

# Vertical Integration and Cost Behavior in Poultry Industry in Ogun and Oyo States of Nigeria

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## **Abstract:**

In this article, the influence of vertical integration on cost behavior in poultry farming in southwestern Nigeria is examined. The study was based on primary data obtained in a cross-section survey of 211 randomly selected poultry farms in the study area. An average farmer in the sample was 44 years old; 85% were males and 72% had tertiary education. An average poultry farm in the sample had 4,342 birds, about half of which were laying birds. A set of cost and revenue share equations estimated by Zellner's seemingly unrelated regression (SUR) method revealed that vertical integration (measured in proxy by value-added sales ratio) is feed and veterinary service using, labor saving, and output augmenting. However, the scale effect of vertical integration was found to be higher in layers production than what obtains in broilers and cock/cockerel productions. [EconLit citations: Q120, D240, R340]. © 2009 Wiley Periodicals, Inc.

## **Keywords**