

UNIVERSITY OF FORT HARE



University of Fort Hare
Together in Excellence

SUPPLEMENTARY EXAMINATION

NOVEMBER 2024

AGE221 - FARM MANAGEMENT

Time: 3 hours

Marks: 100

Internal examiner

Internal moderator

Dr STC Mdletshe

Prof. A Mushunje

Instructions

1. Answer **ANY THREE (3)** questions in Section A **AND** Question Five in Section B.
2. This paper consists of **THREE** pages, including the cover page.

QUESTION ONE (25 marks)

The Planning Problem refers to the allocation of scarce resources within and between feasible enterprises. In order to ensure that such allocation is carried out efficiently it is essential to make a clear statement of OBJECTIVES.

- i. Explain why objectives are very important in farm management. [8]
- ii. Objectives need to be sustainable (continue for a very long time). Explain the need for both short term and long-term objectives to be specified and what can be done to ensure that they are sustainable. [17]

QUESTION TWO (25 marks)

- i. Gross Margin is an extremely important and useful planning and control aid and is based on a specific planning situation. Explain, in detail, the meaning of this statement. [13]
- ii. Show, in detail, how the Gross Value of Production is calculated for a livestock enterprise. [12]

QUESTION THREE (25 marks)

You are a vegetable farmer, producing potatoes as well as other enterprises. You own a total of 20 ha of arable land of which you are prepared to allocate a maximum of 5 ha to potatoes. The remainder would be shared by other vegetable enterprises. One of the major inputs required is fertilizer which is applied at a rate of 500 kgs per ha at a price of R3500 per tonne. You employ permanent labourers, who each earn a wage of R3800 per month, specifically to maintain the potatoes. One labourer is capable of attending to a maximum of 0,5 ha. The number of labourers employed for this purpose will depend on the actual size of the potato enterprise, i.e. the total number of ha's (e.g. 4.32 ha.). For budgeting purposes, you need to calculate the expected gross margin.

Explain, in detail, the two criteria you would apply to these inputs (FERTILISER and LABOUR) in order to determine if their relevant costs are variable or not in order to be included in, or left out of, the calculation of Gross Margin for the potato enterprise. Use diagrams where necessary to assist with your explanation. NB: Do NOT actually calculate the Gross Margin.

QUESTION FOUR (25 marks)

- i. Describe the important information that is contained in the annual cash flow budget. [12]
- ii. Explain the important difference between Complete Budgeting and Gross Margin Planning. [5]
- iii. Explain the important roles of Enterprise Organization and Enterprise Combination. [8]

SECTION B

Question Five **MUST** be answered.

QUESTION FIVE (25 marks)

You are required to draw up an income and cost budget for a cabbage enterprise for 2020. The data to be used is taken from the farm records and is based on a "normal" year. Yields for the previous five years were 80,3 t/ha, 90,0 t/ha, 78,0 t/ha, 87,2 t/ha and 77,0 t/ha.

The following inputs, with recommended application levels and expected prices, are given: -

Seedlings	30 000 / ha	@ 18 cents / seedling
LAN 28%	600 kg / ha	@ R2 375,00 / t
Fertiliser mixture 2-3-4 (30)	0,4 t / ha	@ R2,72 / kg
Pesticides	9,46 litres / ha.	@ R134,64 / l
Weedicides	4,07 kg / ha.	@ R153,73 / kg
Casual labour – planting	295 hours / ha.	@ R22,50 / hour
Transport all fertiliser to the farm		@ R555,00 / t
Fuel and repairs to machinery		@ R975,13 / ha
Tractor driver's wage		@ R10 000,00 / month
Harvest contract		@ R550,00 / t
Packing material		@ R5,91 / bag
Marketing costs amount to 5% of the value of sales.		

(t = tonne l = litre)

The cabbages will be packed into 25 kg bags. They will be sold on the East London market at an expected price of R3 500,00 / t.

Draw up the income and cost budget and determine the Gross Margin per ha and the Gross Margin per R100 of variable costs. **Pay careful attention to the criteria applicable to variable costs!**

