

**UNIVERSITY OF KWAZULU-NATAL**  
**SCHOOL OF AGRICULTURAL EARTH AND ENVIRONMENTAL SCIENCES**  
**DISCIPLINE OF AGRICULTURAL ECONOMICS**  
**EXAMINATIONS: MAY/JUNE 2013**

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

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**DURATION: 3 HOURS**

**TOTAL MARKS: 100**

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Internal Examiner: Dr LJS Baiyegunhi  
External Examiner: Prof C Machethe

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

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

**QUESTION 1**

Complete the following statements by providing appropriate answers

1.1 According to Ghatak and Ingersent (1984), the characteristics of agriculture in Less Developed Countries (LDCs) are;

- i) \_\_\_\_\_
- ii) \_\_\_\_\_
- iii) \_\_\_\_\_
- iv) \_\_\_\_\_ v) \_\_\_\_\_

1.2 If food supplies do not expand fast enough, food prices will rise. Rising food prices could lead to;

- i) \_\_\_\_\_
- ii) \_\_\_\_\_
- iii) \_\_\_\_\_
- iv) \_\_\_\_\_

1.3 Growing a surplus of agricultural products is an important component of economic growth in typical LDCs because;

- i) \_\_\_\_\_
- ii) \_\_\_\_\_
- iii) \_\_\_\_\_ iv) \_\_\_\_\_

1.4 The assumption underlying Low's model of a traditional rural households in Southern Africa are;

- i) \_\_\_\_\_
- ii) \_\_\_\_\_
- iii) \_\_\_\_\_ iv) \_\_\_\_\_

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- 1.5 Capital transfers from agriculture to industrial sector can occur voluntarily when certain preconditions prevail, namely;
- i) \_\_\_\_\_
  - ii) \_\_\_\_\_
  - iii) \_\_\_\_\_

**[20]**

**QUESTION 2**

State whether the following are **TRUE** or **FALSE**. Give reasons for your answers.

- 2.1 For most developing countries, urbanization requires real growth in domestic food production. (4)
- 2.2 The rate of natural increase tends to be higher in rural population than in urban population. (3)
- 2.3 As industrialisation and urbanisation proceed in a LDC, the rate of increase in the urban demand for food tends to exceed the rate of growth in urban employment. (3)
- 2.4 According to Low's household model, improvements in education result in rural-urban migration of workers. (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. (4)
- 2.6 The type of agricultural technologies (land or labour augmenting) that will be developed in a country is determined by relative factor price. (4)
- 2.7 Most poor countries are not growing fast because they lack natural resources, capital and skills (3)
- 2.8 Cultural diversity that manifests in a multi-party democracy is good for economic growth. (3)
- 2.9 Cheap institutional credit can reduce small farmers' access to both formal and informal credit (3)
- 2.10 There is no reason why the adoption of technology should be influenced by farm size when technologies are divisible (3)
- 2.11 If the rental market for agricultural land is efficient, rights to use the land will transfer to the most skilled farmers (3)

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- 2.12 Customary tenure is secure because land rights are usually held in perpetuity and can be bequeathed to an heir. (4)  
**[40]**

**QUESTION 3**

Critically discuss the appropriateness of using Chayanov's model to derive policy strategies to promote agricultural development in KwaZulu. **[10]**

**QUESTION 4**

- 4.1 Discuss the different ways in which agriculture contributes to the economic growth of a Less Developed Countries (LDCs). (7½)
- 4.2 Open access to communal grazing land creates negative externalities. To prevent the problem of over-exploitation of communal grazing, as an economist what solution would you suggest. (7½)  
**[15]**

**QUESTION 5**

A group of small farmers has approached you to help them established a co-operative to pack and market their potatoes collectively. Explain why you might advise them to register their proposed business as a private company rather than as a co-operative. **[15]**