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# Institutional Analysis of the Salt Industry In East Java

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**ABSTRACT:** The State of Indonesia, known as a maritime country, has the advantage in making use of salt. However, in fact, salt production in Indonesia has decreased along with imports to meet the needs of salt. This study aims to assess the *supply chain* that occurs in the salt industry in East Java. The method used in this study is *in-depth interviews* to be able to analyse problems in the salt industry. The results of this study indicate that there are several factors that need to be corrected.

**KEY WORDS:** institutional, industry, in-depth interview.

## I. INTRODUCTION

The problem of salt in Indonesia, known as a maritime country, continues to occur, with the extent of the sea owned by this country, the coastline alone reaches 99,000 km. However, the development of salt is a problem, a country that should be able to produce abundant salt, instead has to bring salt from other countries.

Salt production has been carried out for generations, mainly in the East Java region. Coastal community activities in the field of marine, fisheries, and salt farmers are an important source of economic growth because: (a) supply capacity is very large, while demand continues to increase; (b) in general outputs can be exported, while inputs come from local resources; (c) can generate large upstream and downstream industries, so as to absorb a considerable workforce; (d) generally takes place in the regions; and (e) the fisheries, biotechnology and marine tourism industries are renewable resources, thus supporting the implementation of sustainable development (Boedhisantoso, S.2009: 12).

A coastal community in general is a group of people who are relatively socially, economically, and culturally disadvantaged compared to other community groups. Such perceptions are based on direct observations of the reality of life in coastal communities or through an understanding of the results of academic studies. Socio-economic backwardness in coastal communities is a potential obstacle for them to encourage the dynamics of development in their region (Shjahrul Asward, 2009: 32). As a result, there are often weaknesses bargaining position with other parties outside the coastal area, so they lack the ability to develop their capacity and the organization or social institutions they have as a means of actualization in developing their territory. Coastal communities (fishermen) can be grouped into: (1) fishing fishermen (crew and owners); (2) fish farmers / cultivators / salt farmers; (3) processing sea products; and (4) seafood traders (Susilowati, et al, 2004: 28).

Salt farmers in East Java in general are traditional salt farmers with a pattern that depends on the season and has not utilized the marine natural resources to the full and the lack of knowledge about banking, processing salt products still using the old ways hereditary and carried out in a way very traditional way. How to make salt in a modern way is not so applied.

## II. LITERATURE SURVEY

Research conducted by Kurniawan and Azizi (2013) explains that the existence of import policies on the performance of the national salt industry is still very poor. Research conducted by Aziziet al., (2011) explains that the condition of salt prices does not favor salt farmers because of the current low quality of people's salt. Meanwhile, research



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conducted by Izzaty and Permana, (2011) explains that imported salt prices are destroying local salt prices. Research conducted by Rochwulaningsih, (2007) provides an explanation of the deterioration of the plastering sector since the VOC era where they always tried to reduce salt production surpluses from small farmers or tenants of salt ponds and often-landless workers by means of monopoly in both holding and trading.

### III. METHODOLOGY

This research uses the type of qualitative research carried out on an object and conditions it as it is in an object of research. In qualitative research, case studies lead to detailed and in-depth descriptions of conditions in the field (Sutopo, 2002). Qualitative research is also a systematic statement with a set of prepositions from the data and empirically re-tested whether it is in accordance with the theoretical rules described by combining with phenomena in the field. In this study using the object of research in the community of the north coast region of East Java with the aim to explore further and in-depth information related to saline conditions. Information is traced from upstream to downstream with the stakeholders of salt farmers, traders, intermediaries, salt companies and industries that take part in the supply chain of salt raw materials. The research locations are in the regencies, among others, in the Probolinggo district, Surabaya city, Sampang district, and Pamekasan district.

This research went through 2 stages in gathering data information including exploring secondary sources and direct observation and observation. Exploring secondary sources is collected from related institutions or institutions from government and non-government institutions. Secondary sources include literature reviews and literature from books, news and other information. Based on this secondary source, relevant data and information can be obtained related to the research problem and current conditions of economic activity in the area of the study location. Meanwhile, to obtain more information, direct observations and observations are made. This observation aims to know and understand directly the activities of all stakeholders from upstream to downstream in the research location. Observation or observation includes direct observation of the physical condition of the object of research and observations on the activities of salt farmers both from social and economic interactions. Physical observations were made on land conditions, geographical conditions, and access to research sites in terms of the condition of infrastructure and transportation facilities and supporting infrastructure. While observations on the activities of these farmers' activities include the daily activities of traditional salt farmers in the research location as well as observations on the distribution process and marketing chain of the salt production. In addition, observations were also made through the activities and integration of the government and the private sector in its participation in the production of salt and the implementation of its policies and law enforcement.

