

exercise 3-638-005

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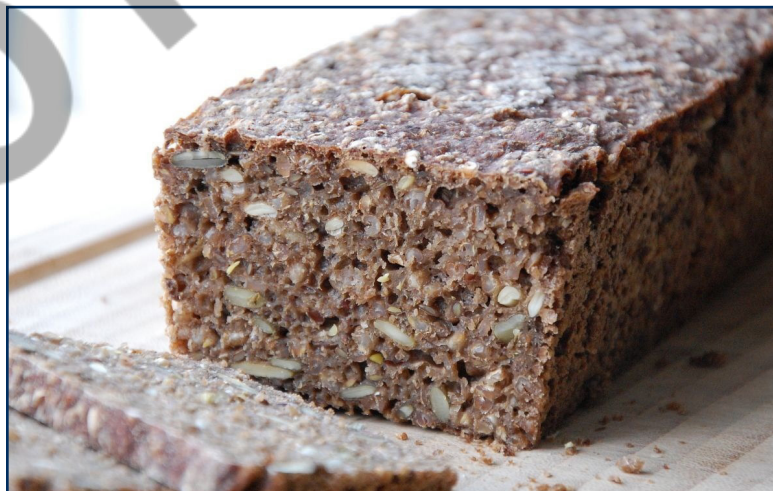
## Katja's Danish Bread (A): Making Some Dough - Exercises in Price, Demand, Cost, and Capacity

This exercise series is presented in six short parts (Katja's Danish Bread exercises A-F). Exercise A is given to students before class, and Exercises B-F are handed out sequentially during class. Through this series of increasingly more sophisticated exercises, students gain a deep understanding of the strong connection between price, demand, variable cost, and capacity.

### Current Pricing Model

Katja Jorgenson came from Copenhagen, Denmark to San Francisco as an exchange student while in college. She fell in love with the city and decided to stay, supporting herself by opening a Danish bread bakery. Danish bread or *rugbrød* is a very dense bread. It is also a very healthy bread because it is made with rye flour, rye berries (the actual rye grain), oats, and sunflower seeds. Rugbrød is difficult to make, and Katja found a ready market with restaurants and delis. (See **Exhibit 1** for a photograph of rugbrød.)

**Exhibit 1**  
**Rugbrød**



Source: <http://spisogskrid.dk/2012/03/rugbrod/>

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