

Econ 101 | Demo X2

Government Cheese

Between the 1950s and 1980s the U.S. government purchases large quantities of dairy milk to stabilize the price of milk, producing “Government Cheese” with the surplus. This cheese was distributed to low-income families through a number of food assistance programs. Assume that the government purchases milk at a price of \$2 per gallon. The demand for milk can be modeled as follows:

$$P_d = 20 - \frac{1}{10}Q_d$$

$$P_s = \frac{1}{100}Q_s$$

where Q_d is the quantity of milk demanded (in gallons) and P is the price per gallon. Use a graph to evaluate the impact of government purchases on the market.