In extracting information, interviews or interviews are conducted directly in the observation stage. In this interview technique is done using semi-structured interview techniques with free implementation using open questions that are done spontaneously but structured between the respondent and observatory. The selected respondents are key informants who have full knowledge of the saline conditions at the study site. It is intended that the information obtained is able to answer the issues raised in the study. The key information consisted of salt farmers, traders or middlemen, village chiefs, community leaders, religious leaders, traditional leaders, fisheries and marine service officials and related agencies.

### IV. RESULTS AND DISCUSSION

#### General Description

East Java's is one of the areas where some of the regions are on the coastline, namely the south coast and the north coast. Most of East Java consists of land, mountains and coast. This coastal region is dominated by the northern part of East Java such as Madura Island, Gresik, Tuban, Lamongan, Surabaya, Probolinggo and Situbondo. The length of the West-East region of East Java Province is around 400 kilometers and the width of around north-south is around 200 kilometers. In addition, from an administrative and geographical perspective, East Java has an archipelago consisting of 232 islands (Source: Ministry of Home Affairs of the Republic of Indonesia, 2004). East Java is also a province in Indonesia which has a large number and population density.

The average salt farmer in East Java is spread over several regions on the north coast and on the island of Madura. So that in exploring and achieving the objectives of this study, research focused on 4 major salt producing areas in East Java, including Probolinggo Regency, Surabaya City, Pamekasan and Sampang Regencies. The location of the study is



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based on the large area of salt farmers so that the possibility of salt production is also high. Madura Island, which is the dominant contributor to salt products in East Java, is accompanied by the contribution of Probolinggo Regency, which is a buffer zone for salt production in East Java. The result of salt production in 2018 in Probolinggo Regency has an area of salt ponds that can be managed at 319,342 Ha. This land area is located in 12 villages in Probolinggo Regency which is the largest salt producer. The 12 villages are precisely spread in the districts of Gending, Pajarakan, Kraksaan and Paiton. The four sub-districts are sub-districts in the north coast which is a fairly large salt-producing region in East Java. In its institution, this salt farmer also has around 56 farmer groups with a total membership of 458 salt farmers scattered in the north coast, especially in the area of Probolinggo Regency.

Meanwhile, in the city of Surabaya, the location of salt pond farmers was in 3 districts consisting of Benowo, Pakal and Asemrowo. Each district has a different number of farmers and land area. In Benowo sub-district, there are about 79 farmers with an area of about 330.87 ha. Meanwhile, in Pakal sub-district there are around 41 farmers with an area of 267.28 ha and in Asemrowo sub-district with a total of 4 farmers and an area of about 25.5 ha (DKP, Kota Surabaya). Furthermore, in the Madura islands, specifically Sampang and Pamekasan, there are 6 sub-districts in Sampang Regency each consisting of Sreseh Sub-District, Pangarengan Sub-District, Torjun Sub-District, Jrengik Sub-District, Sampang Sub-District and Camplong Sub-District. The area of salt ponds in Sampang district from year to year has been depreciated which has been diverted for housing, warehousing and shops. Based on existing data the total area of salt ponds in the Sampang district remains 2,800 hectares (DKP of the Sampang district).

Meanwhile, in Pamekasan district there are 3 salt-producing districts, including Pademawu, Galis, and Tlanakan. In Pademawu sub-district there are 8 villages with an area of 445.4, with the distribution of salt farm ponds located in Dasuk village, Bunder village, East Pademawu village, Tanjung village, Padelegan village, Majungan village, Pegagan village, and Baddurih village. In Galis sub-district, the area of salt ponds reaches 458.6, spread over 4 villages in the villages of Lembung, Polagan, Konang and Pandang. In Tlanakan sub-district, there are 2.6 hectares of salt ponds scattered in Tlesah, BrantaTinggi and Tlanakan villages (DKP Pamekasan district). The total land area in Pamekasan district is around 913.5 ha.

