

UNIVERSITY OF FORT HARE



University of Fort Hare
Together in Excellence

MAIN EXAMINATION

OCTOBER 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.

SECTION A

Answer **any three (3)** questions **ONLY**.

QUESTION ONE (25 marks)

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

- i. Explain the purpose of objectives. [6]
- ii. Explain the important characteristics of objectives. [6]
- iii. Short term objectives need to be sustainable. Explain why this is necessary and what needs to be done to ensure that they are sustainable. [13]

QUESTION TWO (25 marks)

- ii. Give a **detailed outline** of the important characteristics of data which is to be used when drawing up an enterprise income and cost budget. [10]
- iii. Explain, **in detail**, the difference between direct gross margin for a livestock enterprise (GMI) and livestock gross margin (GMII). [5]
- iv. Describe two alternative methods of allocating not-directly allocable variable costs when analyzing farm business. Explain when each method will be used. [10]

QUESTION THREE (25 marks)

“It might appear that once the farmer had formulated a sound plan and put it into practice, further planning would be unnecessary, and he would only have to concern himself with the day-to-day running of the farm”.

Explain why control of the farm business is a never-ending process.

QUESTION FOUR (25 marks)

- i. Assuming the Net Farm Income has been calculated, explain the meaning of **External Factor Costs** and their role in the calculation of Farm Profit. Give three examples of such costs. [12]
- ii. Explain why a parametric budget is a very important planning aid when compared with an income and cost budget. [13]

SECTION B

Question **five** must be answered.

QUESTION FIVE (25 marks)

You are a Dairy farmer south of Alice and have completed the herd composition and balance sheet for the next budget year. Summarised data (TOTAL for each column) from the CORRECTED form is provided in the table below.

Opening valuation			Deaths	Sales		Slaughtering		Purchases		Births	Closing valuation		
No.	LSU's	Value	No.	No.	Value	No.	Value	No.	Value	No.	No.	LSU's	Value
236	186.35	150470	10	77	52350	6	3675	16	12460	70	229	178.3	143550

You must complete the income and cost budget for the Dairy enterprise for the budget period from 1/11/2015 to 31/10/2016. Information required, which is in addition to that obtained from the balance sheet, is provided below:

It is assumed that 100 cows (including heifers 2+) will be milked during the year giving an average daily yield of 15 litres per cow. The milk will be sold fresh to a dairy for R6.50 per litre.

Hides sold (from dead and slaughtered animals)	R 80.00 / hide.
Marketing costs for animals sold:	6% of sales value.
Feed concentrates	R 3825.00 / cow milked.
Doses	R 382.50 / calf born.
Vaccine: 33 heifers 1-2	R 366.65 / heifer
70 calves	R 396.30 / calf
Dip	R 36.45 / head / month
Transport costs: animals to the market	R 260.00 / head
milk to dairy	0.75 cents per litre
Casual labour: milking parlour cleaners	R 1000.00 / day

(NB: "head" is the equivalent of number of animals.)

In addition, the lactating cows graze on improved pastures throughout the year at an average rate of 2 cows per ha. The average variable costs for the pastures amount to R3150,00 per ha.

- i. Complete the livestock income and cost budget; [18]
- ii. Determine the Direct Gross Margin per LSU; [2]
- iii. Determine the improved pasture variable costs per LSU; [2]
- iv. Determine the Livestock Gross Margin per LSU AND per R100 variable costs. [3]

