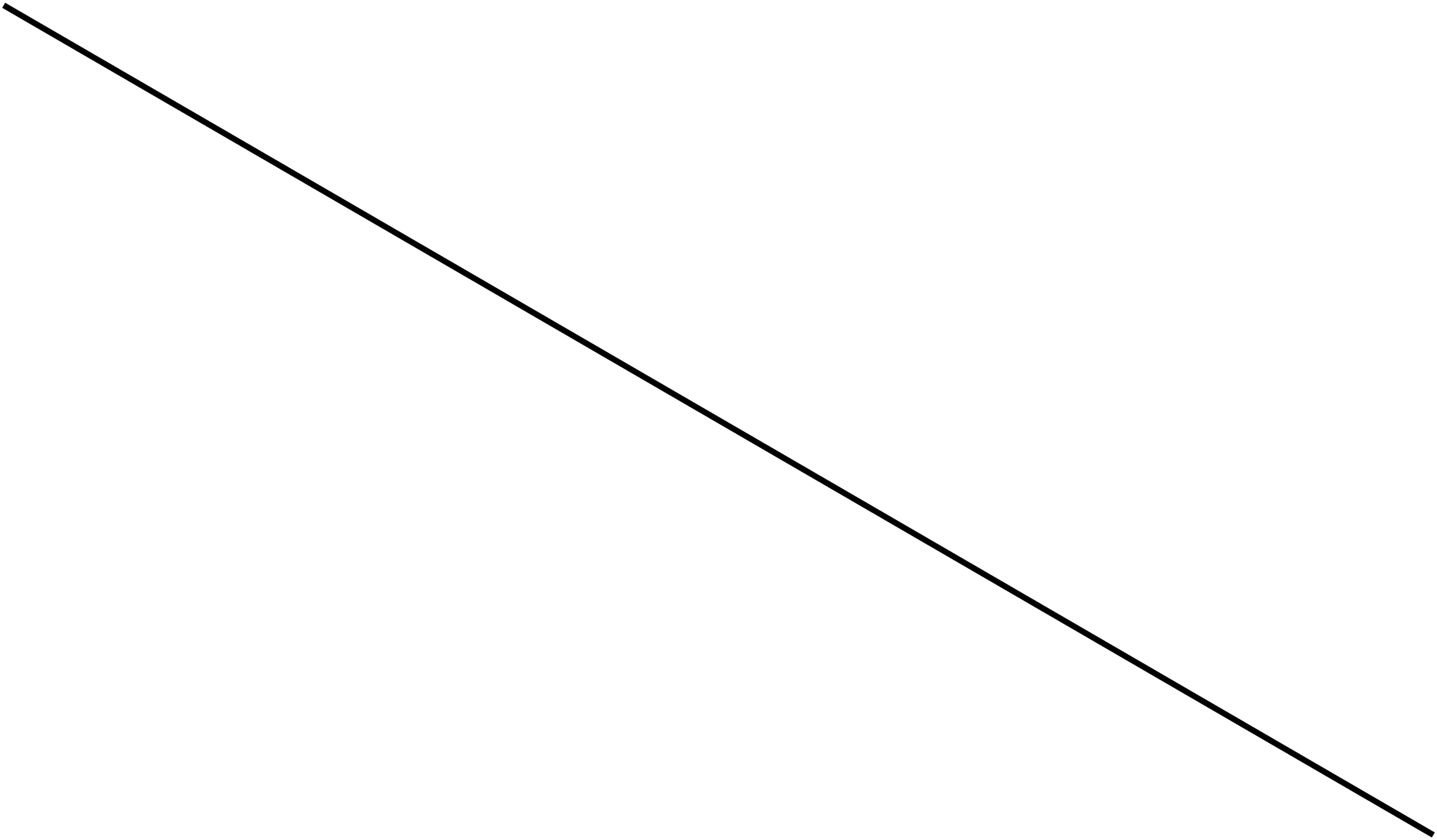
