

# Compliance In Broiler Agribusiness Partnership Contracts at PT. Ciomas

*by* M Ridwan

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## Compliance In Broiler Agribusiness Partnership Contracts at PT Ciomas Adisatwa Makassar Unit

Andi Tenri Rakiyah<sup>1</sup>, Muh. Ridwan<sup>2</sup>, St. Rohani<sup>3</sup>

<sup>1,2,3</sup>Animal Husbandry Study Program, Animal Science Faculty, Hasanuddin University

Corresponding author: [muhridwanrizal@yahoo.com](mailto:muhridwanrizal@yahoo.com)

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### ABSTRACT

A partnership is a business strategy carried out by two or more parties within a certain period to gain mutual benefits with the principle of mutual need and mutual growth. Because it is a business strategy, the success of the partnership is largely determined by the compliance among partners in carrying out business ethics. In this context, the parties who are directly involved in the partnership must have the basics of business ethics that are mutually understood and embraced as a starting point in running the partnership. This study is objected to determine the compliance level of the company PT Ciomas Adisatwa Makassar Unit as the core in the broiler agribusiness partnership contract. This study was conducted from January 2020 to February 2020. The sample in the study was 31 breeders who partnered with PT Ciomas Adisatwa Makassar Unit. Data collection was carried out using farmer data recorded in the core company and farmer interviews. The data analysis used in this research is using the Champion formula. The result of the study indicates that the compliance level of the core company PT Ciomas Adisatwa Makassar Unit in the broiler chicken agribusiness partnership system is in the compliant category (compliance rate of 81.81%).

Keywords: Agribusiness, Broiler, Partnership, Compliance.

### INTRODUCTION

An entrepreneur is someone who creates a new business by taking risks and uncertainties to achieve profit and growth by identifying opportunities and combining the resources needed to establish them (Sitompul, 2010).

A partnership is a business strategy carried out by two or more parties within a certain period to gain mutual benefits with the principle of mutual need and mutual growth. Because it is a business strategy, the success of the partnership is largely determined by the compliance among partners in carrying out business ethics. In this context, the parties who are directly involved in the partnership must have the basics of business ethics that are mutually understood and embraced as a starting point in running the partnership (Adi, 2010).

The driving factors for breeders to join the partnership scheme are (1) Availability of livestock production facilities, (2) Availability of experts, (3) Working capital from the core, and (4) Guaranteed marketing. However, several things also become obstacles for breeders in the partnership scheme, i.e.: (1) The low bargaining position of the plasma parties towards the core party, (2) Sometimes there is still a lack of transparency in determining the price of inputs and outputs (determined unilaterally by the core) (Wijayanto, et Al, 2013).

One of the most developed partnerships at this time is a partnership between animal feed companies and chicken breeders. The partnership pattern that occurs is the core plasma, where the animal feed company acts as the core and the breeders as the plasma. The formation of this

plasma is a government policy, where every breeding farm that will obtain a business license has an obligation to develop a partnership scheme with people's farms. In the implementation of the partnership pattern between the core and plasma, it is necessary to pay more attention to the pattern of relationships between partners, because in general this partnership pattern brings together two common interests but is motivated by different management skills, legal understanding and capital so that plasma is very vulnerable to become victims of a core company which has a stronger background in terms of capital, management skills and legal understanding (Maryati and Sari, 2018).

Problems in the partnership model often cause complaints and suspicions which lead to debate. The development of a partnership pattern is based on the vision and mission that is formed from the core (company) perception of the partnership which is reflected in the contract agreement that has been made by considering the risks that will be faced by the core (Priyono, 2018).

Numerous breeders want to partner with the company PT. Japfa Comfeed Indonesia, Tbk Makassar must have a good partnership scheme so that the farmers (plasma) of PT. Ciomas Adisatwa is a subsidiary of PT. Japfa Comfeed Indonesia, Tbk Makassar unit, which works closely with the core can provide satisfaction between both parties. The partnership model observed in this study includes requirements for plasma farmers, pricing of production facilities and products, rights and obligations of core companies, rights and obligations of plasma breeders, patterns of production arrangements as well as bonuses and penalties. Compliance in a contractual engagement between 2 or more parties in a business can be defined as a partnership whose success is determined by ethics in running the business, in which suppliers and customers trade with each other to achieve mutual goals. This is the background for researching compliance in broiler agribusiness partnership contracts at PT. Ciomas Adisatwa Makassar Unit.

