

# [Economics](https://assignbuster.com/economics-essay-samples-23/)

Supply of corn substitute will decrease because given that soy beans is used as a substitute it is consequential that it will be sought to replace corn. Farmers will use the land to plant corn because it is in demand. The supply determinants which include technology, factor prices, number of suppliers, expectations of the future and environmental conditions determines this (Carleton University, 2008). Supply determinants in this case is equal to the availability of related products where relationship of substitute product is negative. This means that if the demand for product A increases then supply of product B as a substitute decreases. When corn was used as an alternative enery source then it is apparent that soy beans will be demanded because it was used in a different manner other than food consumption.
The supply of soy beans will decrease because farmers tend to use their farmlands for production of corn due primarily to two supply determinants. The first one is factor prices, since the cost for production is the same. Instead of soy beans they will prefer to farm corn in their lands. The other is expectations for the future because of anticipation that they will be able to easily sell their harvest due to the demand in corn as a raw material in a type of alternative energy. To note, corn was used as a component in alternative enrgy production with no substitute or complement indicated while soy beans was a substitute and not a complement which yields that it is affected in supply and demand parallel to corn.
The determinants of demand which includes income, tastes, preferences, prices of substitutes or complements, expectations of the future and population (Carleton University, 2008). Given the scenario, the price of corn oil is likely to increase because the raw material for it which is corn was used in a different manner. Corn oil is a preferred ingredient by people in their daily kitchen use so this lets it fall under taste and preference. Concurrently, Total Revenue will increase based on the assessment that it is inelastic (Internet Center for Management and Business Administration, Inc., 2007). Increase in prices is greater than the increase in the quantity demanded which translate to an agmented total revenue for corn oil producers considering all factors.
Bibliography
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