



# Analysis of Partnership System in Broiler Chicken Farming from an Islamic Economic Perspective: A Case Study in Padang Karambia, West Sumatra

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## Abstract

The poultry farming sector, particularly broiler farming in Padang Karambia, Indonesia, has seen rapid growth due to partnership systems between local farmers and large companies like PT Ciomas Adisatwa. This study aims to examine the management of partnership systems in broiler farming and the application of Islamic economic principles, such as justice (*adl*), cooperation (*taawun*), and fair profit-sharing. The methodology employed is in-depth interviews with three key informants: the broiler farm manager, the Head of the Partner Unit at PT Ciomas, and a Field Extension Officer (PPL). The findings indicate that although the partnership system benefits both parties, there is an imbalance in risk and profit sharing. Farmers, who rely heavily on the facilities provided by the company, feel restricted in setting the selling price of the chickens. In the context of Islamic economics, *mudharabah* or *musyarakah* systems can better reflect the principle of justice with a more balanced and transparent profit-sharing. Moreover, the principle of cooperation (*taawun*) needs to be reinforced to foster a more harmonious relationship between the company and farmers. This study recommends the application of a partnership system based on sharia principles to create a more sustainable, just, and mutually beneficial relationship, while strengthening Islamic economic values in broiler farming.

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## Introduction

In recent decades, the broiler chicken farming sector has undergone significant transformation in many regions (Mattioli et al., 2018; Meluzzi & Sirri, 2009; Souillard et al., 2019; Sugiharto & Ayasan, 2023; Yensuk et al., 2022; Zampiga et al., 2021; Zandroto, 2021; Zuidhof et al., 2014), including in West Sumatra. One of the rapidly developing models is the partnership system between farmers and large companies (Kalangi et al., 2021; Kusumastuti & Widiati, 2022; Walid et al., 2021). However, although this partnership system offers opportunities for increased production and farmer income, its implementation is often not fully in



line with principles of fair and sustainable economics (Kalangi et al., 2021; Meluzzi & Sirri, 2009; Yensuk et al., 2022). In the context of Islamic economics, the partnership system should consider the welfare of both parties, the farmers and their business partners, by emphasizing values such as justice, honesty, and balance (Nabhan, 2010; Nouman & Ullah, 2014; Nur Wulan Mulatmi et al., 2021; Priyadi et al., 2022; Puspitaningrum & Gayatri, 2019). However, research on how the partnership system in broiler chicken farming is implemented from an Islamic economic perspective is still limited. In fact, Islamic principles such as *mudharabah*, *musyarakah*, and *taawun* are highly relevant in managing partnerships in this sector. Therefore, more in-depth studies on the application of the partnership system in broiler chicken farming from the perspective of Islamic economics are needed. From this overview, it is clear that there is still a lack of attention to studying the partnership system in broiler chicken farming from an Islamic economic perspective.

Although some studies have examined partnership systems in the broiler chicken farming sector, most focus primarily on technical and business aspects without considering the ethical dimensions and principles of Islamic economics. Existing studies tend to overlook how social, cultural, and religious values influence the implementation of the partnership system in society. For example, the study by Anwar et al. (2021) focuses more on the efficiency and profitability of partnerships between farmers and large companies. Meanwhile, Sulaimans (2022) study identifies challenges in risk management within partnerships but does not discuss the influence of Islamic values on managing these partnerships. As a result, there remains a significant gap in understanding how Islamic economic principles can be integrated into the partnership system in broiler chicken farming.

This study aims to fill this gap in the existing literature by examining the partnership system in broiler chicken farming from an Islamic economic perspective. To do this, it is important to identify how Islamic principles can be applied in the existing partnership system and how the cultural and social values of the local community influence the sustainability of these partnerships. Based on this, there are three main research questions that need to be addressed: First, how is the management of the partnership system in broiler chicken farming in Padang Karambia? Second, how do Islamic economic values view the implementation of this partnership system? Third, what are the challenges and opportunities faced in implementing a partnership system that is fair and in accordance with Islamic principles in the broiler chicken farming industry in the region? Answering these three questions will contribute significantly to improving a more just partnership model that aligns with Islamic economic values.