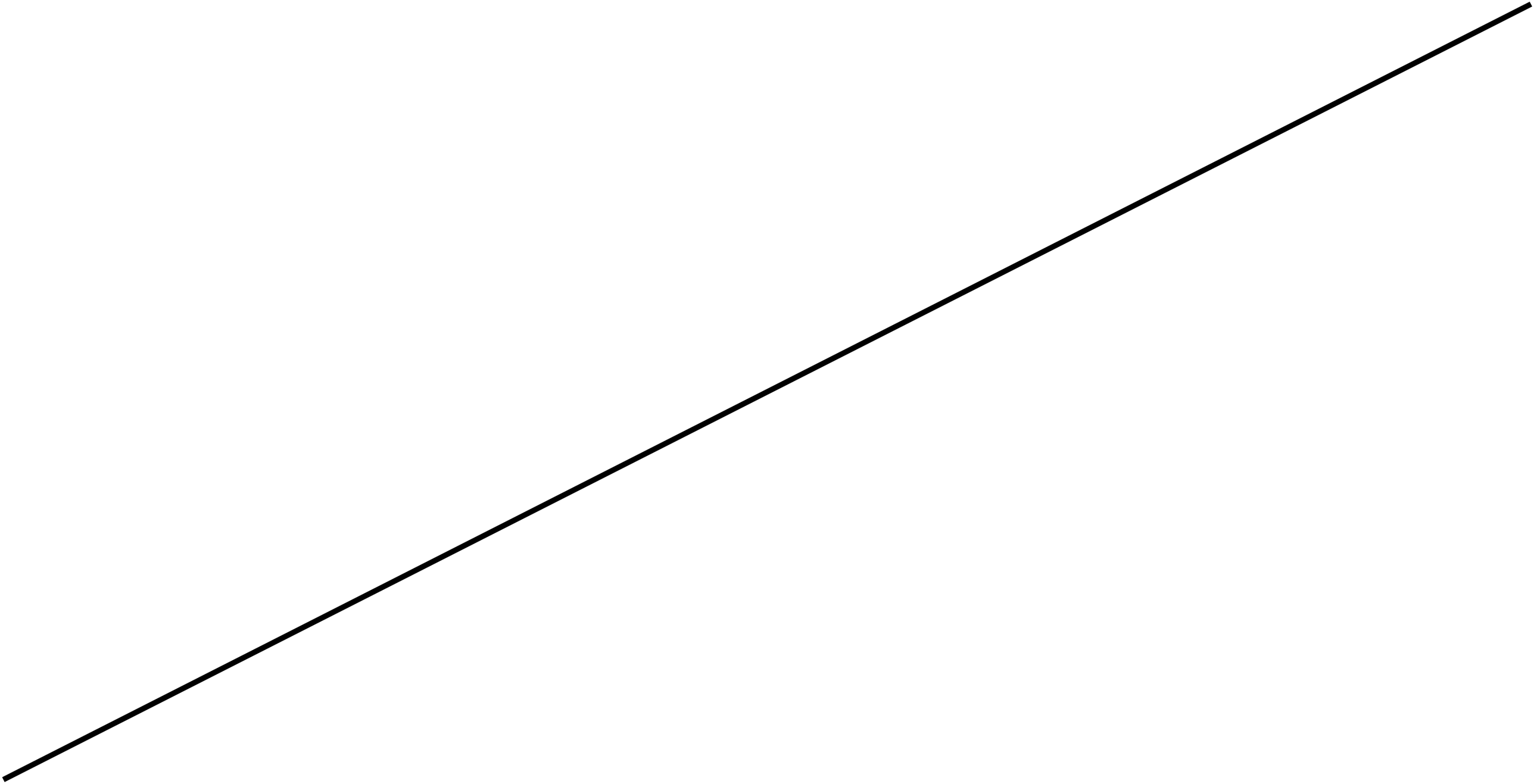
A price Floor prohibits prices below



