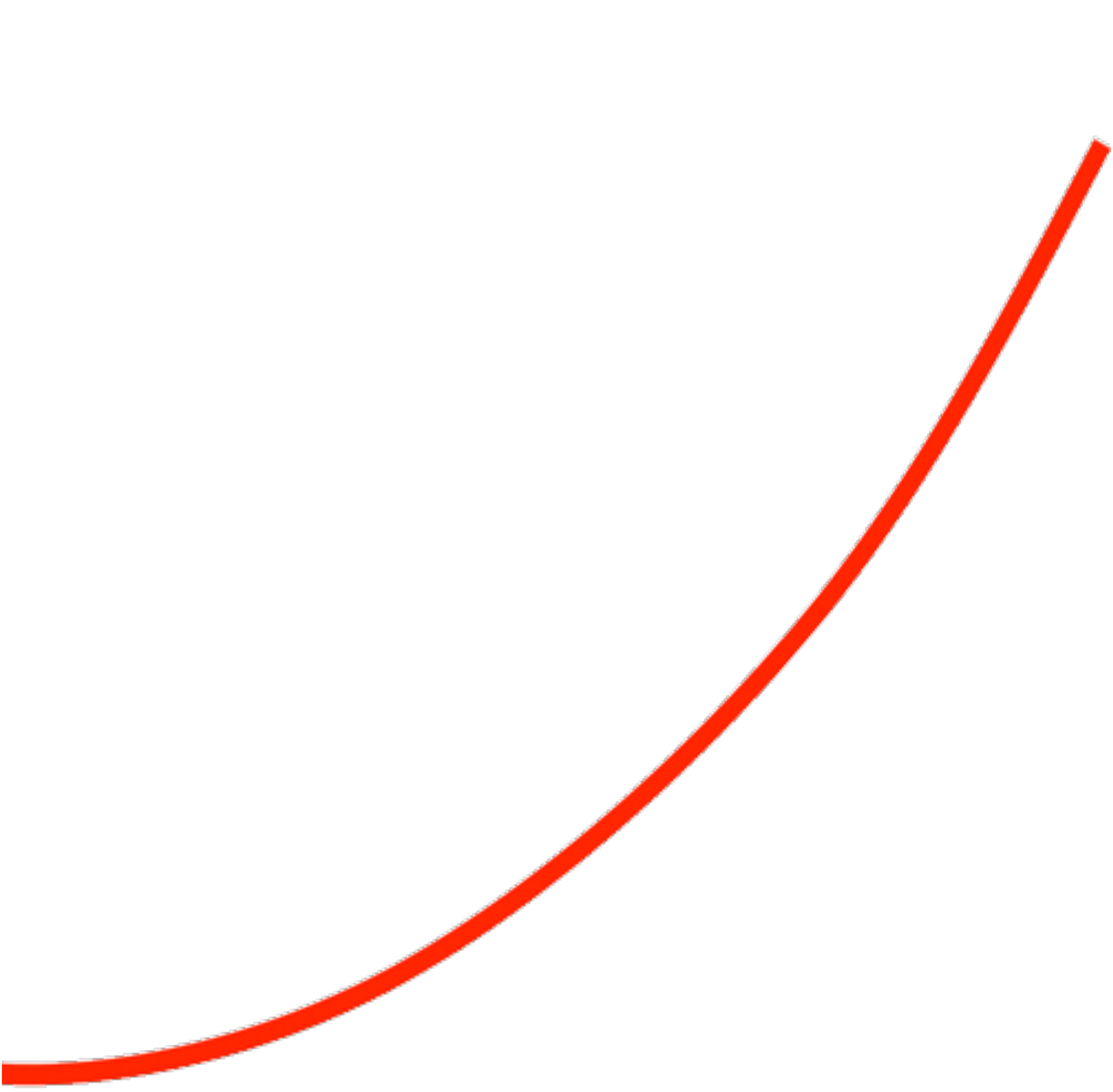


Cost per unit

5

10

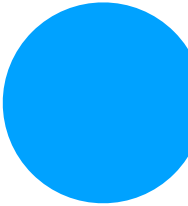
15

20

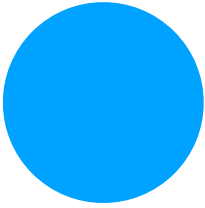
25

0.40

