

Transaction Costs on Partnership at Broiler Farmers in South Sulawesi Province

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Transaction Costs on Partnership at Broiler Farmers in South Sulawesi Province

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ABSTRACT

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The principle of partnership was sharing of resources and benefits between companies and farmers which can increase the economic value for both parties, however practically the partnership raised production costs and transaction costs. The research was aimed to identify and measured total transaction costs. This research began in February 2012 until April 2012 in Maros district, South Sulawesi Province. This research was a descriptive study. The data were obtained from direct interview and using questioner. The respondents were selected by purposive sampling method. The number of respondent was 54 broiler breeders who used partnership pattern in their business. The result of this study showed that the transaction costs consisted of information searching, negotiation, monitoring and adaptation. The cost of adaptation was the major in transaction cost is Rp.235/chicken

Key words: transaction cost, partnership broilers, adaption costs

INTRODUCTION

Intent and purpose of the business partnership is beneficial for the company's core and breeder plasma (win win solution). In the implementation of the partnership also has weaknesses such as over-supply when the chicken harvests are happening at the same time , chicken fix selling price by companies is lower than market prices which caused farmers do not get the maximum benefit, farmers can not sell the chicken to other buyers because it is tied into an agreement with the core and prices of inputs (DOC-Day Old Chick, food, vitamins, drugs) is determined by the company is higher than the market price. (Priyono, 2004).

According to the results of research conducted by Sumartini (2008) in Yunus (2009) that although the breeders who have partnered in the mastery of the technical aspects of better maintenance, but the benefits tend to be lower than the pattern of independent farmers.

On the application of the partnership business, the farmers still pay other costs beyond the cost of production which is not included in the partnership contract. These costs are categorized as transaction costs which are the costs associated with the exchange (transaction) costs for products such as seeking information, negotiating, monitoring costs and costs of adaptation. (Kirchner and Picot in Deliarnov, 2006).

According to Coase in Yustika (2006), the incidence of transaction costs is a consequence of the limited rationality (bounded rationality), incomplete information (asymmetric information) and behaviors that tend to opportunistic. Thus, the higher the transaction costs in exchange, the more inefficient means of partnership, and vice versa. This condition causes the income of broiler breeders as the plasma becomes lower.

RESEARCH METHODOLOGY

Time and Location of Research

The study was conducted in October and November 2011 in sub-district Tanralili, Maros on account of broiler population has the largest number as much as 10.265.000

Population and Sample

This study population is all broiler breeders in Tanralili sub-district, Maros which totaling 175 breeders. The technique of determining the sample used in this study was purposive sampling which is a method of determining the sample that considers certain criteria that have been made to the object in accordance with the objectives of the study (Umar, 2004). The criteria for broiler breeders who will be sampled are:

- a. Implement the Business Partnership Core Plasma
- b. Have run a business at least 2 years
- c. Have 2 employees or more
- d. Maintain a minimum of 3000 broilers per cycle
- e. Have locations and facilities that can be observed
- f. Willing to fill out a questionnaire that had been prepared.

Based on these criteria, the number of broiler breeders who made as sample is 54 breeders.

Data Collection Technique

Data collected in this study consisted of ⁴ two types of data that is the primary data and secondary data. Primary data obtained through data collected by direct interview and depth interview with the respondent by using the tools of the questionnaire (attached) that contains the profile data of farmers, production, production costs and transaction costs while the secondary data obtained from the relevant agencies with research.

Quantitative data are obtained from the respondent's answer then tabulated by researchers. Secondary data are obtained from a review of the literature on rules or regulations and other documents related to the research problem, which is also useful to complement data obtained from the questionnaires.

Data Analysis

Data analysis was performed by qualitative descriptive analysis of the responses which is illustrated in the table or the frequency of each indicator variable that is measured. Then summarized the types of transaction costs on the implementation of partnership and then compare the amount of each transaction costs and measure transaction costs contribution to the total cost.

Discussion

Transaction costs is the cost of production to exchange results and are not included as production costs whether appear before the contract (ex-ante) or appear after the contract (post-ante), which consists of the cost of searching for information, negotiation and contracting costs, monitoring costs and costs of adaptation. In the implementation of the partnership, there are several steps that led to the potential transaction costs, namely:

1. When a breeder looking for information about the company that will be the core.
2. When the negotiation and preparation of the signing of the contract which the farmer tried to convince the company to be used as core partners. Both

of these costs are categorized as transaction costs before the contract (ex-ante).

3. The next stage when monitoring and reporting on implementation of the contract (monitoring).
4. In the event of differences or changes to what has been agreed. These costs are categorized as transaction costs after the contract (post-ante).

Transaction Costs in Partnership

Searching Costs

In the implementation of the partnership, each broiler breeder and core company choose for their candidate partners. In the process of selecting the company is looking for information about the breeder plasma core company profile and find information about the price of input goods (sapronak) are supplied. Source of information comes from a fellow breeder who had previously partnered; through family or breeder directly seek information from the companies concerned. Consequently, the breeder to pay in the search for such information in the form of the cost of transportation and communication costs to search and pay for consultants who can give consideration.

Based on the results of research, form the shape and magnitude of transaction costs in finding information (information searching costs) is for communication and transportation costs of information search and paid consultants who can give consideration in selecting candidates for the core company.

