



FROM A HUMBLE  
**CHICKEN SUPPLIER**

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TO LARGE-SCALE  
**CONTRACT FARMER**



# BEST PRACTICES OF **CONTRACT FARMING** IN MALAYSIA'S BROILER CHICKEN INDUSTRY

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**Tracing back to its humble origins more than 50 years ago, one of today's the largest chicken farming enterprise in the market, Chop Cheong Bee Sdn Bhd (CCB) started as humble, small-time chicken supplier. Datuk Jeffrey Ng Choon Ngee, General Manager shares how his father-in-law, with only his bicycle as a means of transport, has started the business by buying chicken from farmers at the kampung and selling it to the local market.**

Over the decades, the small enterprise had seen the upgrade to transporting chickens from using bicycle to motorcycle, taxi and later small trucks as the chicken supplier grew in scale, leading to the establishment of Chop Cheong Bee Sdn Bhd (CCB) in 1985.

But as they stepped into the modern world, problems arose when buyers started to demand particular sizes of chicken, whereby buyers would usually be wholesalers or processing factories that are selling broiler chicken for commercial use. The company did not have a farm on its own and had to depend on traditional farmers, which led to inconsistency in quality, size, and volume.

Thus, the company decided to take matters to their own hands – and evolved as a contract farmer to ensure demands are met and the business is sustainable in the long run.

As a contract farmer, CCB works with poultry integrators to raise chickens, from chick to slaughter age. In this form of contract farming, the integrators, such as Farm's Best, Nutriplus, and others would generally supply the contract farmer with the chicks and chicken feed. Once matured, the full-grown chickens are then sold and delivered to the integrators at a pre-agreed price.

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**Today, CCB is one of poultry farm businesses operating in Melaka which currently owns 12 poultry farms that are able to produce about 1.5 million chickens per cycle, around two months each. CCB also managed to establish its products in the local market such as Melaka, Johor, Negeri Sembilan and even penetrated the Singaporean market.**

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# THE CONSTANT PUSH AND NEED FOR **CONTRACT FARMING**

**From decades of industry experience, Datuk Jeffrey further highlights that one of the glaring issues for chicken suppliers in the past was the lack of control on the quality of the broiler chicken, that would impact the chickens' marketability to buyers who often need consistent size and volume.**

In the industry, the rising demand on chicken meat each year calls for efficient solutions such as through closed-house concept that maximises poultry farm production. It is a system that increases growth rate, improves the feed conversion rate and reduces the mortality rate of chicken – while minimising dependency on workers and managing the farm systematically. However, even today, chicken suppliers who have their own farms, or the traditional farmers they rely on may not have a closed-house concept, likely due to the high investment cost. As a result, this greatly affects the productivity levels that will likely fail to cope with customer demands.

Generally, it is also not an easy feat to set up a farming facility as it requires a long and expensive process to acquire land, permission to plan from the authorities, registering the business and setting up the facility. The process is essential to ensure the laws, regulations and standards are adhered to, especially when it comes to ensuring public and environmental health. In reality, chicken suppliers may not have the financial capacity and resource to commit to set up and maintain a chicken farming facility.



# MORE BENEFITS FOR **CONTRACT FARMERS**

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Due to the push from these different factors, the industry has developed a real need for contract farmers – those who would already have the expertise, facilities, and capability to raise the chickens, and thus provide consistent supply to chicken suppliers or integrators in the high-volume industry. In the 1980s, the Malaysian landscape thus has shifted towards contract farming between farmers and integrators or processing plants to cope with the challenges.

For farmers, this is a step forward in a collaborative, win-win solution. The revenue is unaffected by the changing open market price that removes the risk of profit loss. More importantly, contract farmers are able to specialize in the practice of broiler chicken farming, instead of focusing on marketing to chicken buyers – a part of the supply chain that would already be taken care of by the integrators in the contract farming model.

Commenting on contract farming as a career prospect, Datuk Jeffrey explains, "In fact, more youths are venturing into the contract farming business in the broiler chicken industry. Contract farmers who raise around 30,000 to 50,000 birds have an average monthly income RM5,000 to RM10,000. This area of expertise thus encourages young Malaysians to start viewing it as an enterprise, beyond just 'work at the farm'."

