higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

MANAGEMENT: FARMING N4

25 NOVEMBER 2016

This marking guideline consists of 9 pages.

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QUESTION 1

1.1 1.1.1 False; 12% (2)
1.1.2 False; Insensible tillage. (2)
1.1.3 True (1)
1.1.4 False; Fiscal policy (2)
1.1.5 False; Capitalism (2)

1.2 1.2.1 Consumers are the buyers of agricultural products therefore the entire production process centres around them.✓ The production process in agriculture is aimed at satisfying the needs of consumers in a way that profit will be generated through exchange of products for cash.✓ Without consumers there is no business in agriculture.✓ (Any applicable answers)

1.2.2 Mediators in this case refer to the suppliers of inputs, processors and distributors of agricultural products.✓ Suppliers provide different inputs such as fertilisers, seeds, pesticides etc. to farmers so that they can produce fresh products.✓ Farmers produce raw material (fresh produce) that is used by processors to produce goods in a form that is suitable for consumption. Fresh produce that are ready for sale need different services such as transporting, storing, marketing as to bring the final product to the consumers and other institutions undertake this.✓ (Any applicable answers)
(2 × 3) (6)

1.3 1.3.1 Physical factors entail various aspects ranging from environmental pollution, climate change and pests and diseases.✓ Increased production in agriculture may cause environmental pollution and exhaustion of natural resources thus sensible use of natural resources is important to ensure sustainable agriculture.✓ Practices for increasing production such as continuous use of inorganic fertilisers, herbicides and pesticides may affect soil health and water quality consequently affecting the production in the long run.✓ Climate change results in extreme high temperatures, drought, floods, storms, frost etc. which negatively affect the agricultural production.✓ (Any applicable answers) (4)

1.3.2 An increase in agricultural production leads to food provision to the increasing population therefore leading to an increase per capita income.✓ Increased utilisation of mechanisation in the farming industry results in surplus labour which is made available to the economic activities thus leading to improved standard of living.✓ Agricultural activities earn foreign currency through exportation. Also they provide a huge market in the economy for the manufacturers of goods and services.✓ Agriculture contributes largely to the gross domestic product of the country.✓ The agricultural sector employs a large number of people and in turn these employees contribute to the economy of the country though tax payment.✓ (5)

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1.4

	CAPITALISM	COMMUNISM
Objectives	The main aim is to make profit according to individual abilities.	Profit making is not allowed and employees are encouraged to work for the glory of the state.
Management	Government has very limited influence as the management resides with the private enterprise and there is freedom of choice and decision making.	Management resides with the government thus there is no freedom of decision making.

(2 × 2) (4)

1.5
- Entrepreneurs
- Labour (2 x 1) (2)

[30]

QUESTION 2

2.1 2.1.1
- Financial objectives
- Personal objectives (2 x 1) (2)

2.1.2
- Financial objectives are quantifiable, e.g. yield, productivity, sales.
- Personal objectives are not always clearly described as they are not quantifiable. (2 × 2) (4)

2.2 2.2.1 Financial position of the farmer -- Sound financial status of the farm will enable the farmer to set clear objectives✓ as he is sure that the objectives will be effectively implemented without any financial limitations as compared to the farmer with poor financial status. ✓ Sound financial status allows the farmer to consider many objectives that could lead to business growth and expansion. ✓ (3)

2.2.2 Age and health of the farmer -- A farmer who has reached the end of his productive career has other priorities compared to the young farmer who has just entered the farming industry. ✓ Health status affects the efforts that one puts in management of a farming enterprise as health becomes the focal point. ✓ (2)

2.3
- The plan must be based on proper understanding and comprehension of achievable objectives of the farming concern.
- The plan must be a reflection of strong and weak points of the farm and the interest of the farm manager.
- It must consider the quantity and quality of land, capital and labour.
- It must consider information about the previous achievements of the farm.
- It should form the basis for the control function of the manager. (5 x 1) (5)

2.4
- Ensure that the business stays abreast of the market developments such as changing consumer preferences.
- Ensure to stay abreast of the competitors in the market.
- Develop a marketing strategy to utilise any opportunities in the market.
- Produce and place economic products in the market.
- Strive to increase the business' market share. (Any 4 x 1) (4)

[20]

QUESTION 3

3.1 3.1.1 *Strategic planning* is a long-term plan that is focused on the development of a broad plan to realise the overall mission of the farm, whereas *tactical planning* is a short-term plan that is specifically aimed at how production factors will be used to reach the objectives of the farmer. (2 × 2) (4)

