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)
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)
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)

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 Counties 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]