Price Floor:0.8



$$Q_e = 400$$

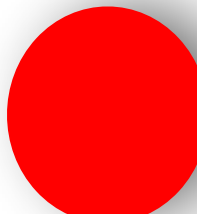
$$P_e \equiv 0.50$$

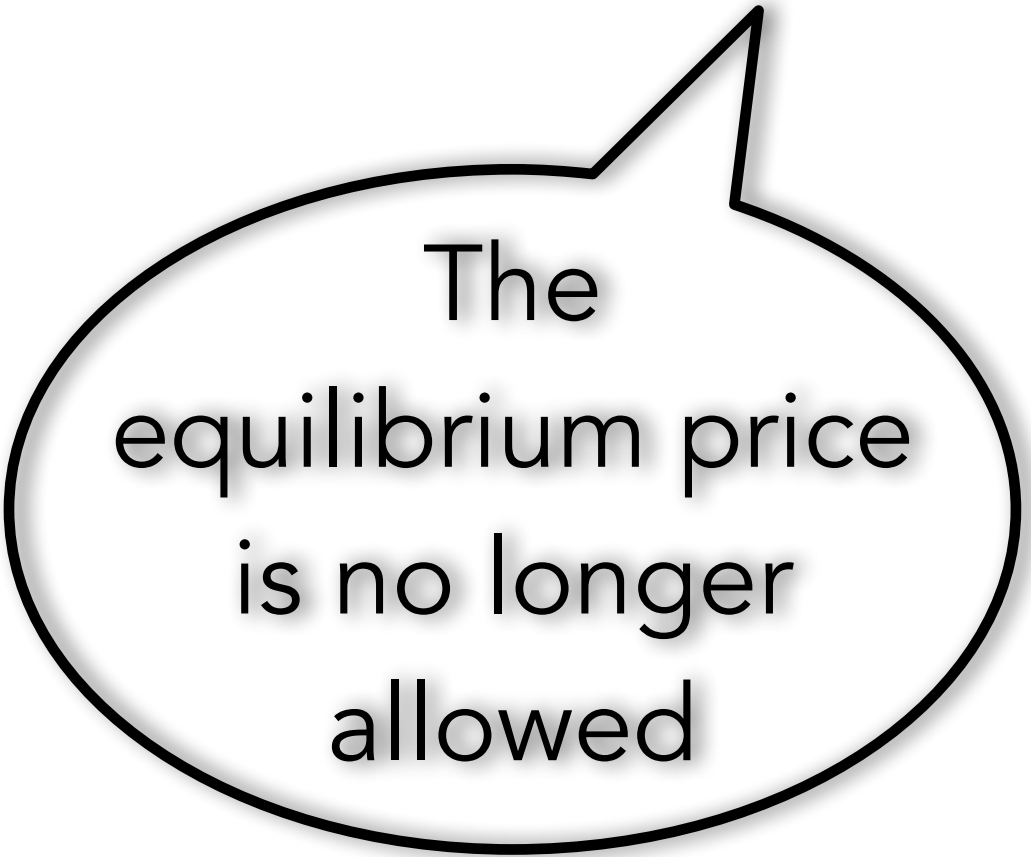
Price Floor: The minimum price is $0.80/pound

