

Market for Corn		
P	Qd	Qs
0	100	50
1	95	55
2	90	60
3	85	65
4	80	70
5	75	75
6	70	80
7	65	85
8	60	90
9	55	95
10	50	100

The market for corn is relatively competitive. Plot the market demand and market supply for corn. Mathematically solve for the equilibrium market price and quantity for corn. Label P^* and Q^* . Assume that demand and supply are linear functions.

Market



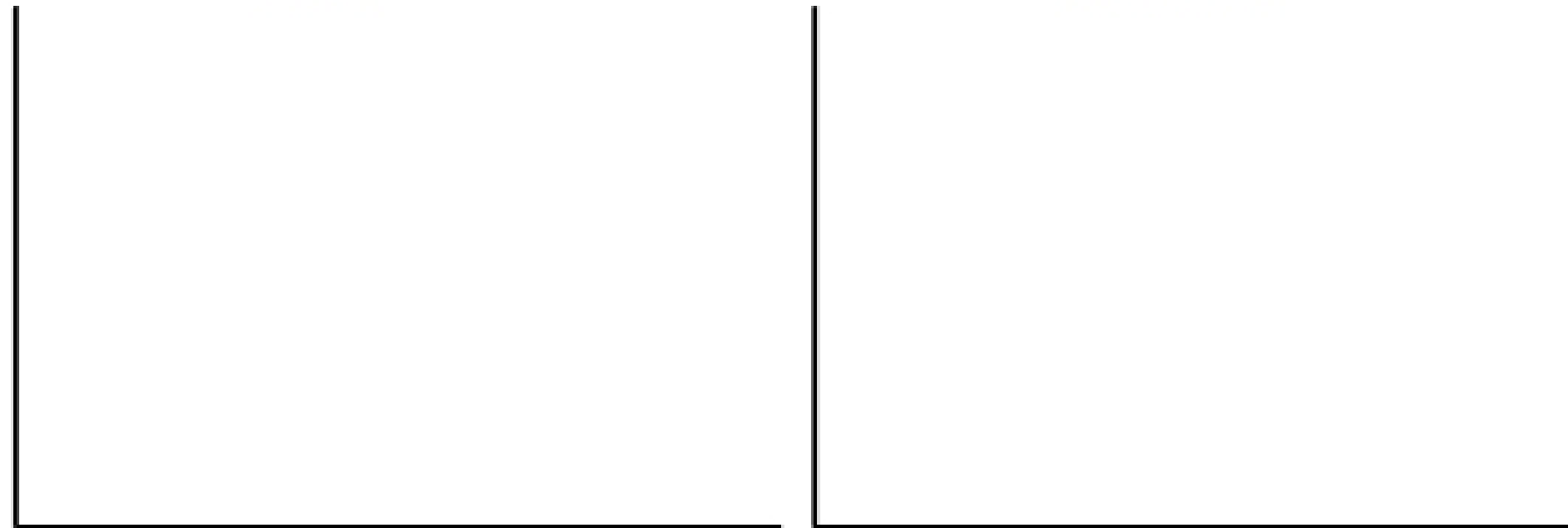
Individual Firm



Lets assume that in Stage 1 each individual firm produces 5 bushels of corn. Also assume that the individual firm is making positive profits in the corn market. Plot both of these conditions in the individual firm graph above. How many firms are in the corn market? Label P^* and q^* for the individual firm.

Market

Individual Firm



Lets assume that market is in Stage 2. Will individual firms continue to produce 5 bushels of corn and price at P^* ? Show the Stage 2 effects in the corn market with the graphs above. Label P'' , Q'' , and q'' . Do we have less or more firms in the corn-market in Stage 2? Why? How much profits do the individual firms make in the corn market?