Vertical Integration and Profitability in Poultry Industry in Ogun and Oyo States, Nigeria

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ABSTRACT This study examines economics of vertical integration in poultry industry in Ogun and Oyo States. The study examines the production systems and analyses costs and returns to non-integrated and vertically integrated poultry farms. Primary data were generated using structured questionnaires in a field survey of 100 non-integrated poultry farms, 70 partially integrated poultry farms and 40 fully integrated poultry farms. The analytical techniques employed include descriptive statistics and budgetary analysis. The gross margin analysis reveals that the fully integrated poultry production systems have the highest gross margin while the non-integrated poultry farms have the lowest gross margin per1000birds. The gross margin per 1000 bird realized by non-integrated poultry farms, partially integrated poultry farms and fully integrated poultry farms are N758, 828.07, N909, 973.06 and N985, 645.12, respectively. Likewise, the net farm income per 1000 birds for fully integrated poultry farm is higher than that of partially integrated poultry farm which is in turn higher than that of non-integrated poultry farms. The profitability indicators: value added-sales ratio, rate of return on investment and rate of return on fixed cost, increase with the extent of vertical integration, which confirms that vertical integration, is profitable in the poultry industry.