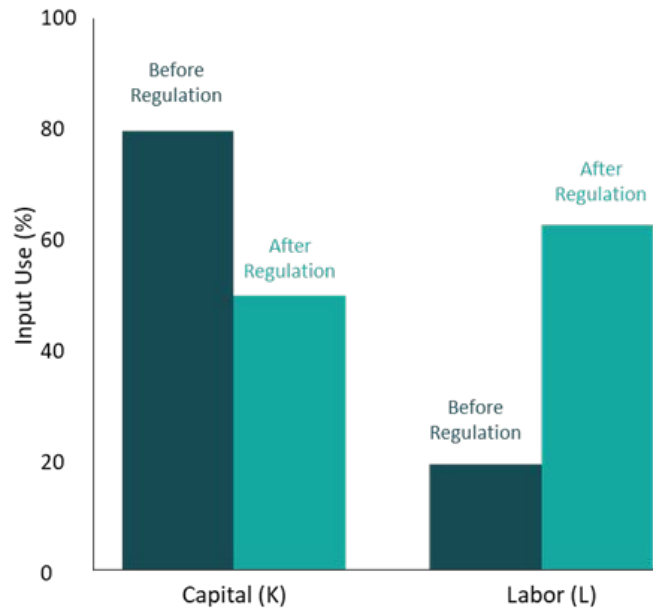
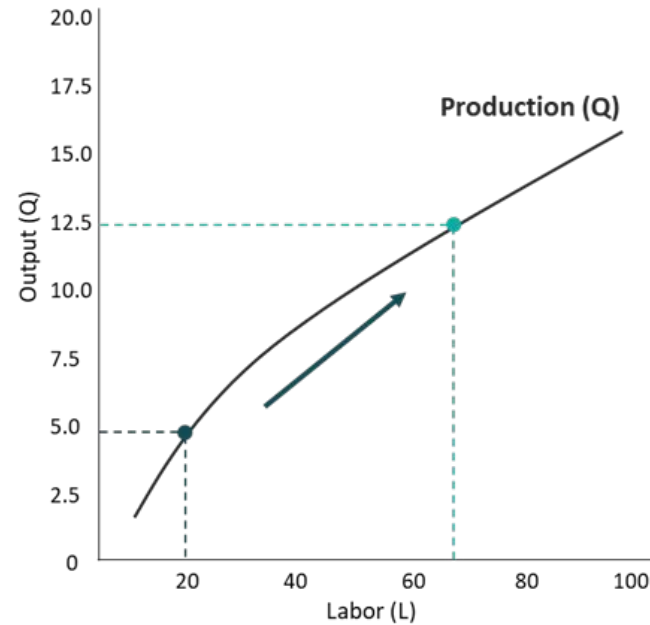


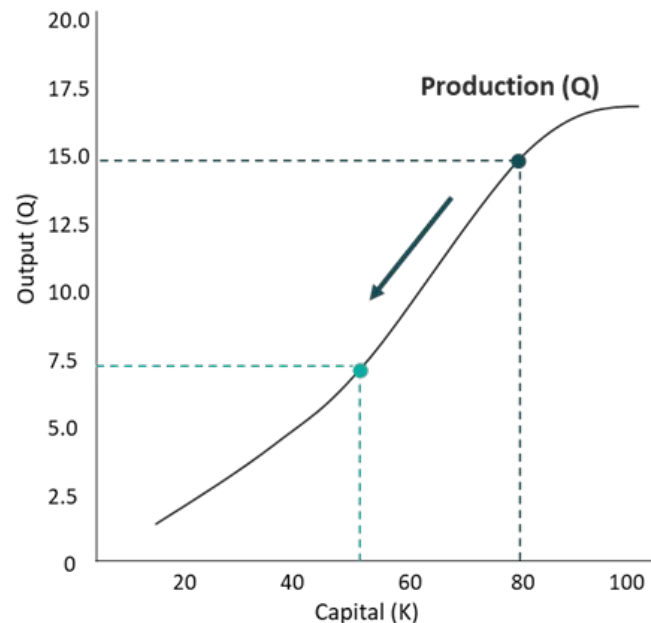
A. Shift in Input Mix



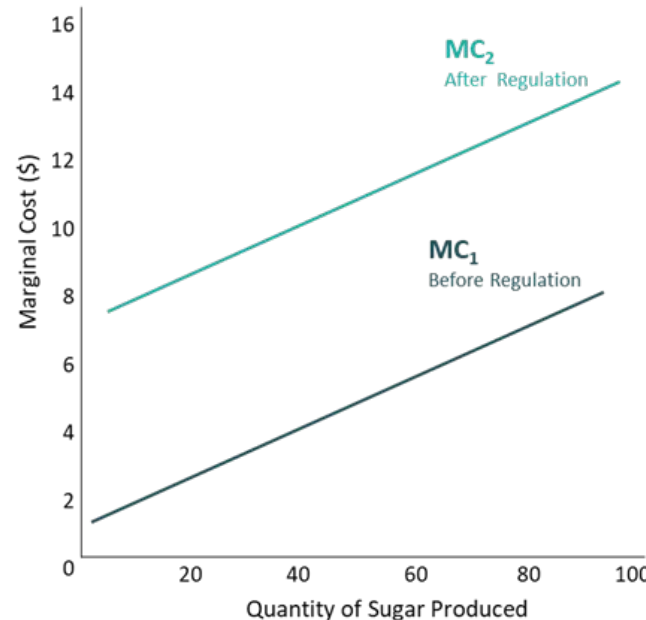
B. Output as a Function of Labor



C. Output as a Function of Capital



D. Marginal Cost Shift



UE Figure S1 Ep2: Effects of Regulation on Sugarcane Production. This figure illustrates the impact of an environmental regulation on production decisions and costs in the sugarcane industry. Panel A shows a shift in the input mix: regulation targeting mill emissions led producers to substitute away from capital-intensive mechanical harvesting and toward labor-intensive manual harvesting. Panel B depicts a movement along the labor production function, as reduced use of capital increased reliance on labor to maintain output. Panel C illustrates movement along the capital production function. Since labor input increased while output remained constant, a corresponding reduction in capital use would be expected in. Finally, Panel D shows that these input shifts—combined with additional regulatory costs—caused the marginal cost curve to shift upward, increasing the overall cost of sugar production.