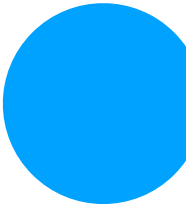
0.50

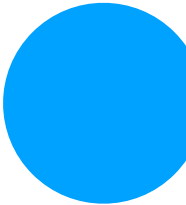


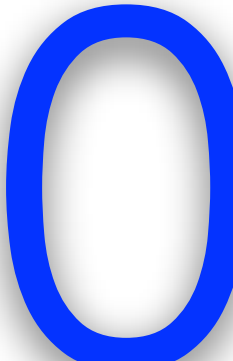
0.66



1







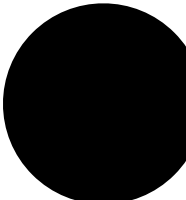
5

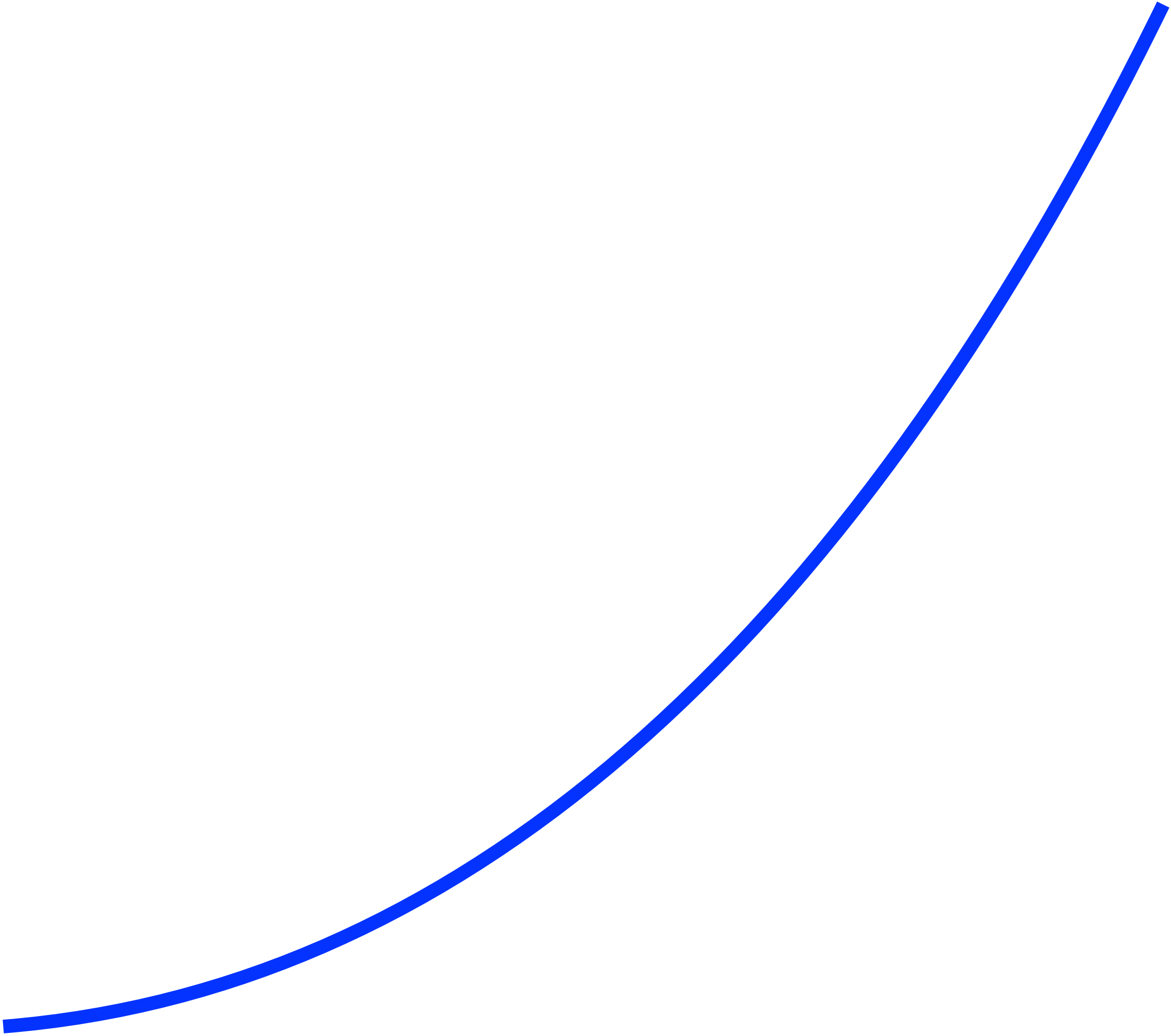
10

15

20

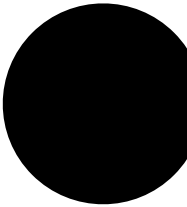
25

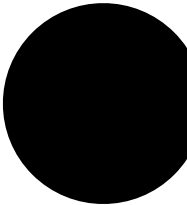