This study argues that the inadequate partnership system in the broiler chicken farming sector is often caused by a lack of application of Islamic economic principles that emphasize justice and balance between the parties involved. In this context, the community must not only adapt the technical or managerial aspects of the partnership but also consider the application of Sharia principles that can create a fairer and more mutually beneficial system. On one hand, the values in Padang Karambia society, which prioritize mutual cooperation and social collaboration, may support the implementation of *taawun* and *mudarabah* principles. On the other hand, the dominance of large companies in the partnership can lead to imbalances that disadvantage small farmers. Therefore, an ideal partnership model must integrate both technical aspects and Islamic economic values to create a more harmonious and sustainable relationship between farmers and business partners.

### **Research Methodology**

This research uses a qualitative approach with in-depth interviews to obtain a clearer and more comprehensive picture of the partnership system in broiler chicken farming run by partner farmers and large companies. In this study, the researcher conducted interviews with three main informants directly involved in the partnership process: the broiler chicken business manager (MO), the head of the partner unit from the company (ET), and the field extension officer from the company (AN). The interviews were conducted between July and October 2023 to explore various information related to the rights and obligations carried out by each party, the challenges faced in implementing the partnership, and the application of Islamic economic principles in the partnership system. In-depth interviews were chosen to gather more detailed and profound information about the experiences, views, and perspectives of each informant. Data collection was done through direct interviews with the informants, and the data obtained was then analyzed thematically. This analysis technique is used to identify certain patterns in the data that can provide insight into the dynamics of the partnership relationship and how Islamic economic principles, such as justice and balance, are applied in the practice of broiler chicken farming partnerships. With this approach, the study aims to contribute a broader understanding of the sustainability and justice within this partnership system.

### **Management of the Broiler Chicken Farming Partnership System in Padang Karambia**

The management of the partnership system in broiler chicken farming in Padang Karambia involves a structured collaboration between local farmers and the large

company PT Ciomas Adisatwa. In this collaboration, the company acts as the provider of production materials and technical assistance, while the partner farmers are responsible for the daily operations of the farm, including constructing the chicken coops, taking care of the chickens, and maintaining their health. According to Mr. MO, the manager of the broiler chicken business, he began the partnership with PT Ciomas in 2012. “When I first joined PT Ciomas, I met with the Head of the Partner Unit to understand the partnership contract, and after that, we agreed to sign the agreement,” said MO (MO, interview, July 2023). The initial process of this partnership began with the company providing facilities such as chicken chicks, feed, vaccines, and medicines, while the farmer was responsible for providing the coops and labor according to the standards set by the company.

The role of the company in this partnership is crucial. As explained by Mr. ET, the Head of the Partner Unit at PT Ciomas, the company not only provides materials such as feed and chicks but also supports farmers through Field Extension Officers (PPL). PPLs are tasked with regularly monitoring the condition of the chicken coops, the health of the chickens, and the availability of feed and medicines. “PPL ensures that the chicken care follows the company's standards. We also provide education on chicken care, vaccination, and proper coop management,” explained Mr. ET (ET, interview, August 2023). The importance of supervision by PPL is further emphasized by Mr. AN, a Field Extension Officer from PT Ciomas. “We are responsible for ensuring that partner farmers follow the agreed-upon care procedures. This includes the cleanliness of the coops, feeding, and administering medicine to the chickens,” said AN (AN, interview, September 2023). He also added that PPL conducts periodic checks to evaluate the condition of the chickens and ensure that the farmers comply with all the regulations.

In this partnership system, there is a pricing mechanism that has been agreed upon in the contract. For example, the price at which the company buys the chickens is set at IDR 20,000 per kilogram at the beginning of the contract. However, if the chickens become sick or their quality declines, the price will drop to IDR 17,000 per kilogram. Nonetheless, the company offers a price increase if the market price surges. Mr. MO explained, “The price offered by the company is in line with the contract. Sometimes the market price is higher, but the company adds an extra payment if the market price goes up significantly” (MO, interview, July 2023).

The application of Islamic economic principles in this partnership system still requires attention, particularly concerning fairness for both parties. In practice, although the contract allows farmers to seek other buyers at better prices, many farmers feel they have limited options and must rely entirely on the

company. MO stated, “Everything is handed over to PT Ciomas, we just wait for the results because we have signed the contract and there’s no protest” (MO, interview, July 2023). In practice, this partnership focuses on smooth operations and mutual profit. The partner farmers not only rely on the company for production materials but also receive ongoing technical support through the PPL. On the other hand, the company still holds significant control over the sale price and distribution of the farms output.

