

# ***A Competitive Market in the Short and Long Run Exemplified: U.S. Biodiesel from 2004-2009***

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## **Abstract**

This paper discusses the U.S. biodiesel industry from 2004 to 2009 as an example of the competitive model. We illustrate several key concepts including firm and industry cost curves, short and long-run elasticity of supply and demand, firm entry and exit, and deadweight loss of subsidies. We provide some policy questions that may be addressed using the competitive model.

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<sup>1</sup> Because of the inelastic supply of agricultural output in developed economics and growing world population, expanding demand for biofuels has resulted in widespread deforestation in the tropics.