Total cost of communication and transportation incurred by the respondent during the search for information reached Rp 13.770.000, - where the average respondents spend Rp 255 000, -. Total fees paid by the respondent for the purpose of paying a consultant or a party that could give consideration in selecting and implementing a partnership firm amounting to Rp 27.000.000, - where the average respondent to pay Rp 500,000. - The amount of the total cost of searching for information is Rp 40 770. 000 or an average of each respondent to pay to find

information of Rp 755 000, -. If this cost is distributed on an average population of chickens that are kept as many as 6.100 chickens, the amount of the allocation of the cost of finding information is Rp 124, - per chicken.

Negotiation and Contract Costs

Companies that have received a request to be a partner of broiler breeders also do not directly approve as a partner but also to select and survey for the feasibility and readiness of prospective partners. Although the selection and survey costs incurred by the company but the farmers still incur additional costs in particular to ascertain the readiness of companies to be partners. Costs incurred by farmers in negotiating and making contracts is the cost of preparation of cages and equipment and administrative costs and stamp of making contracts.

Total costs incurred by respondents in order to set up the cage and other equipment reached Rp 33.750.000, - where respondents spend an average of Rp 625 000, -. The next total cost of stamp paid by the respondent for the purposes of making a partnership contract of Rp 648.000, - where the average respondent pay out of Rp 12,000. - The amount of total negotiated cost is Rp 34.398.000 or an average of each respondent issued a negotiated fee of Rp 637.000 , -. If this cost is distributed on an average population of chickens that are kept as many as 6.100 chickens, the amount of cost allocation negotiations is Rp 104, - per chicken.

Monitoring in Contract Implementation Costs

To ensure that the implementation of the partnership will meet the specifications of broiler has been agreed then the required monitoring or continuous monitoring of both the company and the farmers. A monitoring aspect is related to chicken weight, feed utilization, mortality, health chicken, safety and convenience and consistency of implementation of the contract enclosure and enclosure performance officer (custodian).

Specifically in relation to the officer supervising the cage (labor), the farmers incur additional costs beyond the cost of labor. Monitoring costs are also

incurred by the farmer is to pay administrative costs of reporting to the administrative personnel who can make a report.

Total costs incurred by respondents in order to supervise the work force reached USD 32.45 million, - where respondents spend an average of Rp 600,000, Furthermore the total fees paid by the respondent for the purposes of making administration and reporting of Rp 17.550.000, - where the average respondent pay out of Rp 325 000. - The amount of the total cost of monitoring is Rp 49.950.000 million or an average of each respondent to pay for monitoring Rp. 925. 000, -. If this cost is distributed on an average population of chickens that are kept as many as 6.100 , the amount of the allocation of the cost of monitoring is Rp 152, - per chicken.

Adaptation Costs

When there is a change or difference between the input specification or output specification (broiler ready to harvest) gives to the consequences of adaptation costs.

The cost of adaptation in the implementation of partnership broiler is in the form of losses on a number of productions that are not purchased (rejected) due to non-compliance of the specifications of weight, due to late delivery input specification costs and delays in sales as well as the cost of fines or penalties if the farmer takes the risk (opportunist) for sells its own production if the market price is much higher than the contract price.

Total costs incurred by respondents as losses on non-compliance of the specifications of broiler production reached Rp 55.988.000, - where the average respondent has a production that does not match the contract valued at Rp 1.037.000, - or the average respondent has 84 inappropriate weight chickens. Furthermore the total fees paid by the respondent for additional expenses due to delay is Rp 21.411.000, - where the average respondent pay out of Rp 396. 000. - Total cost of adaptation is Rp 77.409.000 or an average of each respondent to pay the adaptation of Rp 1.433 .500, -.

If this cost is distributed on an average population of chickens that are kept as many as 6.100, the amount of the allocation of costs of adaptation is Rp 235, - per chicken.

In the implementation of the partnership business broiler in the Maros district, there aren't breeders who are in default (broken promise) with buying input specification or selling products to other companies so there is no cost penalty. This indicates breeders do not need to speculate with the price of input or output. Although input prices are usually more expensive than the market price and output price cheaper than market price, but farmers feel more calm because of the collateral input, output and the risk of the company's core so that breeders keep living how they can maintain broiler until ready to harvest. If all costs such transactions are accumulated then the total cost of the transaction can be seen in Table 1

Tabel 1. Accumulation of transaction costs

No.	Transaction costs (Rp)	Total costs	Costs / Tail (Rp/tail)	Share
1.	Looking for information costs	40.770.000	124	20,2 %
2.	Negotiating costs	34.398.000	104	16,9 %
3.	Monitoring costs	49.950.000	152	24,7 %
4.	Adaptation costs	77.409.000	235	38,2 %
Total costs		202.527.000	615	100

Source : Result of Data Processing

Thus, the large amount of transaction costs in broiler partnership is Rp 202.527 million or the amount of the transaction fee is Rp 615, - per chicken.

CONCLUSION

The most dominant transaction cost is the cost of adaptation which amounted to Rp 77.409 million or 38.2% of all transaction costs of adaptation in which the farmer has to pay Rp 235 for each chicken. The cost of adaptation is the most dominant cost. Because the plasma core partnership, there are rules on broiler weight which tightly produce. So many chickens are harvested that do not meet

established specifications (rejected). Neither a delay in delivery and pick-up of input specification gives transaction costs for farmers

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