



International Agribusiness Marketing Conference 2013, IAMC 2013, 22-23 October 2013, Kuala Lumpur, Selangor, Malaysia

Performance of broiler contract farmers: A case study in Perak, Malaysia

Rasak Bin Majid^a and Sallahuddin Hassan^{a,*}

^a*School of Economics, Finance and Banking, UUM COB, Universiti Utara Malaysia
06000, UUM Sintok, Malaysia*

Abstract

Contract broiler farming is one the system used to increase poultry production in Malaysia. Broiler contract farmers (BCF) participate in this system for having some benefits. This paper has evaluated economic performance of the BCFs in Perak. An economic evaluation of 60 BCFs was conducted in Perak to determine the performance of the system using economic performance analysis. Panel regression model was used in the analysis. This model involves price per bird (PRM) as dependent variable and size of farm (SOF), feed conversion rate (FCR), average body weight (ABW), average marketing age (AMA), mortality rate (MOR), and rearing housing system (DU). The results show that all variables, except SOF, are significantly influence the performance of BCF at five percent level of significance.

© 2014 Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Peer-review under responsibility of Universiti Malaysia Kelantan.

Keywords: Contract broiler farming; economic performance; panel regression model

1. Introduction

In Malaysia, poultry is singularly the most important livestock industry and poultry meat has become the staple meat. The production of broiler had increased for the same period due to its ability to meet level of self sufficiency with the technological progress in animal husbandry, nutrition, chicken breed and contract farming

*Corresponding author. Tel.: +0-60125885545; fax: +0-604-9286346.
E-mail address: din636@uum.edu.my

system that is practised widely (Tapsir, *et al.* 2011). It is estimated that the contract farming system dominate 75 percent of the national broiler production. In that case, shortage of chicken in the market would happen if the broiler contract farming system does not exist in Malaysia. Therefore, it is not surprising that the agenda of ensuring an adequate domestic supply of eggs and poultry is included in the Malaysia's Third National Agricultural Policy (1998-2010). In order to achieve this agenda, an effort to vertically integrate the industry and to stimulate efficiency gains among the small farm sector was singled out as one of the strategies (Sugumar, 2006). As a result, reported by Department of Veterinary Service (DVS) in 2011, broiler production produces 53.2 percent for total livestock production which involve RM10.85 billion in the year 2010, even though Sulaiman *et al.* (2001) estimated that output from contract farming in Malaysia will increase about 55 percent of current broiler production and it is expected to increase further in the future. Meanwhile, broiler consumption per capita had increased from 28 kg in year 2000 to 34 kg in year 2010, an estimated increase of 2.14 percent per year (DVS, 2011).

As of September 2011, there are a total of 3,179 broiler farms in Peninsula Malaysia (see Table 1). The top three broiler-producing states are Kedah, Pulau Pinang and Perak, which account for 60 percent of total broiler population in Peninsular Malaysia. However, the DVS does not come across any information on the commercial parties (i.e. integrators or contract farmers) that operate these broiler farms.

In Perak, particularly, the commercial companies supply all the input production to the contract broiler farms. The companies mostly act as vertically integrators and own the feed mill, parent breeder farms, hatchery, processing plants and marketing division. On average, broiler contract farmer (BCF) manages 10,000-110,000 broiler chickens. BCFs are paid according to the contract agreement between them and integrator based on their broiler performance, particularly final live weight and dressed carcass weight. Therefore, this paper has evaluated economic performance of the BCFs in Perak.

Table 1: Broiler Farms by State (as of September 2011)

State	Number of farm	Broiler population Number (*000)	% of total
Kedah	703	37,248.5	32.1
Pulau Pinang	592	25,663.2	22.1
Perak	335	9,928.0	8.6
Selangor	299	8,112.3	7.0
Negeri Sembilan	248	7,222.8	6.2
Melaka	233	6,579.8	5.7
Johor	200	6,267.8	5.4
Pahang	187	5,915.0	5.1
Terengganu	187	5,139.1	4.4
Kelantan	182	3,729.5	3.2
Perlis	13	180.0	0.2
TOTAL	3,179	115,986.0	100.0

Source: DVS

This paper is organized as follows. Section 2 reviews of the determinants of contract farmer system performance are scarce in literature. Follow up with methodology of study in Section 3. Section 4 present result and discussion the impact of size of farm (*SOF*), feed conversion rate (*FCR*), average body weight (*ABW*), mortality rate (*MOR*), average marketing age (*AMA*) and rear housing systems to profit per bird (*PRM*). Lastly, in Section 5 discusses policy implications to improve the BCF performance.

2. Literature review

In term of institutional perspective, majority agrees that there are more positive about the potential of contract farming. In principle, contract farming provides significant benefits to those who involve in the system. Glover and Kusterer (1990) and Glover and Ghee (1992) have mentioned that contract farming as an institutional arrangement enables farmers to access markets. While contractual arrangements can vary by crop and by country, contracting is a

Download English Version:

<https://daneshyari.com/en/article/375845>

Download Persian Version:

<https://daneshyari.com/article/375845>

[Daneshyari.com](https://daneshyari.com)