The management of this partnership system also reflects a symbiotic relationship between the partner farmers and the company. Both are interdependent for the continuity of the broiler chicken farming business. In this process, the company provides production facilities and technical assistance, while the partner farmers carry out operations with full responsibility, ensuring that the chickens remain healthy and productive. The success of this partnership system depends on good communication, adherence to contracts, and fairness in the distribution of results.

### **Islamic Economic Analysis of the Broiler Chicken Farming Partnership System in Padang Karambia**

The partnership system in broiler chicken farming in Padang Karambia, involving partner farmers and large companies such as PT Ciomas Adisatwa, has the potential to be applied within the framework of Islamic economics. Islamic economic principles, such as justice (*adl*), cooperation (*taawun*), profit-sharing (*mudarabah* or *musyarakah*), and the prohibition of *riba* (usury), are highly relevant in creating a fair and transparent cooperation between both parties. In this partnership system, the company provides chicken chicks, feed, vaccines, and medicines, while the farmers are responsible for the operational aspects and daily care of the chickens. However, there is a significant imbalance in the distribution of profits and the sharing of risks between the farmers and the company, which needs to be further analyzed through the lens of Islamic economics to ensure justice in every transaction.

The principle of justice (*adl*) in Islamic economics requires that each party involved in an agreement should receive their rights and responsibilities in a balanced way. In an interview with Mr. MO (the broiler chicken farm manager), he revealed that although the company adjusts the price when the market price of chickens rises, farmers still feel limited in their ability to determine the selling price of the chickens. This indicates an injustice regarding the price flexibility for farmers, who cannot sell their chickens outside of the contract at a more profitable price. In the framework of Islamic economic theory, the application of a *syirkah* system (whether *mudarabah* or *musyarakah*) could better reflect the principle of justice, where both parties the company and the farmers could share

the risks and profits proportionally. According to the theory of syirkah in Islam, profit-sharing based on each party's contribution should be arranged fairly, considering the risks and capital provided by both parties.

The principle of cooperation *taawun* in Islamic economics is also crucial for creating a mutually beneficial partnership. In an interview with Mr. ET (Head of the Partner Unit at PT Ciomas), he explained that the company provides almost all of the production resources, while farmers are more involved in the daily management of the farm. However, this high dependency on the company can lead to an imbalance in the partnership relationship, where farmers become more reliant on the facilities provided by the company, while the company retains control over the market and prices. In Islamic economic theory, *taawun* is not just about mutual help, but also involves a balanced contribution from both parties. The *musyarakah* model could be an alternative solution here, where the company and the farmers share capital and resources more proportionally. The profit-sharing in *musyarakah* should be based on each party's contribution, whether in terms of capital or labor, which would create a fairer partnership.

From the perspective of *mudharabah* or *musyarakah*, a more flexible and transparent profit-sharing model would better reflect Islamic economic principles in this partnership. In a *mudharabah* system, the farmers could act as the business operators and share the profits with the company, which provides the capital. For example, the profits from the broiler chicken farming venture could be shared based on an agreed percentage, such as 70% for the farmers and 30% for the company. This approach aligns with the profit-sharing theory in Islamic economics, which requires that profits be divided proportionally according to each party's contribution. Additionally, the issue of *riba* must be avoided in every transaction, as *riba* is prohibited in Islam due to its potential to cause injustice. In this case, although no direct *riba* practice is found in the partnership, using a *mudharabah* or *musyarakah* financing system that is transparent would minimize the potential for financial injustice.

Therefore, the application of Sharia principles in this partnership system could improve the structure of cooperation between the company and the farmers, making it fairer, more balanced, and sustainable. By applying Islamic economic principles, this partnership can evolve into a model that fosters equitable profit-sharing, fair risk distribution, and long-term mutual benefits for both parties involved.

