

Chapter 19: Agriculture: Economics and Policy

Chapter 19 applies microeconomic concepts from earlier chapters to agricultural markets. Simultaneous changes in supply and demand, as illustrated in Chapter 3, have increased the output and reduced the prices of agricultural products, causing many producers to struggle to remain in the industry. The effects of elasticity from Chapter 4 explain the instability of food prices and farm incomes. While farm subsidies and price supports, as discussed in Chapter 3, can raise farm incomes and ensure farmers remain in the industry, the resulting higher food prices and surpluses reduce the efficiency of the market. The information in Chapter 19, while important, is not directly tested on the AP Economics exams, other than in the context of supply, demand, and elasticity, as discussed in Chapters 3 and 4.