

# Farm Business Management: The Fundamentals of Good Practice

## Chapter 14: Improving Farming Systems using Survey Data (Answers)

1. A subgroup of farms obtained from a defined population of farms that has been selected using some form of random process.
2. The error resulting from using a non-representative sample of farms. It is reduced by increasing the size of the sample, using random selection processes and appropriate stratification.
3. To ensure the farmers understand the questions and that they are able to provide accurate answers.
4. It is a kind of residual measure in that it is the surplus after charging for all other inputs. As such, you cannot be sure it is a true reflection of the surplus because some of the profit may be attributable to the various resources where their cost is not equal to their marginal value product. In addition, to be comparable, the surplus must be divided by the quantity of the most limiting resource (probably land) to enable a comparison with other farms.
5. When the cost assigned to all other resources is equal to their marginal value product. If this is not the case, you cannot be sure the return attributed to the resource is 'earned' by this resource rather than being a return to the other resources.