

Producers (farmers) **may win or lose** PS as a result of the price floor depending on which area is larger



D

S



$$Q_e = 400$$

$$P_e = 0.50$$

Price Floor: 0.8

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

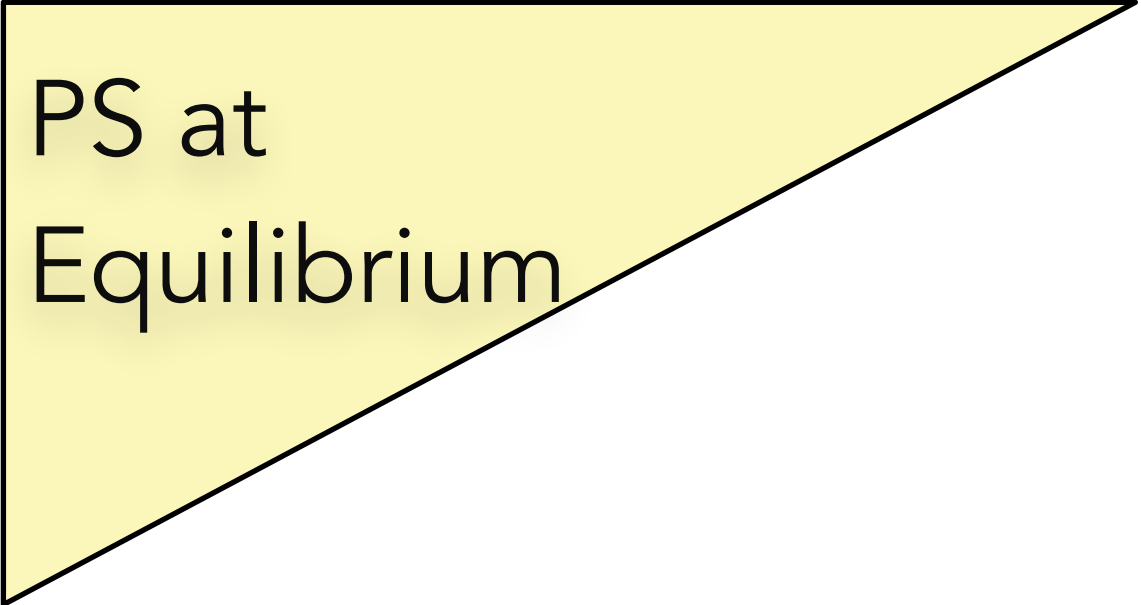
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



PS at
Equilibrium

$$Q^d = 1000$$





$$Q^s = 8000$$



PS: Area *above supply* and *below* the price the
producer (farmer) receives



The quantity sold
drops to 100

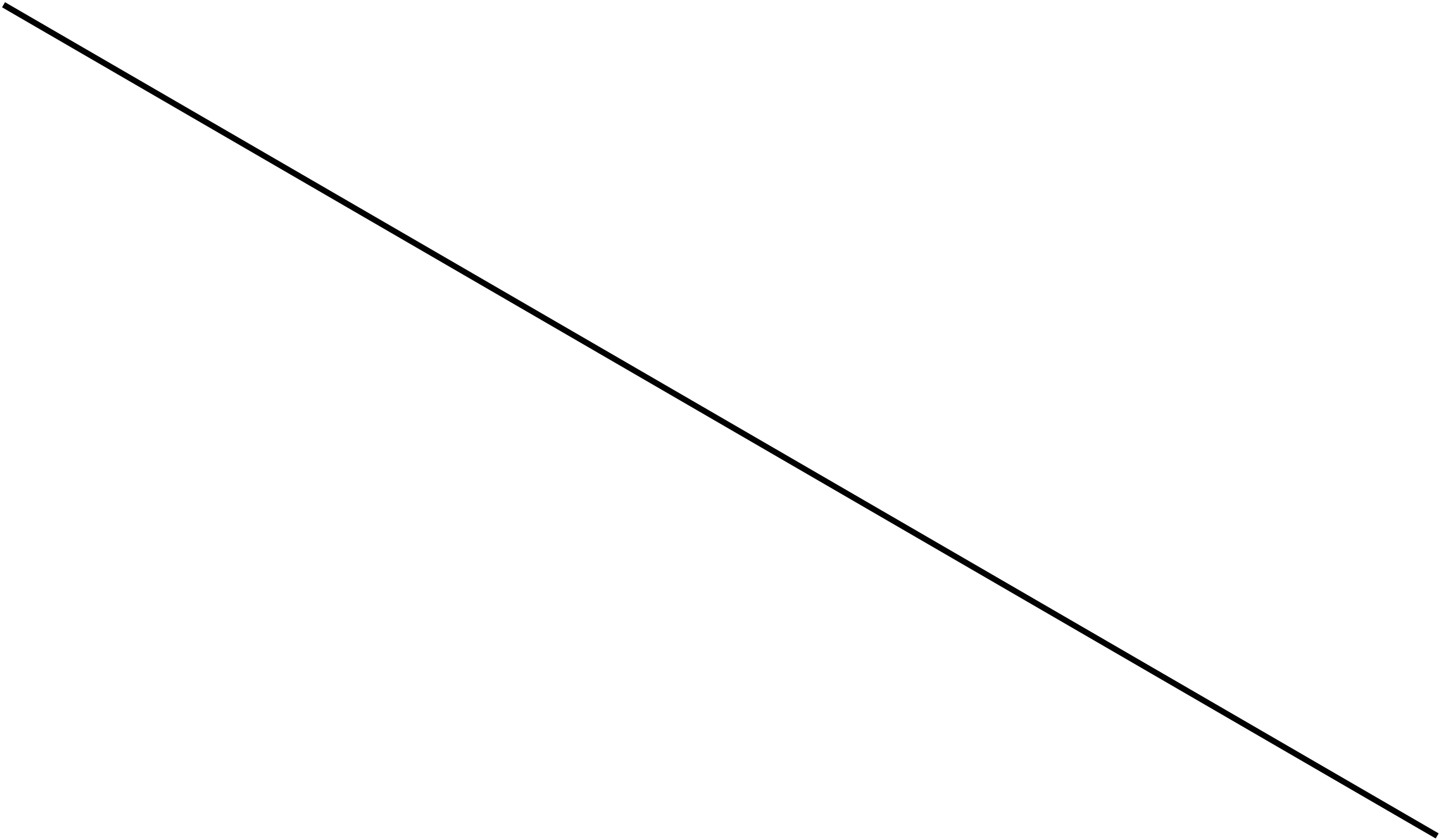
Producers can only get
Producer Surplus on
100 units