Another advantage to this is easier access to business financing. In many cases, contract farmers can seek funding from the integrators and at times at zero-interest as it is an agreement that mutually profits both parties. In the broiler chicken industry, the farming sector is the most expensive to invest on compared to others in the supply chain. It is therefore strategic for integrators to provide contract farmers with financing, a more cost-efficient alternative as compared to paid-up capital in millions or Ringgit just to set up and manage their own farming facility.

On the consumer end, contract farming in the supply chain makes chicken meat much more affordable. Datuk Jeffrey adds, "When you compare chicken meat in Malaysia with those in neighbouring markets such as the Philippines and Indonesia, we actually have access to cheaper chicken meat here. I believe this is because Malaysia has developed its own set of knowledge and best practices, with aspects of technological adaptation as part of it."

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**IN FACT, MORE YOUTHS ARE VENTURING INTO THE CONTRACT FARMING BUSINESS IN THE BROILER CHICKEN INDUSTRY. CONTRACT FARMERS WHO RAISE AROUND 30,000 TO 50,000 BIRDS HAVE AN AVERAGE MONTHLY INCOME RM5,000 TO RM10,000. THIS AREA OF EXPERTISE THUS ENCOURAGES YOUNG MALAYSIANS TO START VIEWING IT AS AN ENTERPRISE, BEYOND JUST 'WORK AT THE FARM'.**

- Datuk Jeffrey

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## BEST PRACTICES: ENSURING READINESS IN **CONTRACT FARMING**

When starting one's own contract farming business, there are a few key factors to consider. One must first have land to operate the farm, whether it is one's own land, or rented from other farmers – with license to operate a chicken farm. They also need to have the know-how in managing collaborations with integrators to ensure quality of chicks and the chicken feed are not compromised, or at an optimum level that does not negatively affect productivity levels.

For guidance, seasoned industry-player Datuk Jeffrey advises contract farmers to seek support from institutions such as the Ministry of Agriculture and Food Industries (MAFI) or the Department Of Veterinary Services Malaysia (DVS) who have continued to support contract farmers in Malaysia.

**AS MODERN CONTRACT FARMERS, DATUK JEFFREY SHARES THAT CHOP CHEONG BEE SDN BHD HAS APPLIED THE INTERNET OF THINGS SYSTEM AT THE FARM SINCE 2015.**

"Due to the larger scale of our business compared to other contract farmers in the market, we prioritised applying new technologies and redesigning our close-house system to conserve energy while working alongside Tenaga Nasional Berhad (TNB) in ensuring an environmentally friendly farm," says Datuk Jeffrey.

In the application of technology, the company is focused on precision farming that tracks the growth on the chicks almost daily to ensure the chickens grow to the required size when they reach harvesting age. Recognizing that the infrastructure needs to be ready to adapt to wireless connectivity, the company works closely with telco suppliers to further improve data connectivity especially in rural areas.



## MOVING FORWARD AND **OVERCOMING CHALLENGES**

For Datuk Jeffrey, the chicken farming industry is rising in Malaysia, but the challenge is in the public perception. The business at times is portrayed as unhygienic or a source of environmental pollution to the community. This is inaccurate as some best practices in farming has evolved into more sophisticated systems such as the closed-house concept that has its own climate, even air-conditioned, and systematic water and waste disposal system. The public perception is slowly improving, but more public awareness needs to be in place.

Commenting on the more recent challenge of Covid-19 pandemic, he admits that the demand for chicken has dropped significantly during the nationwide Movement Control Order whereby restaurants and event spaces had to close or reduce operating hours. Towards end of 2020, the demand is picking up again but it is estimated that it has dropped by 20% daily since MCO as consumers are still minimizing eating outside - where consumption of chicken poultry is the largest in the food industry.

However, Datuk Jeffrey has seen a worse impact in year 2004 when the global outbreak of the bird influenza virus H5N1 hit the chicken industry. Through that experience, he believes that the chicken industry, especially the seasoned contract farmers, has developed the best practices and resilience to navigate the economic impact of the current Covid-19 pandemic.

Hopeful for the future, he is confident that the chicken industry is recession proof, as food is a daily need of consumers. He adds, "The poultry business is relatively stable and will not be easily disrupted or replaced. This rings true when compared to other vulnerable sectors such as the constantly evolving Information Technology industry that have a much shorter 'shelf life' for products and services before they become obsolete."