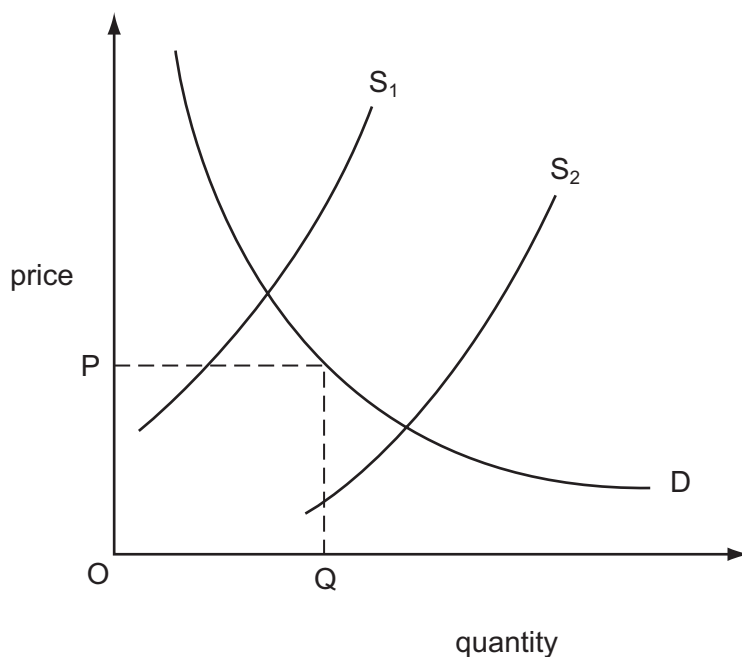


- 18 The diagram shows the demand curve for an agricultural commodity that has unitary elasticity. S_1 is the supply curve if there is a bad harvest and S_2 is the supply curve if there is a good harvest.



What should the government do in order to stabilise the incomes of farmers?

- A allow the price of the commodity to be determined by the market
- B fix the price paid to farmers at price OP
- C introduce a quota on production equal to OQ
- D subsidise farmers in bad years and impose a tax on farmers in good years