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ABSTRACT

Integrated broiler contract farming (IBCF) is one of the systems that increase poultry production in Malaysia. Generally, broiler farmers participate in this system to reap some attractive benefits. This study examined the economic performance of the contract broiler farmers (CBFs) and the potential relationship between participation and profit. The survey was conducted in Perak, Johor and Pahang to determine the factors that influence farmers’ participation in the IBCF system. The study featured participation as the dependent variable together with independent variables, namely size of farm, the experience of the farmer, age, gross annual income, distance of farm to market center, and capital. The results from logit model indicated that all variables, except age, are statistically significant and have the potential to affect farmers’ participation in IBCF. The pooled ordinary least square analysis was used to evaluate the economic performance of the CBFs. Size of farm, feed conversion rate, average body weight, average marketing age, mortality rate, and chicken rearing system are statistically significant and considerably influence the performance of CBF. Also, there is evidence of a positive relationship between participation and profit. Based on these findings, the study suggested that the close house system would be the best option for broiler farming. Thus, the government suggest to provide tax reduction to those who implemented close house system. Besides, it is recommended that the integrators with the cooperation of Department of Veterinary Service or the integrators themselves should provide the technical service to improve participation and the economic performance of the CBFs. This would eventually improve the broiler management and broiler production.

Keywords: Integrated broiler contract farming, contract broiler farmers, economic performance.
ABSTRAK


Kata kunci: Kontrak ayam pedaging bersepadu, penternak kontrak ayam, prestasi ekonomi.
ACKNOWLEDGEMENT

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I like to appreciate the understanding and moral support I got from my beloved family and friends. Finally, I would like to thank the management and entire staff of University Utara Malaysia for proving an enabling environment during my entire study in this college.
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<th>Description</th>
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<tr>
<td>ABW</td>
<td>Average Body Weight</td>
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<td>AGE</td>
<td>Age of farmers</td>
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<td>AMA</td>
<td>Average Market Age</td>
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<td>CAP</td>
<td>Capital</td>
</tr>
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<td>CBF</td>
<td>Contract Broiler Farmer</td>
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<td>CF</td>
<td>Contract Farming</td>
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<td>CHS</td>
<td>Closed House System</td>
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<tr>
<td>DIS</td>
<td>Distance</td>
</tr>
<tr>
<td>DOC</td>
<td>Day Old Chick</td>
</tr>
<tr>
<td>DU</td>
<td>Dummy</td>
</tr>
<tr>
<td>DVS</td>
<td>Department of Veterinary Service</td>
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<tr>
<td>EDU</td>
<td>Education</td>
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<tr>
<td>EXP</td>
<td>Experience</td>
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<tr>
<td>EAS</td>
<td>Extension and Advisory Services</td>
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<td>FCR</td>
<td>Feed Conversion Rate</td>
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<td>FLFAM</td>
<td>Federation of Livestock Farmers’ Associations of Malaysia</td>
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<td>GAI</td>
<td>Gross Annual Income</td>
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<td>IBCF</td>
<td>Integrated Broiler Contract Farming</td>
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<td>IND</td>
<td>Individual Farmers</td>
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<td>MOA</td>
<td>Ministry of Agriculture and Agro-Based Industry of Malaysia</td>
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<td>MOR</td>
<td>Mortality Rate</td>
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<td>MyCC</td>
<td>Malaysia Competition Commission</td>
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<td>NAP</td>
<td>National Agro-food Policy</td>
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<td>OHS</td>
<td>Open House System</td>
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<td>PAR</td>
<td>Participation</td>
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<td>PROFIT</td>
<td>Profit from the economic performance</td>
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<td>SIZE</td>
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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

Integration Broiler Contract farming (IBCF) system is an integration program between a company which offers the contract which known as the integrators and a contract broiler farmer (CBF). In this program, the arrangement for the production or supply of broiler is established. The contract requires the CBF to raise the chicks in accordance with the terms and references given by the integrators.

