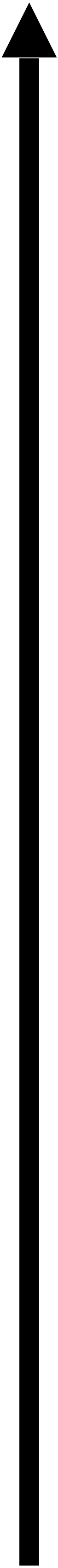
Effect of a Leftward shift in Supply

60



D

Q

S_0

$1.5

40

20

60

$0.5

$1

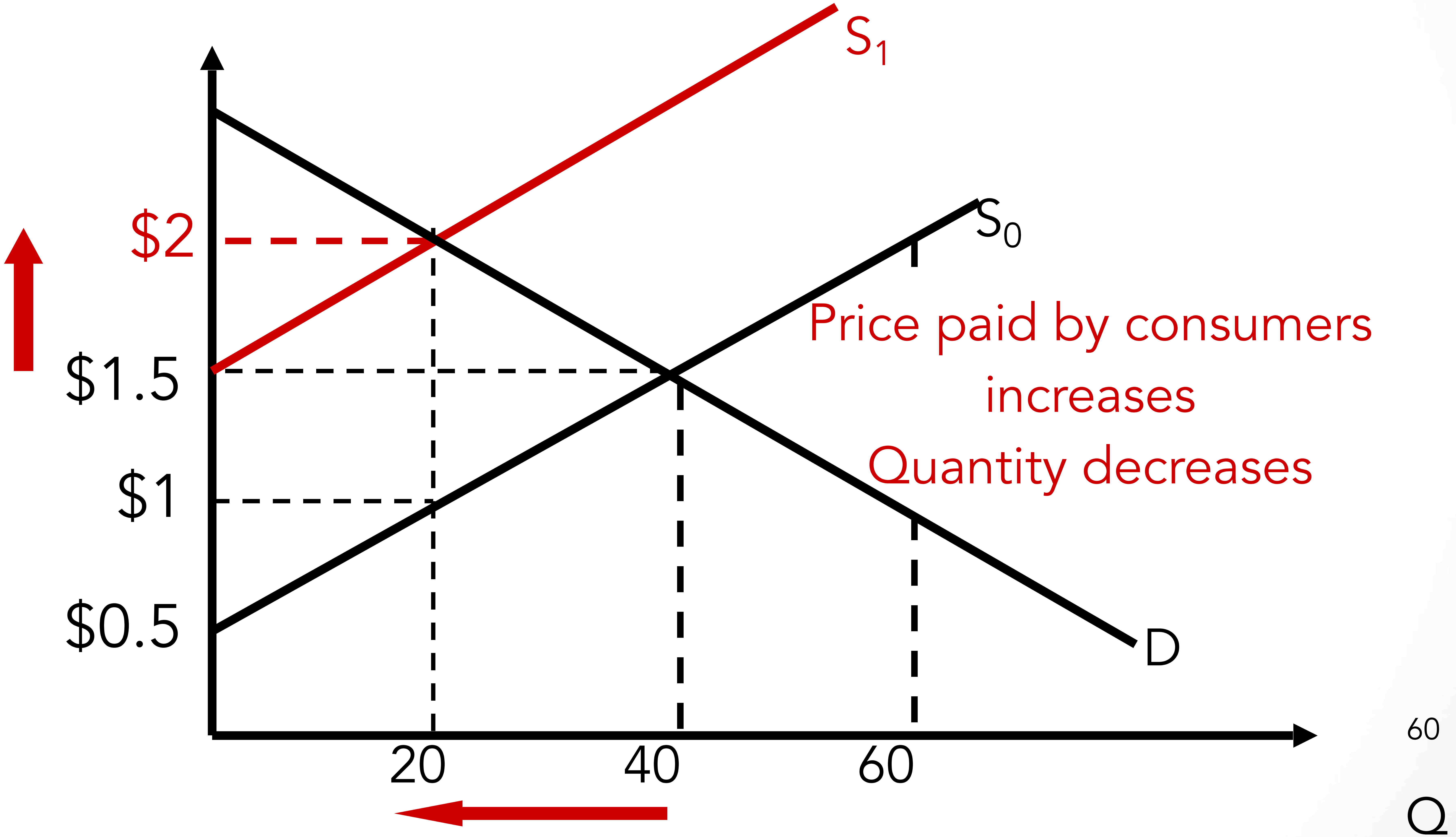
Price paid by consumers increases

Quantity decreases

S_1

$2

Effect of a Leftward shift in Supply



Forms of Price Supports

4. A variant of this policy is designed to stabilize market prices.

The CCC buys grain at the support price, stores it, and releases it back into the market if the market price rises to a prescribed trigger level of, say, 140 percent of the support price.

In this manner the policy protects growers against the risk of low prices but also protects consumers against unusually high prices.