

Question #74728, Economics / Microeconomics

A purely competitive wheat farmer can sell any wheat he grow diminishing returns, because some are better suited for wheat production than other.

The first acre can produce 1000 bushels of wheat, the second acre 900, the third 800 and so on. How many bushels will each of the farmer's five acres produce?

Answer:

$$1000+900+800+700+600=4000 \text{ bushels}$$

How much revenue will each acre generate? What are the TR and MR for each acre?:

Answer:

Acres	Q	P	TR of each acre	MR	TR
1	1000	x	1000*x	1000*x	1000*x
2	900	x	900*x	900*x	1900*x
3	800	x	800*x	800*x	2700*x
4	700	x	700*x	700*x	3400*x
5	600	x	600*x	600*x	4000*x

If the marginal cost of planting and harvesting an acre is \$17500 per acre for each of the five acres, how many acres should the farmer plant and harvest ?

Answer:

$$MR=MC$$

Without information about price we can't determine when $MR=17500$

Answer provided by <https://www.AssignmentExpert.com>