International Journal of Sciences: Basic and Applied Research (IJSBAR)

ISSN 2307-4531
(Print & Online)

http://gssrr.org/index.php?journal=JournalOfBasicAndApplied

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# Market Risk Sharing In Partnership Broilers

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**Abstract**

This research aims to determine the distribution of market risk is carried out between the company and the plasma farmers who work in partnership broiler. Furthermore, whether there is market domination that lead to monopolistic practices and unfair business competition. When the study was conducted in May through July 2015 were housed in company X in Makassar. This research is quantitative descriptive. Used income analysis II = TR-TC. Further analysis of monopolistic practice violations based on the Law of the Republic of Indonesia Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition. This study shows the distribution of loss in partnership broiler received by the company and based on the market risk is 108 % : 8 %. The company suffered a loss due to the loss of 100 % of potential revenue from the partnership due to lower selling prices and also bear the losses of farmers amounted to 8 %. The research results show there has been a violation of Article 19 c under Indonesian Law Number 5 of year1999.

***Keywords:*** revenue sharing; market risk; partnership and broiler.

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## 1. Introduction

Broiler farming will face production risk, market risk or price. At the risk of production will be associated with the death rate caused by various reasons [1] . Risks posed by market products or product which are not sold, inflation, declining purchasing power, competition, changes in appetite and others [2]. Meanwhile the price risk in the poultry business is the fluctuation of prices of inputs (day old chick, feed, drugs) and the selling price of chicken.

Farm business can be run independently and in cooperation with the partnership system [3]. Broiler farmer can reduce business risks by running the partnership. Partnership scheme is a partnership between companies and farmers based on the relationship of mutual benefit, mutual need and mutual strengthening between the two sides. In this partnership there is a sharing of risks and benefits agreed upon by both parties [4].

Model partnerships undertaken by the core is through the provision of farm inputs, technical guidance and management, accomodating and market the production. Plasma farmer support cage, farming and proceeds from the sale of chicken handed to the company at a price agreed upon in the contract agreement [5].

Obstacles often encountered in the partnership is a burden or a risk that is not equal between the parties to the cooperation. This condition occurs because the company has a dominant position than the farmers in terms of capital, technology, market and management so that farmers are in a marginal position on the cooperation.

Farmers who partnered allegedly has the advantage of a relatively stable because it is tied to the price of the contract is not affected market prices. On the other hand the company in partnership acts as a buyer of products (output) and the seller of the means of production (input) to the farmer single partner, so that the company's acts as a monopsonist in the output market and the monopolist in the market input. Output prices received by farmers and the partners could lower the selling price of the company's input can be set higher. But the system of partnership become the primary choice in raising broiler. It supports continuous production for a guaranteed supply of means of production and marketing.

In conducting its business, the partnership system face various risks such as market risks such as fluctuations in selling prices and production facilities. In partnership system run by company X, imposed a contract that binds the company and farmers. The contract made by the company and must be complied with by farmers.

Based on these facts, a researcher interested division of market risk in partnership broiler. Furthermore, this study aimed to determine the extent of the partnership contract implemented by the company X under Indonesian Law Number 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition.

## 2. Materials and Methods

This research is quantitative descriptive. When the study for 3 months , starting from May to July 2015 at the company X in Makassar. The study population 41 farmers and 27 samples obtained by using the formula Slovin. Used income analysis $\pi = TR - TC$ [6]. As for the infringement of competition will be analyzed and explained descriptively by Indonesian Law Number 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition

## 3. Results and Discussion

Broiler partnership effort is the act of sharing is done by companies and farmers. Both sides can accept the profits and losses according to the results obtained.

Production costs incurred by business partnership broilers consists of fixed costs and variable costs. The average costs incurred by farmers when the price risk of Rp 110.711.711,11 and company X Rp 95.089.725,93 .

**Table 1:** Analysis of Partnership Income Broiler (Average Population 3000 day old chick check in broiler house/period)

| | **Cost Average (IDR/Period)** | |
|---|---|---|
| | **Farmer** | **Company X** |
| Revenue | 112.670.704,72 | 68.396.085,93 |
| Cost | 110.711.711,11 | 95.089.725,93 |
| Income | **1.939.727,56** | **-26.693.640,00** |
| Cost/Lose Percentage | **8 %** | **-108 %** |

Source : data once processed

The fixed costs include depreciation cages and equipment depreciation as well as tax and building. While variable costs consist of the cost of poultry production facilities such as feed, vaccines and medicines, fuel, and electricity. Feed is the biggest cost of all production costs incurred by farmers. This is in accordance with the opinion of Rasyaf [7] that the cost of feed reaches 40 -75 % of the total cost of production.

