

# THEORY OF SUPPLY

**'Meaning' of SUPPLY:** Amount of a commodity/product (good, or service), which producers are willing and able to offer for sale *at a given price*.

## Determinants of SUPPLY of a Commodity/Product: (SUPPLY FUNCTION)

Quantity Supplied ( $Q_s$ ) of the Commodity/Product per period ("flow") =  $G$  (

Price (P) of the Commodity, or " <u>Own</u> " <u>Price</u> (+)	Prices of <u>Inputs/Factors</u> , of Production (-)	Technology, (+)	Prices of <u>Related</u> <u>Commodities</u> (-)
(+) Taxes and, (+) Subsidies (e.g. <u>indirect taxes</u> such as, <u>sales tax</u> , <u>excise duty</u> , <u>customs duty</u> etc.)	Producers' <u>Expectations</u> regarding <u>Future Price</u> (-)		