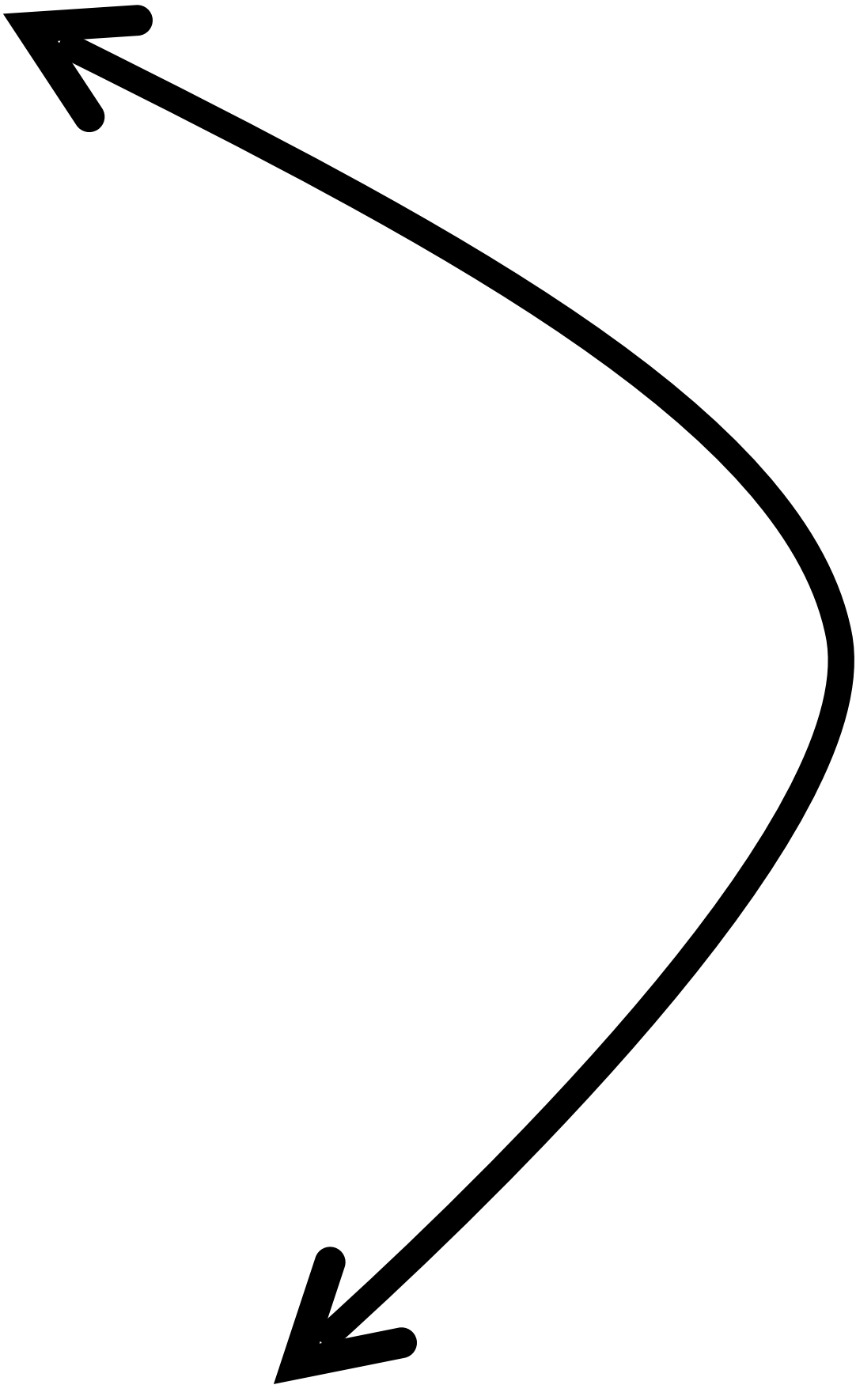
Price Floor

All these prices are
now prohibited

Prevents price from reaching equilibrium

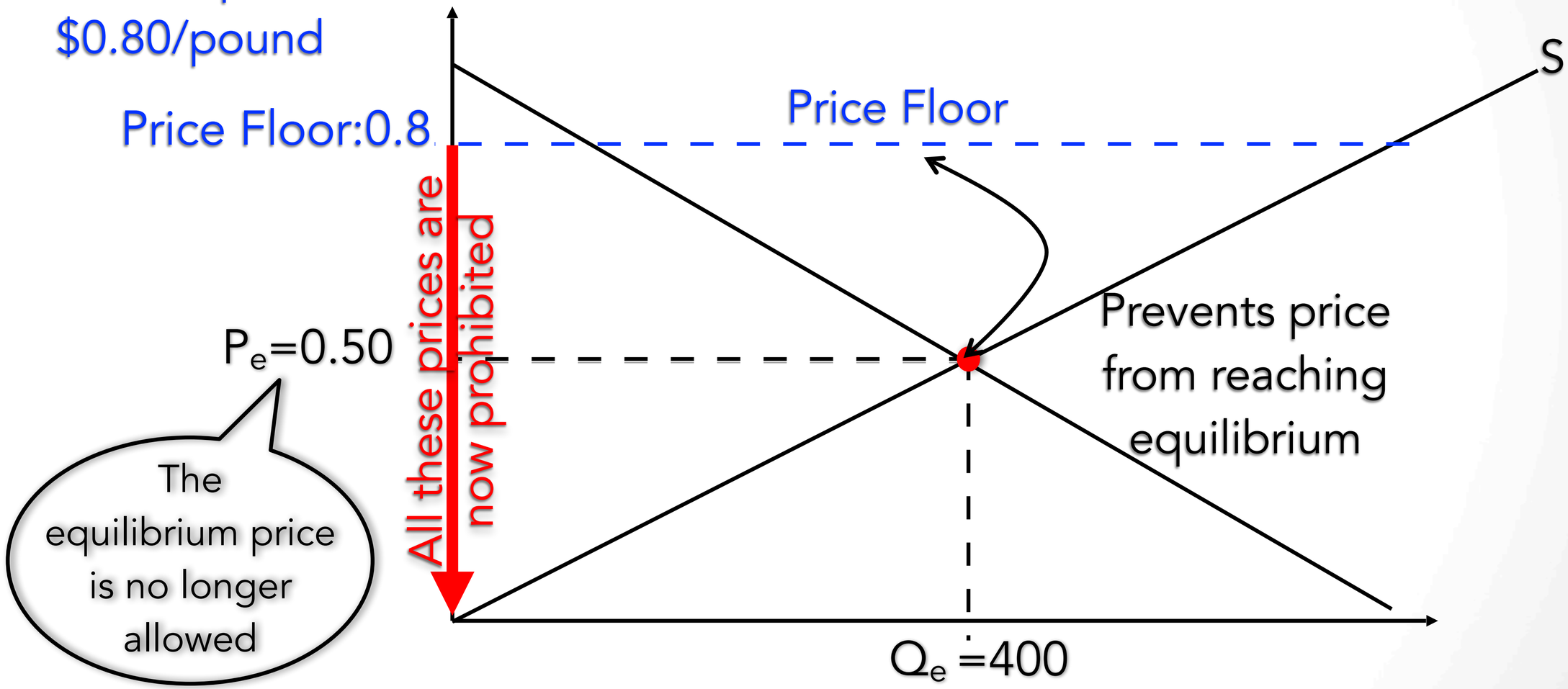
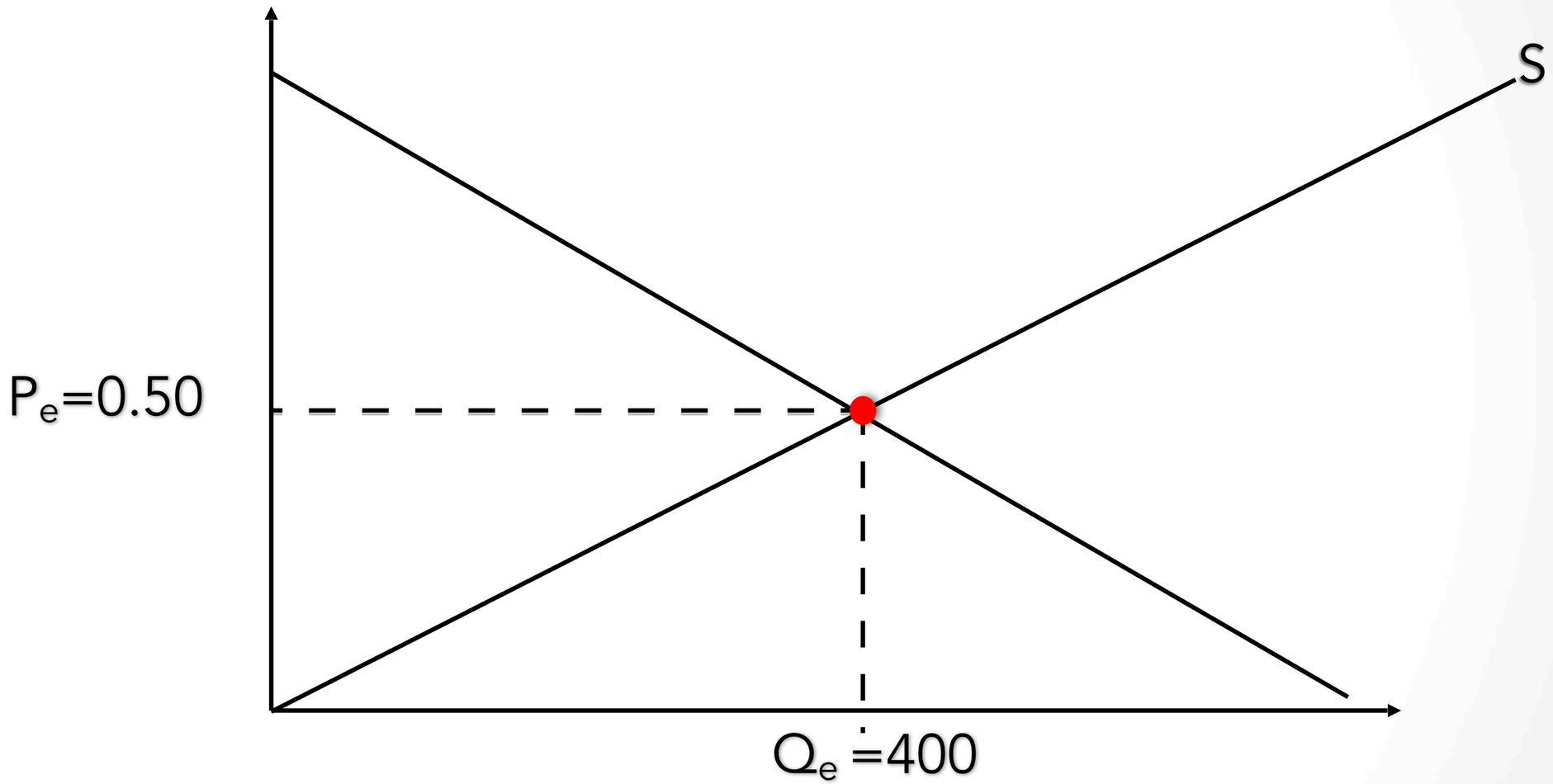



The
equilibrium price
is no longer
allowed



Price Floor: The minimum price is $0.80/pound

A price Floor prohibits prices below



To be effective, a price Floor must prohibit the equilibrium price