3.1.2 Strategic planning is used in overall business while tactical planning is used for specific projects/tasks. (2 × 1) (2)

3.1.3
- Determine the basic objectives of the farming concern and select activities that will lead to successful execution of it.
- Determine strengths and weaknesses of the business.
- Evaluate the external business environment.
- Evaluate the internal environment of the business (determine available resources in the farm).
- Revise the basic objectives and plan own strategy. (5 x 1) (5)

3.2 3.2.1
- He should determine the type of breed, housing, feed and waste-handling facilities of his herd.
- He should determine the quantity and kind of pastures that he needs to produce.
- He should determine the number of animals to be fed during different seasons of the year.
- He should do a fodder plan for his herd.
- He should decide on the size of the herd and animal production for sales and plan the marketing strategy accordingly. (5 x 1) (5)

3.2.2
- Induction
- Developmental training
- New training (3 x 1) (3)

3.2.3 *Induction* occurs when new, transferred or promoted employees are exposed to the practices, rules and procedures of the farm✓ as to familiarise them to the new environment,✓ whereas *developmental training* takes place when the already existing knowledge and skills of employees are further developed through training.✓✓ On the other hand, *new training* is where employees are exposed to other knowledge and skills which they have never applied before.✓✓ (3 × 2) (6)

3.2.4
- Physical production records
- Human resource records
- Financial records
- Physical and monetary inventory (4 x 1) (4)

3.2.5
(a) Balance sheet
(b) Income statement
(c) Production records
(d) Production records
(e) Production records/human resource records
(5 × 1) (5)

3.3
- Performance standards
- Performance measurement
- Evaluation of performance
- Corrective measures/adaptations (4 x 1) (4)

3.4 *Management by objectives* is a management approach based on the assumption that any management system is better than no management system, ✓ the emphasis is that management must be simple and practically executable. ✓ (2)
[40]

QUESTION 4

4.1 4.1.1 Mr Ndlovu should plan and decide on what breed to raise,✓ how many, which suppliers to use,✓ what resources are required.✓

4.1.2 He should organise the resources required depending on the number of broiler batches, number of chicks per batch and intervals between batches.✓ He needs to organise employees to work with these broilers✓ ensuring that authority and responsibility is assigned to different employees.✓

4.1.3 During implementation Mr Ndlovu should place orders of chicks, feed and medication required✓ and all the activities involved in raising of broilers should commence✓ e.g. cleaning the broiler houses and placing all necessary equipment, feed and water preparing for the receival of chicks, delivery of chicks, feeding broilers correct rations according to their stages.✓

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4.1.4 In controlling Mr Ndlovu should ensure that his chicks are vaccinated and treated for diseases,✓ control temperature in the broiler house by using infra-red lamps to provide warmth, rolling up curtains to cool the house.✓ Monitor employees that they change sawdust, always provide fresh clean water and feed to the chicks and identify diseases. Proper recording should be done also.✓

(Any THREE applicable answers)
(4 × 3) (12)

4.2
- Determine objectives prior to any planning, organising, implementing and controlling.
- Acquire and organise all necessary information.
- Identify the problem and establish the cause.
- Identify alternative solutions to the problem.
- Evaluate all the alternative solutions.
- Plan preventative measures for any anticipated risk to the success of the solution.
- Accept the decision of best solution.
- Implement the decision.
- Evaluate the result of the decision after implementation. (9 x 1) (9)

4.3
- Innovative
- Resourceful
- Capitalises on his strengths
- Effective on time management and human resource management
- Money wise (effective financial management) (5 x 1) (5)

4.4
- Many technological changes
- Complex
- Expensive
- Diverse
- Many opportunities (Any FOUR applicable answers)(4 x 1) (4)

[30]

QUESTION 5

5.1 5.1.1 Primary activity is about transportation of goods produced to consumers,✓ it is necessary to bridge the gap caused by the different geographical areas between producer✓ and consumers as to allow transaction to take place.✓ (3)

5.1.2 Sale involves product planning ensuring that the farmer offers the right product at the right price, time and place and right quantities as required by the consumer.✓ It involves negotiations between the producer and consumer so that they reach agreement on the price, quality, quantity as well as delivery, transport and payment method.✓ A contractual agreement is made to conclude the transaction for transfer of ownership of produce from producer to consumer.✓ (3)

