

Cost per unit

5

10

15

20

25

Pounds of Coffee Produced

0.40





0.50





0.66











2





Quantity Supplied =



5

10

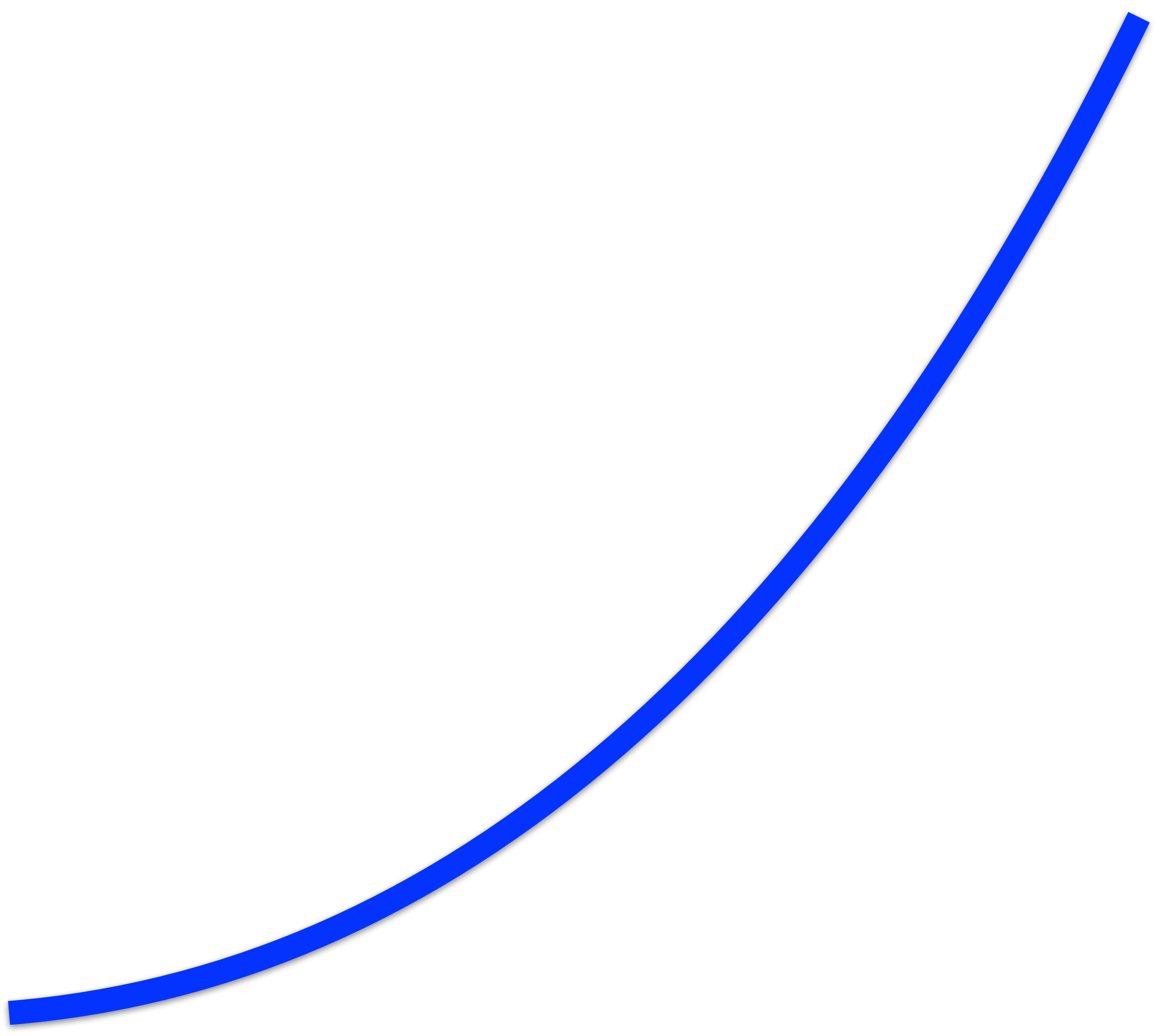
15

20

25







Supply

Price per unit

For any price ≤ 0.40

If price per unit is 0.40

If price per unit is 0.66

If price per unit is 1

If price per unit is 2









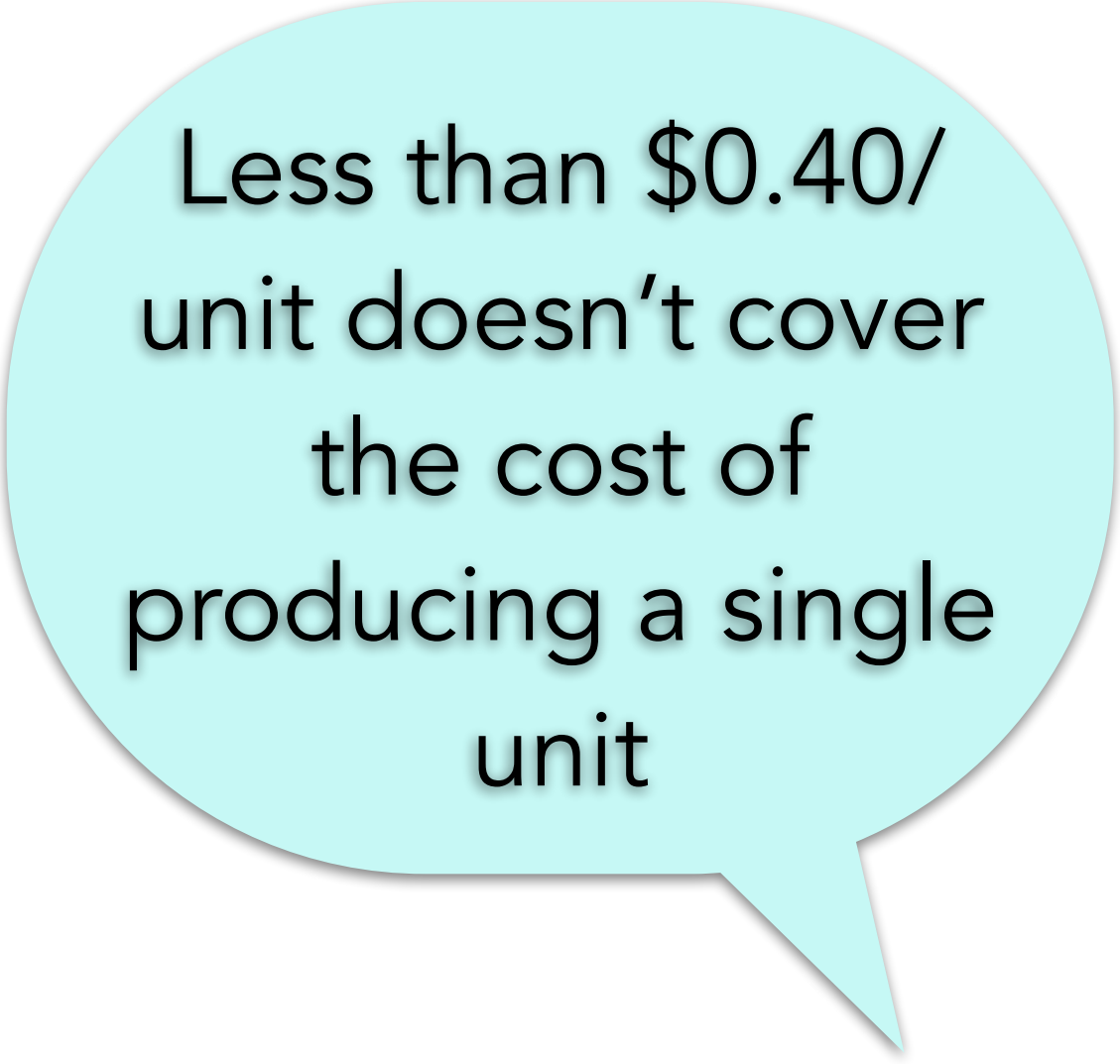
Quantity Supplied =

Quantity Supplied =


Quantity Supplied =

Quantity Supplied


Inescapable fact: if you
want the farmer to
produce more, you must
be willing to pay a higher
price to cover the farmer's
higher **costs**



Less than \$0.40/
unit doesn't cover
the cost of
producing a single
unit



\$0.40/unit covers
the cost of
producing 5 units
but not more



\$0.50/unit covers
the cost of
producing 10 units
but not more

If price per unit is 0.50

Price per unit

Supply

Inescapable fact: if you want the farmer to produce more, you must be willing to pay a higher **price** to cover the farmer's higher **costs**