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### The Economic Activities of Salt Farming Communities in East Java

The economic activity of salt farmers in East Java has experienced significant fluctuations as a result of uncertain weather conditions and the narrowing of the area of salt lands in several salt producing areas due to the conversion of salt ponds. However, based on observations and information from key information in Pamekasan, some salt fields that were previously not maintained, have now begun to function again to increase the productivity of salt products. Weather conditions such as the dry season which is quite long, has a positive impact on salt farmers, this happens because the dry season can be used by farmers to further increase their productivity in producing salt. Based on national salt production data, 70% of national salt needs are supported by salt products in East Java (bappeda.jatimprov.go.id, 2015). In addition, East Java is also a contributor in cutting salt imports. So far, East Java has contributed 70-80% of national salt production. National salt needs are 3.3 million tons. 1.5 million tons, including for consumption and the rest for industry (bappeda.jatimprov.go.id, 2015). In East Java, people's salt production is carried out in several regions, namely Tuban, Lamongan, Pasuruan, Gresik, Probolinggo and Surabaya. In addition, in four districts on Madura Island, namely Pamekasan, Sampang, Sumenep and Bangkalan. The total area of people's salt land is 11,554.61 ha and the largest is in Sampang with an area of 4,200 ha. This potential has encouraged the Ministry of Maritime Affairs and Fisheries (KKP) to design East Java as the backbone of production to meet the target of 50% salt import cuts this year, as well as achieve the corporatization of ponds in 2016 and sustainably.

### Salt Farmer Performance System in East Java

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Based on the results of research in the field of salt business in salt farmers in East Java is generally done using a profit sharing system. But there are also some farmers who work their own salt land because they have a limited amount of salt ponds. Limited land and capital make the production sharing system run by two main actors, the land owner and his workers, or better known as smallholders. Farmers working on land in the Surabaya city area generally come from the Sumenep district which is seasonal when summer comes. Farmers working on salt ponds in Surabaya from Sumenep in their native areas are fishermen. They are in Surabaya between months 5 to 11 until the rainy season comes. This is due to the limited land and capital owned by salt businesses. Limited land and capital make the production sharing system run by two main actors, namely the land owner and his workers, or better known as smallholders. The land owner is



one of the main actors in the business or business collaboration. The land owner is someone who has rights to a salt field. The salt land owned in his name can be obtained from inheritance, percaton land, or purchase proceeds. The salt land owned in his name gives the land owner the full right to work on it. The business can be in the form of own salt business, salt rental business, or salt business with profit sharing. Salt business with a profit sharing system is a salt business in which the landowner provides salt land to be worked on which is expected to be able to gain profits or yield on the salt land. In the production sharing system, the land owner can act as both the capital owner and / or as the only land owner. The land owner is a businessman who has a large capital, meaning he owns the land as well as capital which is usually lent to smallholders. In addition, landowners who have large salt fields also have more capital to develop the business. That is, he also acts as a middleman. It is this role as a middleman that provides more profit for the salt business that he runs. Land owners in this case have three roles at once, namely landowners, financiers, and middlemen. There are also landowners who only act as landowners only. That is, he does not have the capital to simply provide loans to smallholder farmers. Thus, the landowners of this group decided to make loans to the owners of capital which then the loan capital would be lent back to the tiller farmers. In this case, the land owner only acts as an intermediary. However, his role is undeniably also important, because he is the provider of salt land that is ready to be produced. This group of landowners does not get more profit on the profit sharing system that they run because they have to deposit and sell to the capital owners who also act as middlemen. The group's landowners only receive a share of the profits shared with the smallholder farmers. That is, the benefits obtained are actually received by investors who have given loans to him.

The profit-sharing system for salt farmers cannot be separated from the presence of smallholders who have limited production inputs such as land and production capital. So that this condition is the background for salt farmers in sharing their income with landowners. Besides the low access to financial institutions is also one of the obstacles farmers in finding capital. So investors are needed to help encourage the farming activities of these salt farmers. Continuing cooperation between farmers and owners of capital is also based on the performance of farmers. If the results of high productivity, the sustainability of the collaboration can also be done with a longer time, but conversely if the performance is poor, the age of the collaboration will also be less and likely not continue.

#### V.CONCLUSION

Problems in salt productivity in the East Java region lie in production input constraints such as capital and land availability. Narrowing the land due to land conversion, resulting in decreased salt production. In addition, the production sharing system that often harms farmers due to various obstacles such as weather and others has resulted in diminishing cooperation with capital owners. Based on these results, it is necessary to expand and utilize land optimally so that salt production can increase. In addition, in terms of capital, financial deepening is needed especially for access and financial services for farmers so that there will be no capital problems that can hamper the salt production process.

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