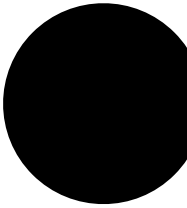


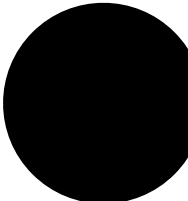
Old
Supply

Price per unit







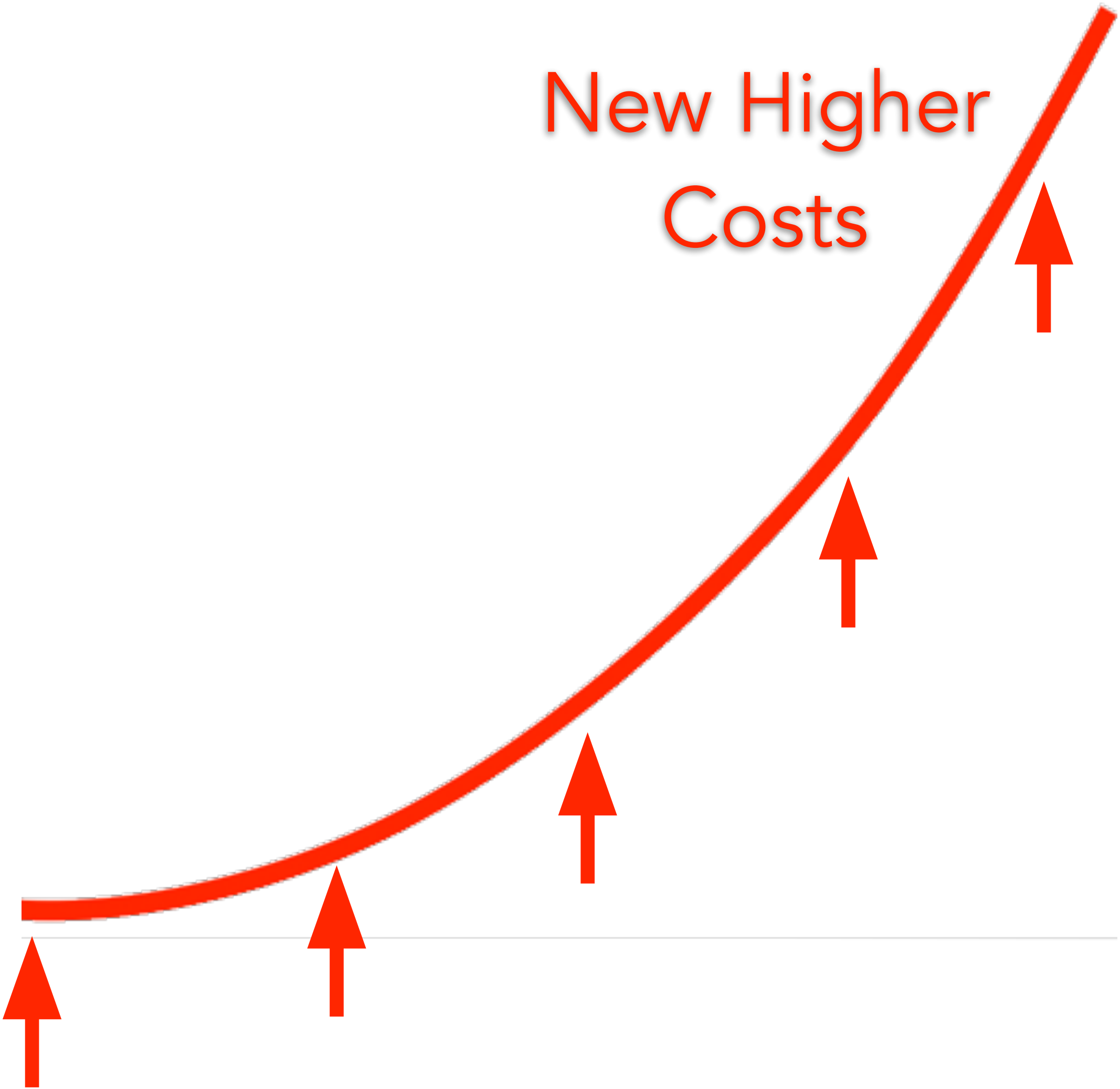


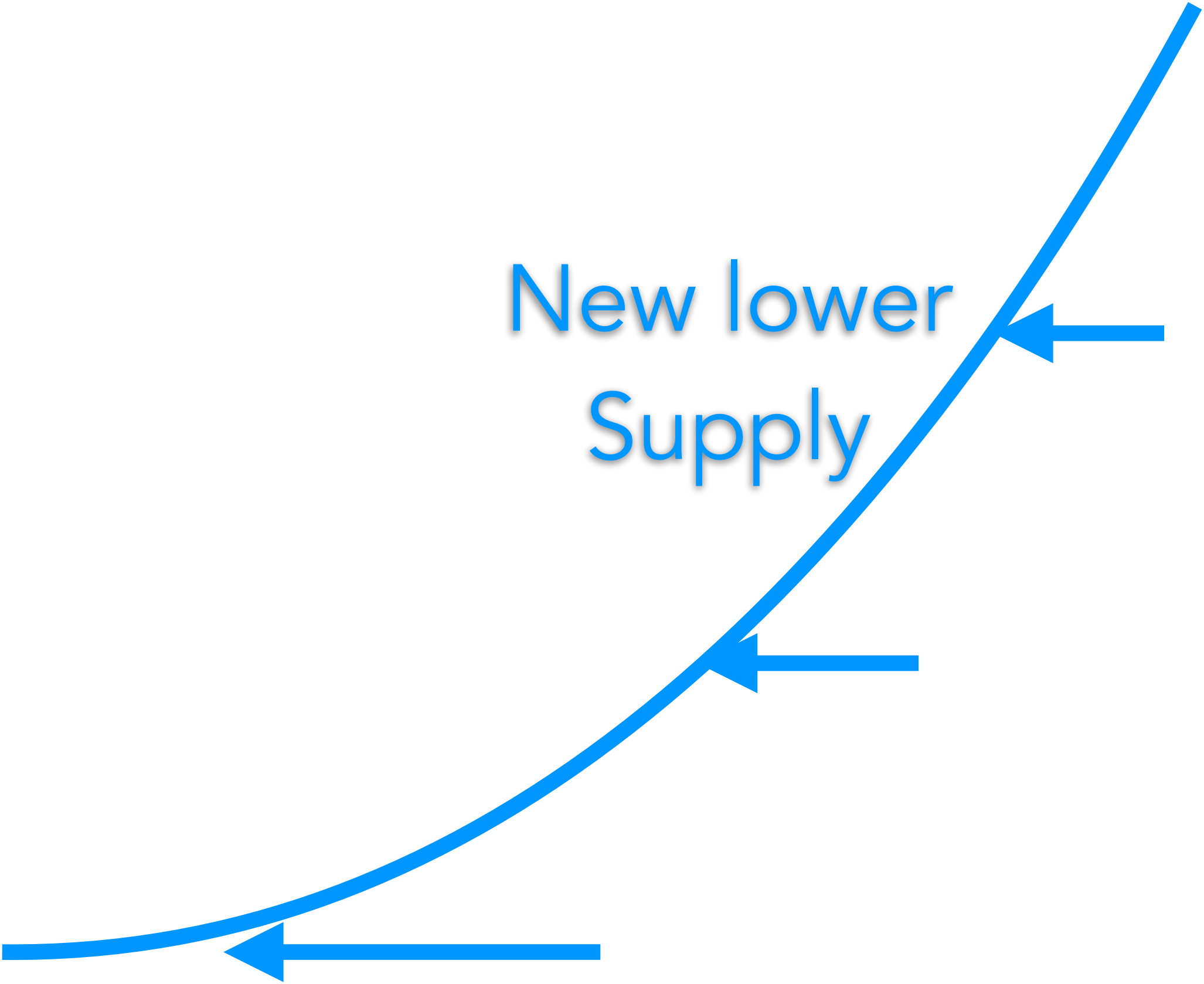
