

UNIVERSITY OF KWAZULU-NATAL
SCHOOL OF AGRICULTURAL EARTH AND ENVIRONMENTAL SCIENCES
DISCIPLINE OF AGRICULTURAL ECONOMICS
EXAMINATIONS: MAY/JUNE 2014

SUBJECT, COURSE AND CODE: **AGRICULTURAL DEVELOPMENT – AGEC 380**

DURATION: 3 HOURS

TOTAL MARKS: 100

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External Examiner: Prof C Machethe

NOTE: THIS PAPER CONSISTS OF 3 PAGES. PLEASE SEE THAT YOU HAVE ALL OF THEM

INSTRUCTION: Students are to answer **all** questions, and are required to begin each question on a fresh page and in their own interest write legibly.

QUESTION 1

Complete the following statements by providing appropriate answers.

- 1.1 The rate of growth in the agricultural labour force of a Less Developed Country (LDC) is dependent upon the following factors;
- i) _____
 - ii) _____
 - iii) _____
- (3)
- 1.2 The objectives of development have been stated to include the following;
- i) _____
 - ii) _____
 - iii) _____
 - iv) _____
- (4)
- 1.3 Agriculture can contribute to a nation's economic growth in the following ways;
- i) _____
 - ii) _____
 - iii) _____
 - iv) _____
- (4)
- 1.4 Examples of the benefits usufruct rights produce to rural households include;
- i) _____
 - ii) _____
 - iii) _____
- (3)

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- 1.5 Cheap institutional credit tends to be diverted to large farmers because;
- i) _____
- ii) _____ (2)
- 1.6 Lack of information about borrowers raises transaction costs and exposes lenders to the problems of;
- i) _____
- ii) _____ (2)
- 1.7 Large scale farmers are more likely to invest in education and information and adopt new technology (even if it is highly divisible) because;
- i) _____
- ii) _____ (2)
- [20]**

QUESTION 2

State whether the following statements are **TRUE or FALSE**. Give brief explanation/reasons to justify your answers.

- 2.1 A high urban population growth rate in South Africa is a sufficient indicator of economic development in the country. (4)
- 2.2 The farm size and crop yield in rural KwaZulu-Natal suggests that land is farmed intensively. (3)
- 2.3 Low's model explains why arable land is underutilized in developing regions of Southern Africa. (3)
- 2.4 Chayanov's household economic model assumes that a market for farm labour exists. (3)
- 2.5 The assumption of the Lewis model that transfer of labour from rural to urban areas is "painless" from an economic perspective is appropriate for KwaZulu-Natal. (4)
- 2.6 When transaction costs are high relative to rental income, the rental markets are inactive. (3)
- 2.7 An active land market tends to stimulate higher investments in fixed improvements, other things being equal. (3)

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- 2.8 If the rental market for agricultural land is efficient, rights to use this land will transfer to the poor farmers. (3)
- 2.9 Exclusive land rights will emerge in response to profitable technology because farmers want to internalize the full benefit of their investment. (4)
- 2.10 Adaptive strategies make customary tenure more secure by increasing farmers' demand for exclusive land rights. (4)
- 2.11 Members of a cooperative are reluctant to finance long-term investments because they cannot sell shares at their market value. (3)
- 2.12 Theoretically, the economic problems of open access grazing land can be solved by imposing cattle taxes or quotas. (3)
- [40]**

QUESTION 3

High population growth rates in rural areas inhibit development. Explain how education could help to reduce family sizes in rural areas. **[10]**

QUESTION 4

List and discuss five reasons why governments in Less Developed Countries often adopt policies that reduce farmers' incentives. **[15]**

QUESTION 5

Explain why the rental market for cropland is not efficient in the communal areas of South Africa and what impact this could have on crop production. **[15]**