## METHOD

Study of Compliance in Broiler Agribusiness Partnership Contract Engagement at PT. Ciomas Adisatwa Makassar Unit was held in Makassar from January to February 2020. The location was chosen deliberately with the consideration of large and well-known livestock industry companies, particularly in the poultry industry.

The type of research used is descriptive quantitative research which is research that explains or describes a research phenomenon as it is by a survey method and data obtained from a sample of the study population analyzed according to statistical methods and then interpreted. Descriptive is research that aims at creating explanations, descriptions, or figures in a systematic, factual, and accurate manner regarding the facts, characteristics, and relationships between the phenomena being investigated.

The types and source of data used in this study are:

1. Qualitative data is data in the form of sentences or statements given to consumers who are sampled in the study.
2. Quantitative data is data that is non metric or in the form of values (numbers) obtained from the results of field data collection in the form of sales data and the number of consumers.

Sources of data used in this study:

1. Primary data, i.e. data obtained directly from consumers without going through

intermediaries. Primary data is data that comes from direct interviews with consumers. This data consists of respondents' identities and responses.

2. Secondary data, i.e. data obtained indirectly, but through intermediaries (obtained and recorded by other parties). This data is in the form of published or unpublished evidence, notes, or archival reports. The data consists of the general state of the location including a description of the location.

The population in this study was 31 (thirty one) breeders who participating in a broiler agribusiness partnership contract with PT. Cioimas Adisatwa Makassar Unit.

The sample is a part of the population that is used as a source of data or information. The sampling technique was carried out by using the accidental sampling technique, which is the technique of determining the sample based on the chance of meeting the researcher.

The methods used in data collection in this study are:

1. Field study, consisting of:
  - a. Observation, i.e. the collection of data through direct observation of compliance with contract engagements.
  - b. Interview, i.e. data collection through direct interviews with partnership subjects who are the research samples in the form of personal identity including name, age, education, occupation, knowledge, or consumer information.
  - c. Documentation, i.e. looking for data in the form of notes, reports, photos, etc. related to the object of research. In this study, the data obtained was in the form of photos with partnership subjects.
2. Literature study is the efforts made by researchers to obtain various information related to the level of consumer satisfaction by exploring various information from scientific books, research reports, scientific essays, theses, and dissertations, as well as other sources, both written and electronic media.

The measurement or assessment of the compliance level will be carried out by comparing the actual conditions with the criteria that we have determined. The assessment of the questionnaire uses a percentage calculation that shows the amount of compliance in assessing compliance with breeders and companies. The calculation of the questionnaire was carried out using the Champion formula by calculating the answer "YES" then calculated in the following manner:

$$X = \frac{\sum \text{Answer yes}}{\sum \text{Question}} \times 100 \% \quad \text{Champion (1991)}$$

We provide answers in a "closed-ended questionnaire" where respondents are only given two alternative answers that have been previously determined by the author, i.e. "Yes" and "No" as a measure of the level of conformity with certain criteria, so that the respondent simply chooses one of the answers that is considered the most suitable according to the respondent out of the two alternatives. The results of the answers are obtained by calculating a score that will be used for decision making as suggested by Dean J. Champion (1990), i.e.:

Table 1. Champion Association Coefficient

Percentage	Remarks
± 00- 25	No association or low association (weak association)
± 26- 50	Moderately low association (moderately weak association)
± 51- 75	Moderately high association (moderately strong association)
± 76- 100	High association (strong association) up to perfect association)

Source: Champion (1991).

From the information previously explained it can be concluded that

Table 2 Coefficient Conclusion

Percentage	Compliance Level
0% - 25%	Incompliant
26% - 50%	Less Compliant
51% - 75%	Sufficiently Compliant
76% - 100 %	Very Compliant

If from the answers to the questionnaire the value is between 76% - 100%, it can be concluded that compliance in a partnership contract engagement in broiler agribusiness at PT. Ciomas Adisatwa Makassar unit is very compliant with the contract.

## RESULTS AND DISCUSSION

### Compliance of the Company PT. Ciomas Adisatwa Makassar Unit as the Core in the Broiler Agribusiness Partnership Contract

Measurement or assessment of the compliance level is carried out by comparing the actual conditions that have occurred in the field with the assessment of the questionnaire by using a percentage calculation that shows the amount of compliance in the assessment of farmers for the company.

The following is the percentage level of compliance of the company PT. Ciomas Adisatwa Makassar Unit as the core in the broiler agribusiness partnership contract.