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5.2 The Marketing Act No 59 of 1968 was intended to control the movement, pricing, quality standards, selling and supply of large volumes of farm products✓✓ with an aim of securing price stability✓ and narrowing the gap between producer and consumer prices in South Africa.✓ (4)

5.3 The nature of the agricultural product influences the supply position of the farmer in a sense that most agricultural goods are intermediary goods thus they are not used by consumers in their original form.✓ It is only a small percentage of production that is sold directly to the final consumer.✓ Most agricultural products need to go to intermediaries for processing first before they reach the consumer,✓ e.g. sugar cane needs to be processed into sugar. Therefore profit from added value of goods goes to the intermediaries.✓ (4)

5.4 5.4.1 Price Elasticity of Demand = $\frac{\text{\% change in Qty demanded}}{\text{\% change in Price}}$

$= \frac{(870 - 1\,000)\backslash 1\,000 \times 100}{(4\,300 - 3\,500)\backslash 3\,500 \times 100}$

$= \frac{-13}{22.8}$

$= -0.57$ (4)

5.4.2 Price is inelastic. (2)

5.4.3 Price elasticity of demand is less than zero. (2)

5.4.4 Equilibrium price refers to a state where the quantity of goods offered meet the demands of the consumer and the price paid by the consumer is sufficient enough to satisfy the expectations of the farmer. (4)

5.5
- They prefer fresh produce particularly vegetables, fruits and meat of good quality.
- They do not have a keen interest in expensive packaging.
- They buy small amounts of the most needed items on daily basis for that day's consumption only.
- They do not value mass of good but rather quality of goods. (4 × 2) (8)

5.6
- Auctions
- Agents, speculators, wholesalers
- Direct sale, farm gate
- Co-operatives
- Production contracts (5 x 1) (5)

[40]

QUESTION 6

6.1 Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying goods, services and ideas to target markets as to achieve the organisational objectives. (2)

6.2 6.2.1 Marketing strategy refers to a long-term plan that the farmer decides upon to sell his/her goods at a reasonable price as to make profit. (2)

6.2.2 Situational analysis involves analyses of the current marketing programme with the view of evaluating the outcomes already achieved through this programme✓ and anticipated threats.✓ Such analysis helps the farmer in making decisions about whether to adapt the production, price or the existing target market.✓ The analysis involves the study of both the internal and external environment.✓ A SWOT analysis is done to identify the farm business' strengths, weaknesses, threats and opportunities.✓ Strengths and weaknesses focus on the availability of resources (natural, financial, human and physical resources) and the skill to manage human resources, finance and production in the business.✓ The threats and opportunities focus on the external factors such as economic, social, political, and technological.✓ (7)

6.2.3
- Product
- Price
- Place/distribution
- Promotion (4 x 1) (4)

6.2.4
- *Product:* The farmer has to make decisions about product quality, product differentiation as in terms of packaging, trademarks and other characteristics to make it unique in the market to attract more customers.
- *Price:* The farmer has to decide on the price of the products and many factors such as production cost, type of product, demand and supply need to be taken into consideration, however the price of the product should not be too high to such an extent that customers avoid buying it or too low to such an extent that the business makes a loss.
- *Place/distribution:* The farmer needs to decide on the point of sale for his products in order for customers to find it easily and have access to the product. The farmer needs to identify the distribution channels and coverage.
- *Promotion:* The farmer needs to decide on the promotion methods to use as to market his products. A range of promotion methods to choose from are advertising, personal sales, sales promotion and publicity.

(Any applicable explanation should be marked correct)(4 x 2) (8)

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6.3 6.3.1 Target market refers to a particular group of consumers who have similar needs and characteristics and who will buy the same kind of goods. (2)

6.3.2
- Geographical area
- Level of income/buying power
- Buying patterns
- Psychographic (lifestyle)
- Consumer preferences
- Consumer behaviour
- Gender
- Age (Any 5 x 1) (5)

6.4 6.4.1
- Supply of farm products slowly adapts due to the long production process.
- Fluctuations in production of farm products occur due to unpredictable weather conditions.
- The negotiation power of individual farmers is weak and therefore fails to influence the market price.

(3 × 2) (6)

6.4.2
- Implementation of quotas
- Minimum prices/floor prices
- Maximum prices/ceiling prices
- Absolute prices (4 x 1) (4)

[40]

TOTAL: 200

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