For instance, the price of chicken is fixed by the integrator. If the CBFs agree with the terms and references, they are required to sign the letter of agreement or memorandum of understanding (MOU) with the integrators. In the CF, establish an agreement between integrators and CBF to make a commitment to supply broilers, at a particular price level for a certain period (Wainaina, Okello & Nzuma, 2012). For further discussion, this chapter discusses the background of the study, statement of the problem, the justification for the study and objectives.

1.1 BACKGROUND OF THE STUDY

Generally, the impressive progress in the poultry sector and particularly in this broiler business is because of the improvement of the technology inbreeding, disease control, feeds and increase investment in the private sector in the livestock industry, especially in the IBCF system. Poultry farming is singularly the most important livestock industry in Malaysia. The production of chicken probably increased because of poultry meat has
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Casey, R. (2011). *Environmental benefits in poultry houses through the use of a plenum flooring system*, Conservation Innovation Grant Program (USDA), The University of Georgia. UK.


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APPENDIX

QUESTIONNAIRE

1. Gender
   - [ ] Male
   - [ ] Female

2. Age of respondent
   - [ ] Below 30 years
   - [ ] 31 – 40 years
   - [ ] 41 – 50 years
   - [ ] Above 50 years

3. Marital status
   - [ ] Single
   - [ ] Married
   - [ ] Divorced
   - [ ] Widowed

4. Education level of respondent
   - [ ] No education
   - [ ] Primary school
   - [ ] Secondary school
   - [ ] Diploma/Degree/Postgraduate

5. Years of farming experience
   - [ ] <5 years
   - [ ] 5 – 10 years
   - [ ] > 10 years

6. Why do you participate in CF
   - [ ] In sufficient capital
   - [ ] Marketing problem
   - [ ] Less risk

7. Why do you think about CF?
   - [ ] Generate good income
   - [ ] Less risky
8. State where doing the farming

☐ Johor
☐ Pahang
☐ Perak

9. What is your main occupation?

☐ Broiler farming
☐ Non-farming

10. What is your another occupation?
    Please specify:________

11. What is your average annual off-income?

☐ < RM50,000
☐ RM50,000 – 100,000
☐ RM100,000 – 150,000
☐ > RM150,000

12. Number of broiler rear per cycle?

☐ < 10,000 birds
☐ 10,001 – 20,000 birds
☐ 20,001 – 30,000 birds
☐ 30,001 – 40,000 birds
☐ 40,001 – 50,000 birds
☐ > 50,000 birds

13. Ownership status of farm

☐ Own
☐ Rented

14. What is your source of your capital?

☐ Sales of property
☐ Personal saving or from other business
☐ Loan from friends/family/relatives
☐ Loan from integrators
☐ Loan from commercial bank/insurance
☐ Loan from government initiative financing programme

15. Size of capital when start the business?____________________
16. Type of chicken house?

- Close house system
- Open house system

17. Why do you choose this house system?

- Economic
- Disease prevention
- Performance more better
- Base on capital on hand

18. What do you think about contract farming?

- Remain as CF system.
- Will extend farming and rear more chicken.
- Not confidence in CF and change to other business or to other job.

19. Distance from market centre or processing plant

- < 20 Km
- 21 – 40 Km
- 41 – 60 Km
- 61 – 80 Km
- > 80 Km

B. EVALUATION OF ECONOMIC PERFORMANCE

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<table>
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<th>Cycle 1</th>
<th>PROFIT</th>
<th>Size of farm (number of birds)</th>
<th>FCR</th>
<th>Mortality rate (%)</th>
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<td>Cycle 2</td>
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21. Cost of production

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<td>Feed cost</td>
<td></td>
<td></td>
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<tr>
<td>DOC</td>
<td></td>
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<td>Medication, Vaccination &amp; Disinfectant</td>
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<td>Utility</td>
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<td>Maintenance</td>
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22. Revenue

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