Table 3. Percentage of Compliance Level of the company PT. Ciomas Adisatwa Makassar Unit

Indicator	Percentage (%)	Compliance Level
Partnership fundamental: Principles of Partnership:	100%	Compliant
1. Principle of Subsidiarity	100%	Compliant
2. Principle of Togetherness	100%	Compliant
3. Principle of Volunteerism	100%	Compliant
4. Principle of Reciprocity	100%	Compliant
5. Principle of Decentralization	100%	Compliant
Rights and obligations in partnership:		
1. Information	100%	Compliant
2. Responsibility	100%	Compliant
3. Guidance	66,6%	Sufficiently Compliant
4. Marketing	100%	Compliant
5. Technology	66,6%	Sufficiently Compliant
6. Management	100%	Compliant
Partnership Contract		
1. Contract Documents	66,6%	Sufficiently Compliant
2. Contract Mechanism	50%	Sufficiently Compliant
Total Kepatuhan	81,81%	Compliant

Source : Processed secondary data, 2020.

### Partnership Fundamental

The principle of mutual strengthening in the implementation of cooperation between the company PT. Ciomas Adisatwa and breeders are one of the principles of a partnership whose compliance level is measured in this study. The core company, which usually has a stronger background in various things than plasma, must have a strong commitment to the implementer

of the partnership itself because it does not rule out the probability of a shift in a direction so that the partnership program is solely for the benefit of the core company.

The results of the study indicate that the company as a big business generally does not position the breeders lower due to the status of the small business because the position between the company and the breeders is the same. In this case, the company helps improve the production system and the quality helps in management and provides the latest technologies so that farmers can operate their business more easily to improve their business.

### Principles of Partnership

1. **Principle of Subsidiarity** The principle of subsidiarity plays a role in empowering farmer businesses to become strong and independent. The percentage of compliance with the subsidiarity principle is 100%, which means that the core company plays a role in empowering breeders and supporting their business partners to be strong and independent, for example in empowering breeders, the company helps breeders improve the quality of their business by providing innovations to change the shape of the cages from the originally open pens to closed pens, because the mortality rate is higher if the pen is open and it is more efficient to use closed pens because it can use new technologies that can improve the quality of the breeder's business.
2. **Principle of Togetherness** The results of the study indicate that the assessment of the compliance level with the principle of togetherness has a percentage value of 100%, which means that the core company cares in the form of social responsibility as a big enterprise to make farmers strong and independent so that equity can be achieved, for example in the form of responsibility where field officers directly check the growth and development of livestock, feed, and livestock health, also whether the feed delivered by the company is late, insufficient, or excessive.
3. **Principle of Volunteerism** The results of the study above indicate that the assessment of the compliance level with the principle of volunteerism has a compliance percentage value of 100%, which means that the company does not force farmers to join and remain with the company in the broiler partner system. If the farmer does not agree with the contents of the contract, the farmer has the right not to cooperate with the company, because cooperation can be established if both parties agree to cooperate.
4. **Principle of Reciprocity** Based on the study results, PT. Giomas Adisatwa Makassar Unit is considered not exploiting or harming without realizing the rights and obligations in the partnership system, in this case, cooperation that is not merely a business relationship that only seeks profit, but cooperation based on mutual need and dependence. For breeders, they will get market and price certainty since it has been determined at the beginning of the cooperation and is more efficient in terms of collection and transportation. Meanwhile, on the company side, they will get guaranteed supplies under the expectations or standards of the market. The results of the study above indicate that the assessment of the compliance level with the principle of reciprocity has a compliance percentage value of 100% which means that the company does not exploit or harm without realizing the rights and obligations in the partnership system.
5. **Principle of Decentralization** The results of the study indicate that PT. Giomas Adisatwa Makassar Unit does not impose the will in determining patterns in partnering and does not

give any pressure or coercion. The partnership scheme is important where the partners are interrelated and need one another, as the partnership pattern provides benefits for both parties under the principle of decentralization where business partnerships held by large businesses design their partnership schemes with their business partners.

### **Rights and Obligations**

Cooperation agreement between PT Ciomas Adisatwa Makassar Unit and breeders regarding the rights and obligations of the company PT Ciomas Adisatwa Makassar Unit has complied under the cooperation contract that has been made.