While the reception is the sum of production income component that chicken sales, sales feces and bonuses. Based on price risks, farmers have a greater acceptance of IDR 112.670.704,72 while the company X Farm has a reception IDR 68.396.085,93. Acceptance of larger farmers because it comes from the sale of chicken in accordance with the contract price, the sale of feces and bonuses. While the reception company X only come from the sale of chickens following the market price.

Furthermore, based on the amount of income can be seen table broiler farmer that is the result of a reduction in the total revenue with total cost incurred during the one period. The results indicate that farmers earn IDR 1.939.727,56 in the event of price risk. While revenue Company X on the condition that the price risk – IDR 26.693.640,00. Company X must bear a great loss for chicken farming buy the contract value. While turnover should follow market prices are down. This is in accordance with [4] which states that the company's could experience losses in the system partnership if the market price of live chicken is far below the cost of production. Company cannot reduce prices because it has contracted price before the farming process begins.

Can note also the percentage for the results obtained company X and partnership broiler farmers in the event of market risk. In conditions of market risks, especially fluctuations in prices, the company party bear the entire risk of 100% and also the risk of the farmer by 8 %.

The study also found that there had been monopolistic practices and unfair competition in the business partnership system made by company X. Broiler business partnership contract allegedly violated article 19 paragraph c of Law Number 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition particularly over control of the market.

Party company X at greater risk. This occurs because the two sides have been bound by a contract before farming beginning. Partycompany X to bear the losses in terms of production costs and sale of broiler chickens. Company X should buy chickens from farmers in accordance with the contract price even though the market price below the contract price. This is in accordance with the opinion of Lestari[8] which states that the results in the current partnership down the price conditions will have a negative impact for the company. When prices fall, the company will suffer losses as a result of declining revenue and keep buying chicken from the farmer plasma at the contract value. However, if the movement of the price of chicken increases will provide great benefits for the company.

Further according to Dilla [9] farmers that partner has the advantage of a relatively stable because it is tied to the price of the contract is not affected market prices. Farmers receive marketing collateral and certainty of the price of chicken, have capital support loan production facilities and technical guidance. Farmers were more focused on farming and try as much as possible so that the chickens optimal performance. Farmers do not think about price fluctuations because that is used in the calculation of income is the contract price.

Based on the price risk, the average cost of production by farmers IDR 110.711.711,11 with a percentage of 54 %, while the X Farm to pay with the average of IDR 95.089.725,93 with a percentage of 46 %. Based on this it can be concluded that in running a business partnership broiler spend more production compared with the company X.

In the event of price risk, farmers earned an average revenue of IDR 112.670.704,72 while company X amounted to IDR 68.396.085,93. Revenue of farmers is larger because they earn extra revenue from the sale of feces without having to share to the company X

On the condition of the occurrence of the price risk, the company X just want to profit from the sale of production factors, despite the fact that cannot cover the losses. This occurs because of the difference between the contract price and the market price is very large, where the selling price in the marketplace are falling too far below the break-even point. So even though the company X has sought profits from the sale of means of production, but it has not been able to cover the losses there.

Under conditions of price risk occurs, the ranchers were disadvantaged because all the risk is borne entirely by the company. This is one advantage of farmers in running a business partnership broiler. Failures in marketing and price fluctuations of broilers all borne by the company X.

Choosing a partnership system is one alternative for broiler farmers. Through a partnership system farmers get the certainty of production and the selling price certainty. Farmers and company X binding agreement with a signed contract and must be agreed by both parties[10]. But the contract was made unilaterally by the company X. While farmers and agreeing only follow what is stated in the contract. One of the clauses contained in the contract is the authority or the right company X to market broilers. Farmers are not allowed to seek alternative markets to sell their products.

The absence of authority farmers to seek alternative markets is indicative of the occurrence of monopolistic practices and unfair business competition that allegedly violated article 19 paragraph c of Law Number 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition. Article 19, paragraph c to Law 5 of 1999 governing market control. As for article 19 states "Businesses are prohibited from doing one or more activities, either individually or together with other businesses, which may result in monopolistic practices and or unfair business competition in the form of". Furthermore, paragraph c reads "restricts the distribution or sale of goods or services in the relevant market" [11].

## 4. Conclusion

In this research, we concluded as follows:

1. Losses received by the company reaches 108 %. Farmers receipt profit of 8 %. The company suffered a total 100 % loss plus spend money for income farmers by 8 % .

2. There was a violation of article 19 paragraph c of Law Number 5 of 1999. This occurred because the company had unilaterally determine the direction of the sales market broilers . In addition the company also became the sole monopoly supplier of inputs to farmers.

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