Quantity Supplied

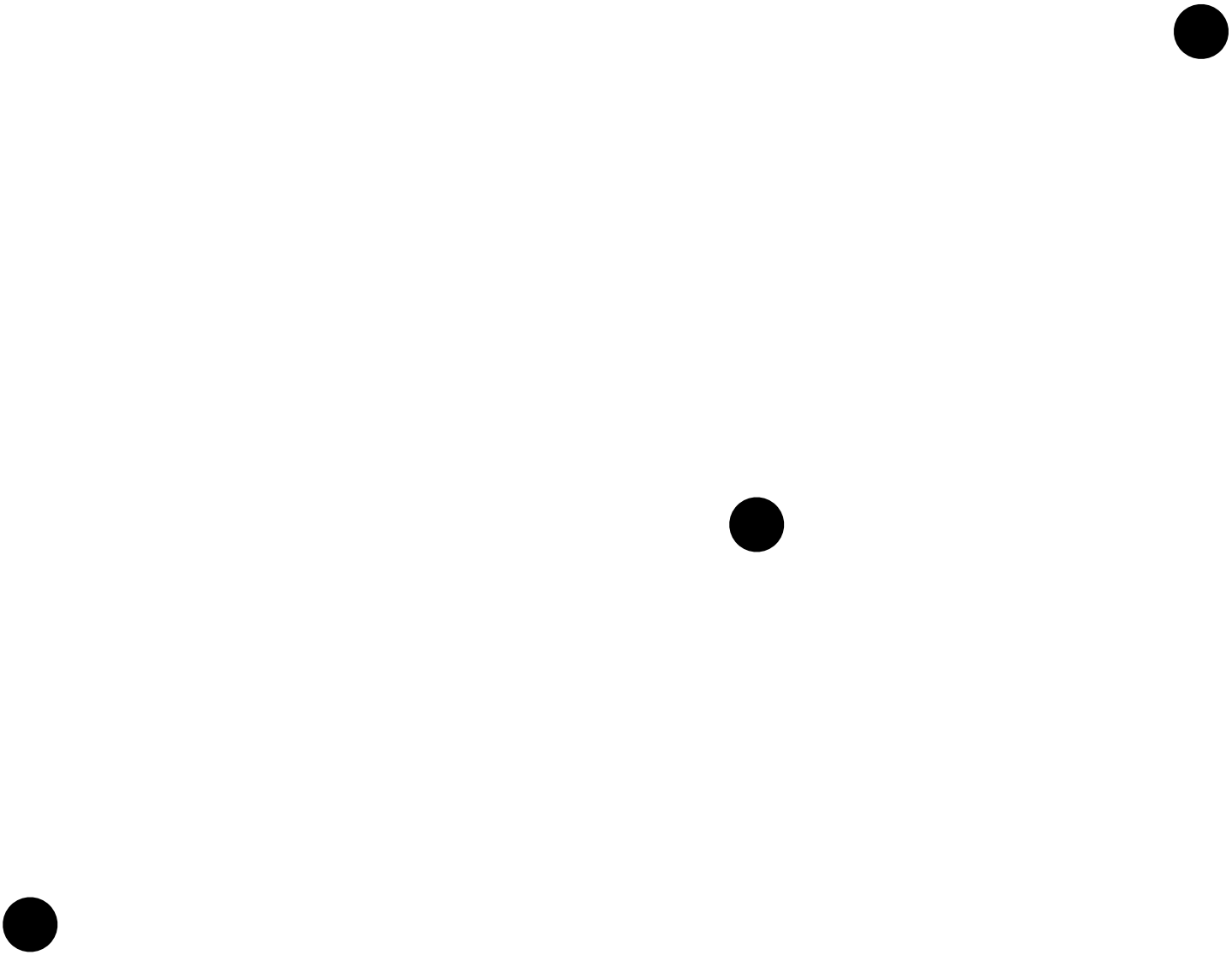
If the farmers' costs increase, they have NO power to change the price to cover these higher costs…

