

PROFITABILITY OF BROILER CONTRACT FARMING: A CASE STUDY IN JOHOR AND SABAH

Abu Hassan Md Isa*

Universiti Malaysia Sarawak

Mohd Mansor Ismail

Universiti Putra Malaysia

Nur Syahirah Samsuddin

Universiti Putra Malaysia

Ilmas Abdurofi

Universiti Putra Malaysia

ABSTRACT

The study evaluated the profitability of small scale broiler production in Sabah and Johor with emphasis on contract farming. Cost benefit analysis and financial appraisal were carried out and the net return, value of input and output indicated broiler contract farming in Johor was more viable and profitable compared to Sabah. There were two obstacles limiting sustainable broiler contract farming in Sabah: 1) higher feed cost, and 2) low profit due to low gross margin between production cost and the ex-farm selling price. Therefore, in this study, the financial performance was evaluated, and sensitivity analysis was performed to assess the effect of changes in feed cost and selling price. The results concluded that Sabah broiler contract farming was more sensitive to changes in feed cost and selling price while the implementation of a zero tax incentive to small scale broiler contract farmers especially in Sabah would help the industry remained sustainable.

Keywords: Broiler contract farming; Profitability; Cost benefit analysis; Zero tax incentive

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1. INTRODUCTION

Poultry industry is the most important livestock subsector in Malaysia. There are four common poultry farming established for meat and eggs supply, namely, chicken, duck, ostrich and quail. Chicken farming is the major subsector that recorded 662 establishments (Kei, 2017). One of the major reasons that lead to the fast expansion of chicken farming in Malaysia is its cheap source of protein that is socially acceptable by multi-ethnic community in Malaysia. Poultry meat in Malaysia had achieved self-sufficiency level of about 128% since 1970 (Idrus, 2016). However, few problems are prohibiting sustainable broiler chicken meat production, accessibility of low cost production inputs and non-optimal resources used.

* Corresponding author: Ab Hassan Md Isa, Faculty of Economics and Business (UNIMAS), +6082-581000 ext 4266, miahassan@unimas.my