$$Q^d = 100$$

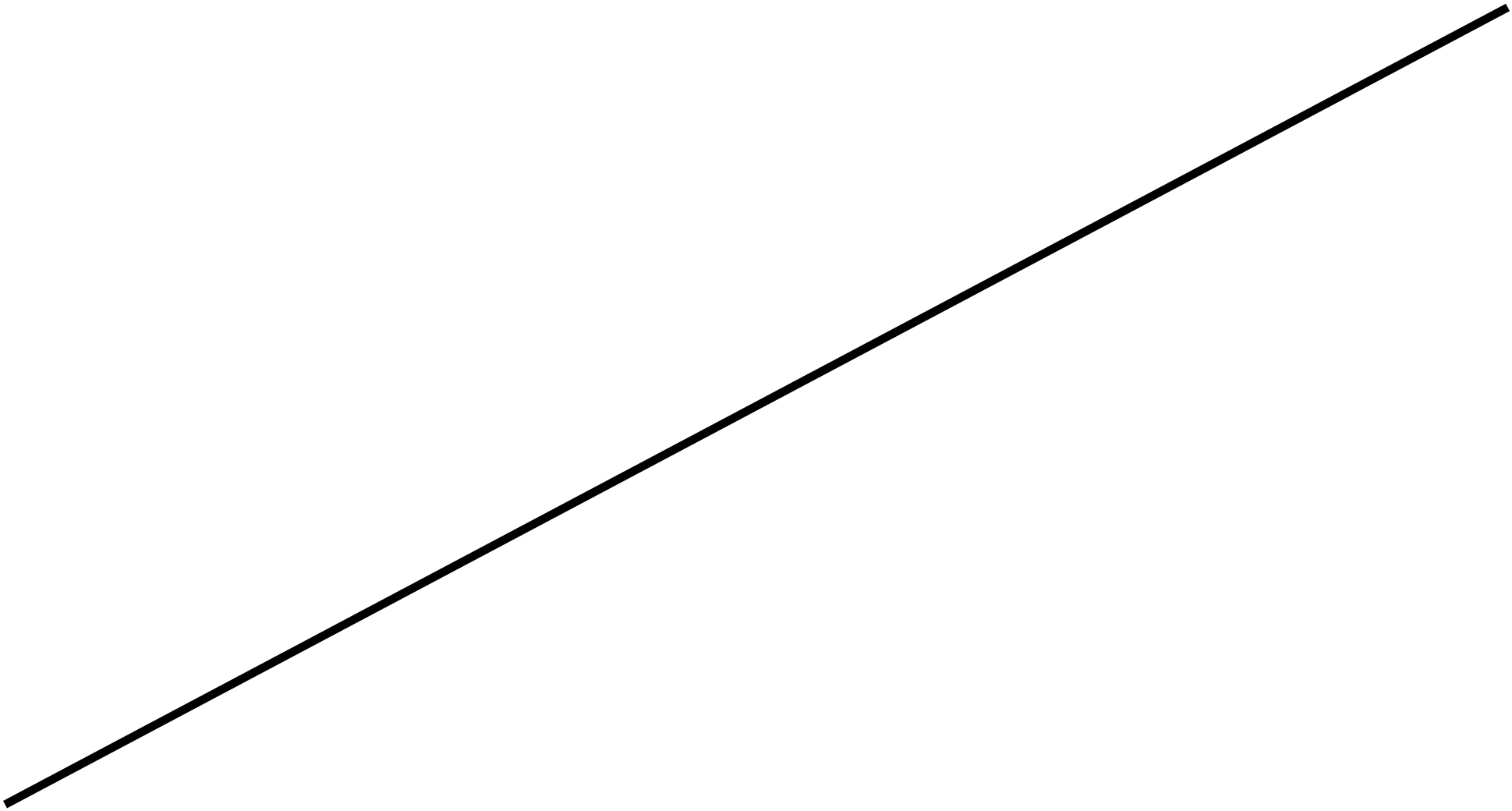


PS lost





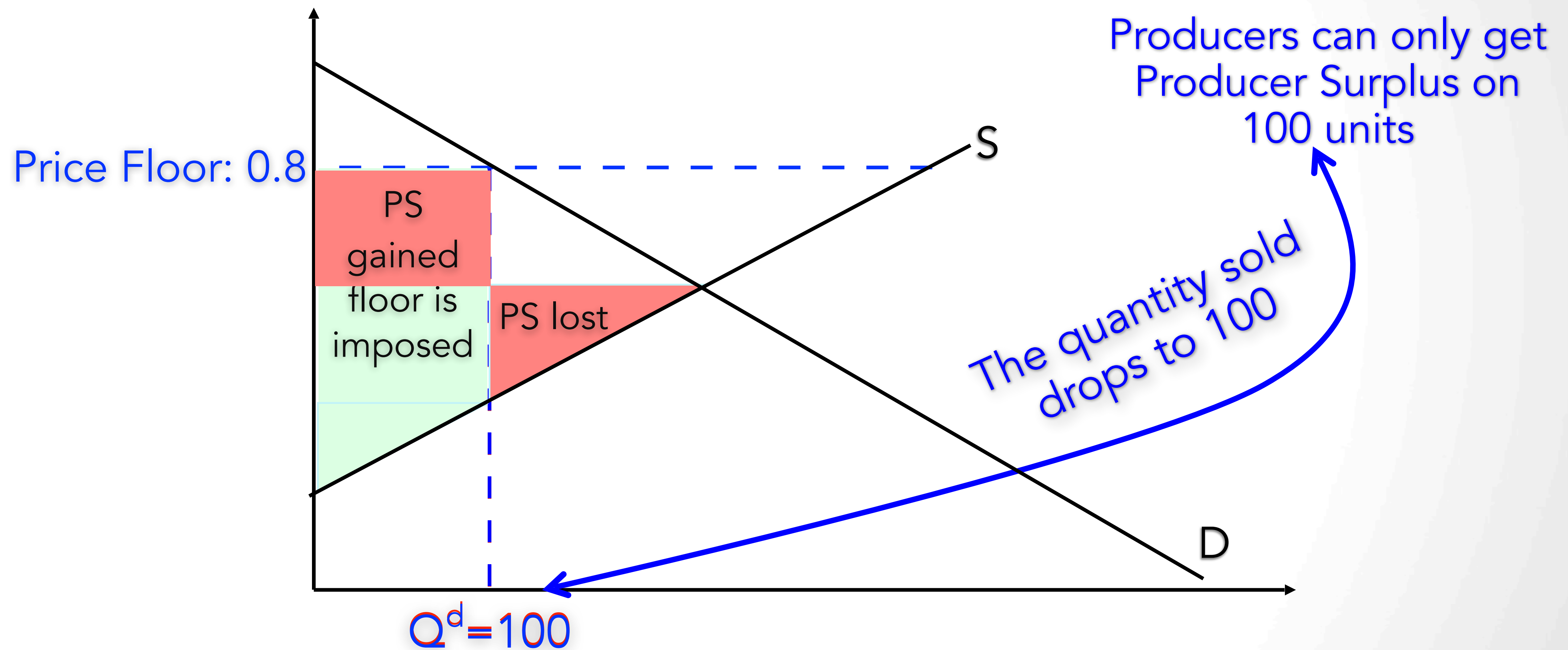
PS after
floor is
imposed



PS

gained

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Effect of the Floor on:

