is to meet the requirements of consumers, who are the sovereign in free and mixed economies. Goods and services are provided in response to demand, with the concept of elasticity of supply and demand the prices are determined by the market equilibrium.

Additionally, it is important to consider the additional factors that affect the supply and demand of certain products. This is the reason why a niche product like hummus has become a staple among English buyers.

Works Cited

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