If the price remains the same but costs are higher the farmer must decrease the amount supplied

New Higher Costs




New lower
Supply



Before, when the price was 66 cents, the farmer supplied 15 units

Now, when the price is 66 cents, the farmer supplies fewer units

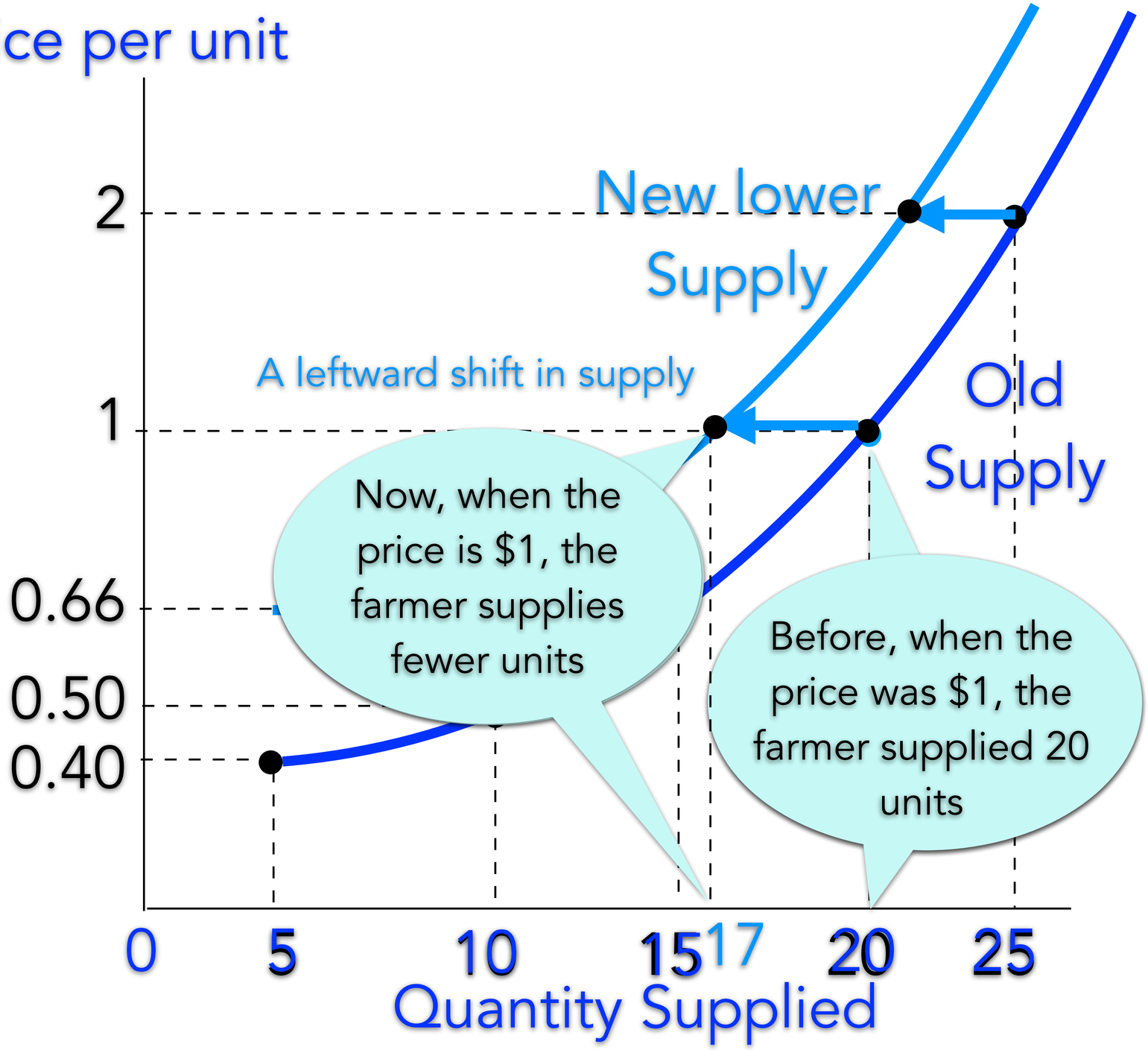
A leftward shift in supply

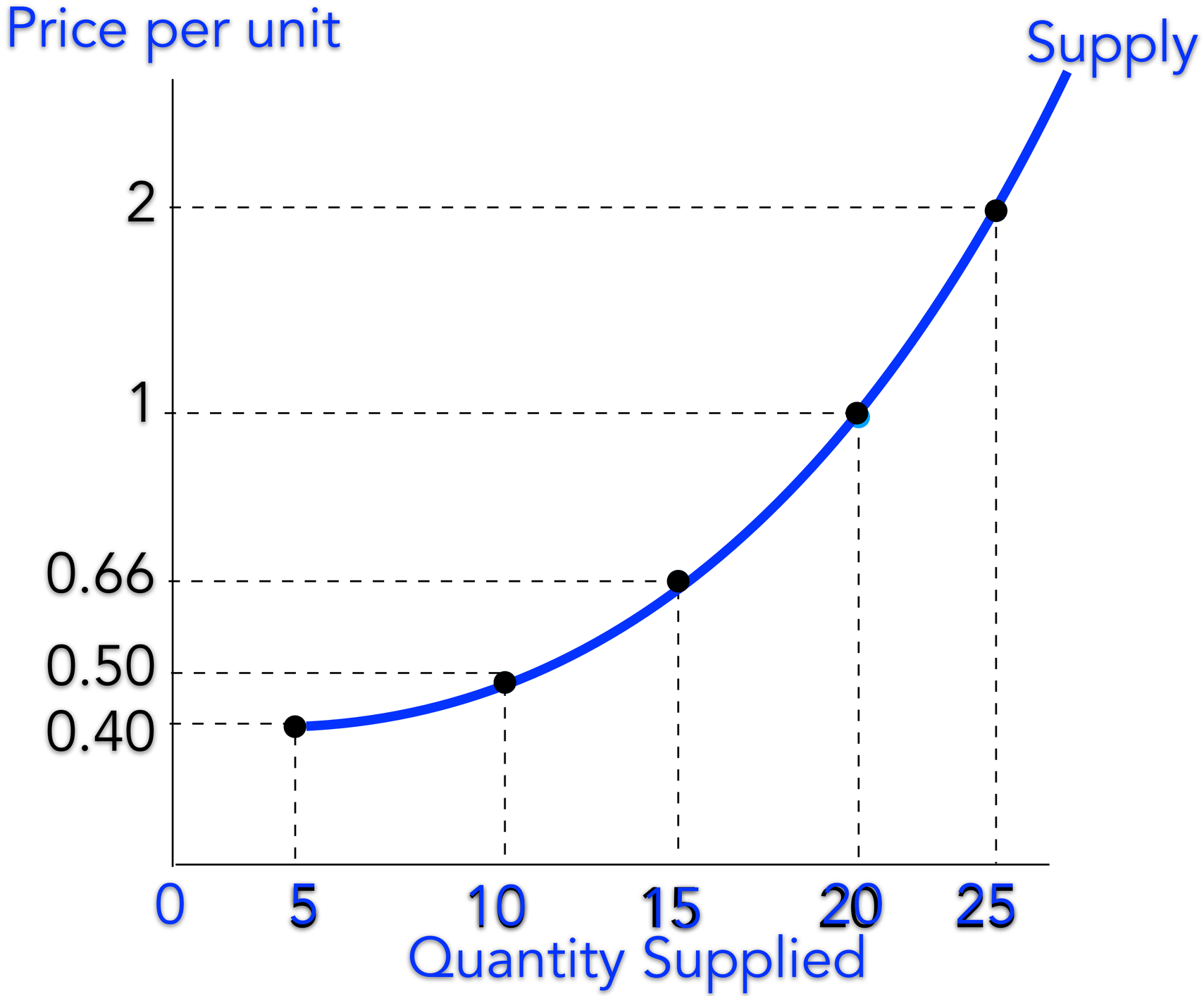
Before, when the price was $1, the farmer supplied 20 units

Now, when the price is $1, the farmer supplies fewer units

If the farmers' costs increase, they have NO power to change the price to cover these higher costs…

If the price remains the same but costs are higher the farmer must decrease the amount supplied




Price per unit
Supply
2
1
0.66
0.50
0.40
0
5
10
15
20
25
Quantity Supplied