2

1

0.66

0.50

0.40

0

5

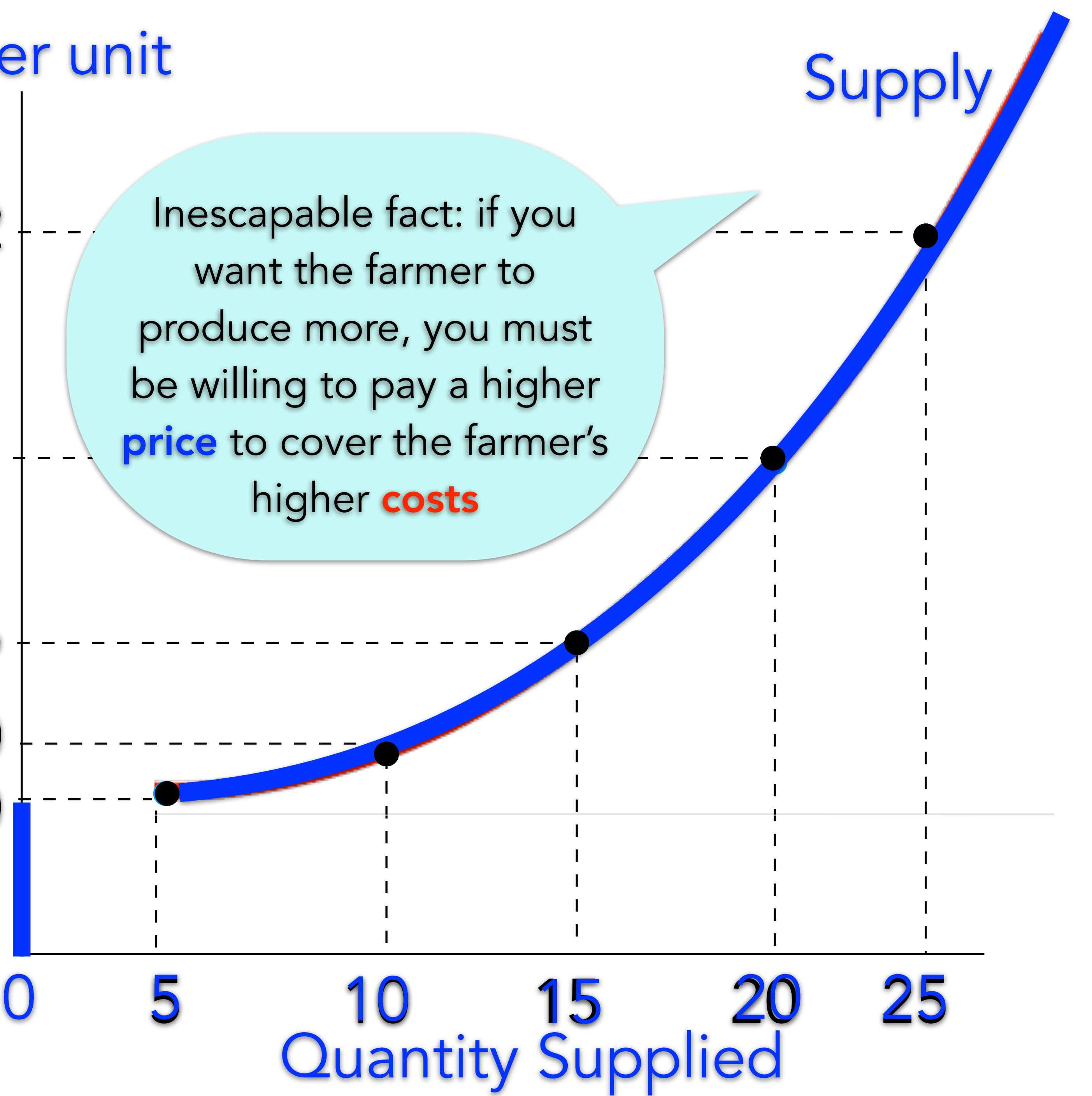
10

15

20

25

Quantity Supplied



In Perfectly Competitive Markets