- 1. Information.** The company must be open about information about transparency in determining the price of inputs and outputs. The results of the study indicate that the compliance level assessment regarding information has a compliance percentage value of 100%, which means that the core company is transparent in determining input and output. For example, the company is open to information in market prices or in determining market prices to avoid mutual suspicion between business partners. Indrajit (2003) stated that openness is indeed within certain but quite broad limits, where data from both parties can be seen by other parties. Included here are data on the calculation of prices and their kind, of course, both parties are legally and morally bound to keep the transparency confidential so that it can increase mutual trust and vice versa, mutual trust requires mutual openness.
- 2. Responsibility.** The responsibility between the company and the breeders in the partnership system is significant owing to the provisions that are regulated. The assessment of the compliance level with responsibility as a percentage value of 100% compliance, which means that the company obeys and implements the provisions stipulated in the partnership agreement. From the results of the study, the company is very responsible for the breeders, for example, companies that provide DOC, feed, and medicines to breeders and breeders are obliged to manage their business according to the company's operational standards both in providing feed, medicines and other treatments. The cooperation agreement has stated what will be the rights and obligations of the two parties that must be accounted for.
- 3. Guidance.** Guidance and supervision are rights that must be given to breeders after entering into a partnership collaboration and the company has an obligation to implement management and production guidance as well as provide technical personnel as long as the cooperation contract is established. From the results of the questionnaire, the company has carried out its obligations in providing management and production guidance as well as providing field technical personnel to oversee the development of the breeders' business during the contract period, but the company does not assist in the development of human resources for breeders. From the explanation above, it indicates that the assessment of the compliance level in guidance has a percentage value of 66.6%, which means that the core company has not been maximum in developing production management and human resource development for breeders. It is because there is 1 (one) point of unfulfilled compliance regarding assisting in the development of HR (human resources). According to Law No 9 of 1995, guidance and development are efforts made by the government of the business world and the community by providing guidance and strengthening assistance to grow businesses and increase the capacity of small businesses to become strong and independent businesses. With continuous guidance, it is hoped that small businesses can develop as a strong economic component.

4. **Marketing.** The company has an obligation to assist farmers in the marketing process, the results of the study indicate that the assessment of the compliance level in marketing has a 100% compliance percentage value, which means that the core company has helped identify markets and consumer behavior and has guaranteed the purchase of products under the contract. For example, the company has identified market and consumer behavior as a strategy in marketing and has guaranteed the purchase of products under contract agreements. Marketing is a social and managerial process that involves individual or group interests in fulfilling needs and desires through the exchange of goods or services from one individual or group with another individual or group (Kotler, 1997).
5. **Technology.** The obligation of the company in terms of technology is to assist in the production system to increase the efficiency of its business. From the results of the questionnaire, the company carries out quality control in improving the production system i.e. providing information about the latest technology that can make it easier for breeders. In terms of compliance, the company does not assist in the procurement of production facilities and infrastructure. The results of the study above indicate that the assessment of the compliance level in technology has a compliance percentage value of 66.6%, which means that the core company has not been maximum in the procurement of production facilities and infrastructure, improvement of production systems, and quality control, as well as increase of efficiency of raw material procurement. According to Article 14 of Government Regulation No. 44/1997, the core party provides counseling and guidance in several aspects including marketing aspects, human resource guidance, and development aspects, capital aspects, managerial aspects, technological aspects, etc.
6. **Management.** Providing technical management is the obligation of the company to increase the breeders' businesses in a partnership system. The results of the study indicate that the assessment of the compliance level in management is 100%, which means that the core company helps in organizational and management systems and procedures, for example, the company has helped in the organizational procedure system in running a business to ensure the results of the breeders' efforts to achieve common goals. This is under Prodjudikoro's (1989) opinion, that is, a legal relationship regarding the assets of both parties where a party promises or is considered to have promised to do something, while the other party demands the implementer of the agreement.

#### **The compliance level of PT. Ciomas Adisatwa Makassar Unit in Broiler Agribusiness Partnership**

Based on study results, the compliance level of the company PT. Ciomas Adisatwa Makassar Unit in the contract agreement reached 81.81% which means compliant. Even so, two things are still in the sufficient category, i.e. regarding the obligation of guidance and the technology. The assessment for guidance is that the company does not help in developing HR (Human Resources) for breeders and regarding technology the company does not help in the procurement of production facilities and infrastructure. Therefore, the assessment in the compliance level is reduced.

According to partnership fundamentals, the principle of partnership, and any rights and obligations that must be obeyed by both parties regarding the relationship of a partnership in a mutually beneficial business world in a synergistic relationship, the result is not a zero-sum game or positive game, the compliance level is measured by obedience and ethics in running a business so that goals can be achieved by both parties.

## CONCLUSIONS

Based on the results and discussion of the study, it can be concluded that the compliance level of the company in the broiler chicken agribusiness partnership system at PT. Ciomas Adisatwa Makassar Unit is in the compliant category (compliance level 81.81%).

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