

Summary: Producers and Consumers

Products and Services

Goods are things that can be bought. Producers make and sell many kinds of products. For example, some producers make and sell cars. Producers also sell services. For example, a hair-cut is a service a barber sells to a consumer.

Producers and consumers depend on each other. For example, farmers in Tennessee sell their crops to consumers. The farmers depend on consumers to earn money. Consumers depend on farmers for food.

Many producers specialize. For example, some Tennessee farmers along the Mississippi River specialize in growing soybeans. When producers specialize, they do a better job of providing goods or services that people want.

Price, Supply, and Demand

Producers make goods or provide services to earn money. Producers set the price of a good or service based on its supply or demand.

Producers think about what consumers want and the price consumers will pay. Then they make a supply. When the price is high, producers usually make more things. They may also provide more services. When the price is low, producers usually make less.

Consumers create demand for goods and services. When prices are high, consumers buy less. When prices are low, consumers buy more.

Producers can make or sell almost anything they want. Consumers can buy what they want. The right to make these choices is called free enterprise.



Before You Read

Find and underline each vocabulary word.

producer *noun*, someone who makes and sells goods and services

product *noun*, a good
specialize *verb*, to do one special kind of work

supply *noun*, the amount of an item producers will make for a certain price

demand *noun*, the amount consumers are willing to buy for a certain price



After You Read

REVIEW Why do producers specialize? Highlight the sentence that tells the answer.

REVIEW At higher prices, will consumers want to buy more or less of a good or service? Circle the sentence that tells the answer.