### **Challenges and Opportunities in Implementing a Fair Partnership System in Accordance with Islamic Economic Principles**

The broiler chicken farming partnership system implemented in Padang Karambia faces both challenges and opportunities in applying fair Islamic

economic principles. As explained by Aziz (2018), Islamic economic principles focus on justice (*adl*), cooperation (*taawun*), and equitable profit-sharing (*mudarabah* or *musyarakah*), all of which can foster sustainable relationships between the parties involved. One of the biggest challenges in this partnership system is the imbalance in the distribution of rights and responsibilities between the company and the farmers. Farmers dependency on the company for production aspects such as the provision of chicks, feed, and medicine limits their flexibility in determining the price of the chickens and expanding their business. According to Iqbal (2019), in Islamic economics, the principle of *adl* requires that rights and obligations be distributed fairly, reflecting the contributions made by each party. The implementation of *mudarabah* or *musyarakah* principles in profit and risk-sharing could help correct this imbalance.

One way to address this imbalance is by enhancing the application of the principle of cooperation (*taawun*), where both parties mutually support each other to achieve shared goals without exploiting one another. Al-Qaradawi (2017) emphasizes that cooperation in Islamic economics should involve fair distribution of contributions and benefits. In the context of the broiler chicken farming partnership, while the company provides production facilities, the farmers contributions to the operational aspects are often undervalued. If both the company and the farmers focus more on the equitable distribution of their contributions, a more productive and harmonious cooperation can be achieved. Therefore, developing a partnership based on *musyarakah*, where both parties share capital and responsibilities in managing the business, would help strengthen this cooperation. Despite the challenges in establishing balanced cooperation, there are significant opportunities to create a fairer and more beneficial partnership system. Ahmad and Arifin (2020) argue that the application of *mudarabah* or *musyarakah* in farming partnerships can enhance efficiency and transparency in profit-sharing. In a *mudarabah* system, where the farmer acts as the manager and the company as the capital provider, profits can be shared according to an agreed-upon percentage.

Similarly, in a *musyarakah* system, both parties share capital, profits, and risks proportionally. This system would reduce farmers dependency on the company and give them greater autonomy to manage their businesses independently. An equitable profit-sharing system in line with Sharia principles would lead to a more sustainable partnership. Additionally, the challenge of avoiding *riba* (usury) must also be addressed. *Riba* is prohibited in Islamic economics because it is seen as fostering injustice and exploitation (Ahmed, 2017). Although no explicit indication of *riba* exists in the partnership, it is essential for the company to ensure that all financial transactions between the farmers and the company are free from *riba*.

The use of interest-based loans or non-transparent payments could lead to financial injustice in the future. Therefore, profit-sharing financing systems like *mudharabah* or *musyarakah* provide a better solution to ensure that all financial transactions are in line with Sharia principles. Overall, despite the challenges that need to be addressed, the opportunities to create a fair partnership system in accordance with Islamic economic principles are significant. By improving the application of justice and cooperation through the adoption of *mudharabah* and *musyarakah* systems, a more balanced relationship between farmers and companies can be established. This would not only provide economic benefits for both parties but also strengthen Sharia values in business practices, ultimately contributing to long-term benefits for the community.

## Conclusion

The partnership system in broiler chicken farming in Padang Karambia, involving collaboration between local farmers and a large company such as PT Ciomas Adisatwa, has the potential to improve efficiency and production outcomes. However, there are challenges in implementing Islamic economic principles, particularly in terms of fairness and profit-sharing. The company provides production facilities and technical assistance, but farmers tend to rely heavily on the company, while being restricted in determining the selling price of their chickens. This creates an imbalance in the distribution of profits and risks. From the perspective of Islamic economics, the principle of justice (*adl*) mandates a more balanced distribution of profits and risks.

A solution to this imbalance would be the application of profit-sharing systems such as *mudharabah* or *musyarakah*, where both parties share capital, responsibilities, and profits based on their contributions. Additionally, the principle of fair cooperation (*taawun*) is necessary to foster a more harmonious relationship between farmers and the company. One of the major challenges in this partnership is avoiding *riba* (*usury*), which could lead to financial injustice. Although there are no explicit indications of *riba* in this partnership, it is important to ensure that the system remains in accordance with Sharia principles. Overall, despite the challenges in applying Islamic economic principles, there are significant opportunities to create a fairer and more sustainable partnership. By strengthening the implementation of Sharia principles, this partnership can enhance the welfare of farmers and support the long-term sustainability of broiler chicken farming in Padang Karambia.

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