INTEGRATING AND STRENGTHENING OF NATIONAL SALT INDUSTRY POLICY THROUGH VALUE CHAIN MANAGEMENT UPGRADING

Etty Soesilowati, Semarang State University, Indonesia

ABSTRACT

This research was intended to analyze (1) the management chains run by salt industry in Indonesia, (2) the distribution channels and its problem, (3) the production technologies used and (4) the profit margins of each business center. This research used qualitative and quantitative approaches taken in several production centers such as Pati, Rembang and Sumenep which serves as the object of research. The necessary data were collected through observations, interviews, document reading, FGD and questionnaires methods. As a result of the analyses it showed that the distribution of raw salts was characterized by two main patterns. First: producers â€" traders â€" industrial plants chain. Second: producers â€" traders â€" distributors â€" consumption plants â€" industrial plants â€" final users chain. The distribution process of salt products was also characterized by two patterns. First: processing plants â€" packaging centers â€" distributors â€" industrial plants chain. Second: processing plants â€" industrial plants â€" distributors â€" sub distributors â€" retailers â€" final users chain. National salt demand in Indonesia during 2012 amounted to 1.8 million tons of industrial salt and 1.2 million tons of consumption salt. However, the salt produced by traditional farmers was still conventional in nature so that the quality of the product was low. PT Garam Pesero, however, produced salts using geo membrane technology so that the quality of its product was relatively higher. The national demand on industrial salt relied entirely on import, whereas demand on consumption salts could partly supplied by traditional salt farmers. In this context, the selling margins were Rp. 1,759,000/ton for second grade quality (K2) and Rp.2,150,000/ton for the first grade quality (K1). The biggest profit (30%) was enjoyed by processing plants. The problems faced by the industry were too high price of iodine, high costs of product standardization and the spread of imported salts infiltrating the market of consumption salts. The problems faced by the traditional farmers related to low access to new technologies of production, unavailable capital and high costs of transportation. The recommendations that can be given as follows. (1) Traditional farmers should be enhanced to organize them self in order to increase their bargaining power. (2) There should be integrated policies by all stakeholders in the industry. (3) The production methods should be improved in order to produce higher quality products

Keywords: *Integrated Policies, Salt Industry, Upgrading of Value Chains Management*