

## CHAPTER 1 INTRODUCTION

### 1.1 Background

The increasing population of people in Indonesia as well as the changes in consumption patterns led to increased consumption of broiler chicken meat. In food consumption, the adequacy of protein that will be consumed by humans is the nutritional needs must be fulfilled. The achievement of the adequacy of protein in the community would be more efficient by consuming food that comes from livestock commodities. One of them is by eating chicken meat. With approximately 20% protein content and amino acid composition that is complete and balanced so it has high-quality protein. Protein and fat content of broiler meat are respectively 20.5% and 2.7%, 20.2% whereas in adult chickens and turkeys 12.6% to 20.1% and for the comparison, turkey 20.2% and duck 20.6% (Koswara, 2009). With a relatively affordable price compared to the price of beef, the demand of broiler meat began to increase.

According to Dinas Peternakan dan Kesehatan Hewan Provinsi Jawa Tengah (2014), the development of the livestock population in Central Java province continued to increase from 2009 to 2013 primarily in broiler chickens. The numbers of broiler chickens were recorded in the last 5 years the statistics are as follows: 2009: 58,350,965 head; 2010: 64,332,799 head; 2011: 66.2397 million head; 2012: 76,906,291 head; 2013: 103 964 760 head. From these results it can be seen that the chances of an increase in the

population of broiler chickens can continue to occur and can be achieved by optimizing the results of a population and development of products and production to fulfill the needs of the people.

Based on data from Direktorat Jenderal Peternakan dan Kesehatan Hewan Provinsi Jawa Tengah 2013 showed that the Central Java province is a province that produced the fourth largest broiler chickens after West Java, East Java and Banten. Various areas in Central Java have sought to continue to increase the population of broiler chickens, one of them is Pati Regency. Pati Regency in 2013 has 633.307 broiler chickens (Direktorat Jenderal Peternakan dan Kesehatan Hewan Provinsi Jawa Tengah, 2013). This amount is still far behind Semarang Regency, it has 12,046,316 broiler chickens. Although the broiler isn't primer commodity in Pati Regency but the development of broiler chicken farms are quite capable to increase the income and employment opportunities of society.

Contract farming system had begun to develop in Pati Regency. The area in Pati Regency who already had broiler chicken farms partnership system is Pucakwangi District. With 12.283 Ha areas, Pucakwangi District has some broiler farms that follow the contract farming system. From some of the broiler chickens farms with contract farming system in Pucakwangi District, farm that owned by Mr. Paidi and Mr. Kusnoto were established long enough with the results 28,000 head of each harvest for Mr. Paidi broiler chicken farm and 20,000 head of each harvest for Mr. Kusnoto broiler chicken farm. They joined contract farming system since the beginning of their broiler

chicken farm business. Broiler chicken farm owned by Mr. Paidi joined contract farming system with CUL company as farm A and broiler chicken farm owned by Mr. Kusnoto joined contract farming system with PKP company as farm B.

Capital, land, cages, day old chick (DOC), feed, supporting equipment, medications, vitamins and so on absolutely must be prepared by the farmers to build their chicken farm. However, not all farmers can independently to provide a variety of requirements such as DOC, feed, medicines, vitamins and so on. In addition, the marketing factor is also a problem for them. But by following contract farming system they feel more comfortable because DOC, feed, medicines and vitamins already provided by the company. The existence of capital and place but lack of experience made them prefer to follow contract farming system.

The farm with the contract system is farmers formed a partnership with the company to make a profit and prosperity as well as bear the risk together (Yulianti, 2012). The research on the contract system in broiler chicken farms is done as a way of knowing the implementation of the contract system on broiler chicken farms as well as analyzing the income from the contract system on broiler chicken farms.

Broiler chicken farm owned by Mr. Paidi and Mr., Kusnoto have a good recording, but so far have not done a business analysis because the lack of knowledge. To determine the actual rate of income required business analysis. Farm business that has a promising future can be seen from its

business analysis. Business analysis can also provide information about capital, capital use, seed cost, cages, feed and income.

Based on the background above the research entitled Business Analysis of Broiler Chicken Farm with Contract System in Pucakwangi District Pati Regency need some business analysis on its broiler chicken farm that follow contract system. This study was conducted to determine the business analysis on broiler chicken farms with contract farming system. It is necessary to know the business analysis on farm's profit. According to this condition, business analysis of broiler chicken farm with contract farming system can be an interesting topic to be studied and researched more in order to obtain production costs, profit analysis, revenue analysis and Break Event Point, Benefit Cost Ratio and Payback Period.

## **1.2 Statement of The Problem**

1. How does the business analysis of broiler chicken farm with contract farming system in Pucakwangi District Pati Regency?
2. How does the feasibility of broiler chicken farm with contract farming system in Pucakwangi District Pati Regency?

## **1.3 Theoretical Base**

The concept of partnership itself basically refers to the cooperation between small businesses with a medium or large business that is accompanied by the formation or periodic checks on the principle of mutual benefit. Contract farming can be defined as an agreement between Farmers and processing and / or marketing firms for the production and supply of

agricultural products under forward agreements, frequently at predetermined prices. According to Purnaningsih (2007), a partnership contract system is a form of cooperation between small and medium-sized or large businesses. Broiler partnership contract made between the company as the nucleus with the farmer. Company that act as a nucleus is an integrated company that prepares such as DOC, seed, feed, medicine, vitamins and assistance while the farmers themselves prepare facilities such as land, cages, farm equipments and workers.

With the availability of various facilities, farmers no longer have problems such as out of DOC, running out of food and medicine. Broiler chicken farm with contract system has developed rapidly in Indonesia. It is certainly provide high enough profit for the farmer if they can manage their broiler chicken farm with contract system. According to Masdar and Unang (2010), the profit is the difference between revenues and costs of production. In order to analysis the profit in a business, of course it needed a reliable way to calculate using Break Event Point analysis. In this analysis requires knowledge of the total costs and total income to determine benefits. Basically the purpose of every business to get maximum profit possible and maintain business continuity. Said farm business financially feasible if the profits gained greater than the cost issued so that the business can survive in the long period (Amrizal *et al*, 2011). The farmer needs to do business analysis to improve profit, expand business and develop the initial capital.

#### **1.4 Research Objective**

1. To know the business analysis of broiler chicken farm with contract system in Pucakwangi District Pati Regency.
2. To know the feasibility of broiler chicken farm with contract system in Pucakwangi District Pati Regency.

#### **1.5 The Outcome of The Research**

1. To provide information and evaluation for cooperation executants.
2. To provide an overview and references to other researchers.
3. As consideration for the people who want to start broiler chicken farms.

