International Journal of Social and Administrative Sciences
ISSN(e): 2521-0556
DOI: 10.18488/journal.136.2021.61.8.13
Vol. 6, No. 1, 8-13.

URL: www.aessweb.com

DEVELOPMENT STRATEGY FOR SALT FARMERS MARKET ACCESS IN EAST JAVA INDONESIA: SWOT ANALYSIS APPROACH

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Article History
Received: 3 December 2020
Revised: 5 January 2021
Accepted: 22 January 2021
Published: 11 February 2021

Keywords
Salt farmers
Market development
Market access
SWOT
East Java
Indonesia.

ABSTRACT

Salt production in Indonesia, known as a maritime country, has not been able to meet national needs. On the other hand, salt is a very basic product which almost all industry activities require raw salt, besides salt is also a basic necessity for people's lives. This problem was resolved by importing salt from abroad, but this then harmed salt production activities in Indonesia, especially in East Java. The purpose of this research is to form a market share development strategy owned by salt farmers in eastern Java. The method used in this study is an in-depth interview and the SWOT analysis method that can form the most efficient strategy for the problems encountered. Based on the results of field observations, it shows that the problem that occurs in the institutional system pattern of salt in the downstream area is that there is a non-formal loan system between salt farmers and middlemen who do not have written regulations and weaken salt farmers in determining the price of salt. Then, based on the results of the SWOT analysis, it shows that to expand market access for salt farmers, an institutional design is required in which there is government intervention.

Contribution/ Originality: This study is one of the few studies that have provided information on market development strategy and salt farmer institutions in East Java, particularly the problem placed by salt farmers in accessing and fulfilling market demand.

1. INTRODUCTION

Generally, the problems faced by coastal communities in Indonesia are no different from the problems encountered in other small scale economic activities. They live in all limitations, just as economic limitations are seen in the low-income level of fishermen. As a strategic commodity as an industrial raw material and food that is needed by almost all people. But the salt production produced by Indonesian salt farmers has not been able to meet the salt needs of the Indonesian people. Therefore, the Indonesian government decided to import salt (Amami & Ihsannudin, 2016). In its realization, the purpose of importing as explained previously is to meet domestic needs, which instead creates new problems because it exceeds the amount needed.

Successful management of salt resources will depend on many factors. The abundant potential of salt resources in an area or region does not adequately illustrate that the activities of salt farmers in the area will be able to develop properly. Isolated geographical location, the topography of the area which makes it difficult to access from outside the area to the location of the salt farmer base area, limited quality and quantity of human resources,

cultural and socio-cultural conditions of the community, characteristics of fish resources, technology, investment capacity and minimal capital from the government and local communities, the lack of market or consumer as well as the political situation, is thought to be a limiting factor for the development of fisheries in the area. Strategy salt farmers proper development tailored to the characteristics possessed potential and problems in East Java.

Some factors thought to be the cause yet the development of traditional salt farmers in East Java, including 1) difficult access from outside the area to the base of salt farmers, 2) marketing difficulties, 3) the low purchasing power of people for salt products, 4) the lack of investment in the salt sector, 5) still poor quality of human resources, 6) cultural factors and socio-cultural conditions that have taken root from the local community, 7) development orientation which is still grounded, and 8) policies and institutions that have not been supported by salt farmers.

2. LITERATURE REVIEW

Heriansah and Fathuddin (2014) examine related to the trade chain and marketing margins and preparation of community salt business development with the results of research that the development strategy of smallholder salt businesses include: increased production, intensification, increased marketing management capacity, maximizing the use of aid, increasing market access, and accelerated improvement in resource capacity. Sudaryana and Premesti (2017) conducted research related to the welfare of salt farmers both in terms of empowerment and also policy. Sudaryana and Premesti (2017) explained that empowering salt farmers in Indonesia must be focused and effective, salt governance and policy revision significantly affect the welfare of salt farmers. Wati, Daryanto, and Setiawan (2013) analyzed the potential and problems faced by PT Garam (Persero) and developed a competitive strategy of PT Garam (Persero) in dealing with imports and invasion of foreign companies in the Indonesian salt industry. Based on the results of the SWOT research (Wati et al., 2013) explained that the highest global priority weights were complete and integrated production land (strength), inadequate mode of distribution (ships) (weakness), increased demand for premium quality salt (opportunity) and dry season short on the production process (threat). The competitive strategy with the highest Desirability Index (Di) is an increase in raw material salt production. The next strategy is the development of the processed salt industry itself, increasing the production of processed salt such as Lososa and Maduro, expanding the marketing area for processed salt and raw material salt. Rochwulaningsih (2018) identified and analyzed small-scale salt production business potential in Aceh as one of the areas of salt production support in Indonesia with the results of research that poverty in coastal communities can be reduced by changing the mindset of entrepreneurs to become entrepreneurs who can develop business groups or cooperatives with support for development, advocacy, and technological facilities and business capital

3. METHODS

This type of research used in this study is a qualitative research conducted by in-depth interviews to determine the conditions, and problems faced in more real and detailed (Taylo, Bogdan, & DeVault, 2016). The analytical tool used in this study is SWOT (Strengths, Weaknesses, Opportunities, and Threats) that can identify weaknesses and threats as well as existing strengths and opportunities so that the most effective strategy can be formulated for the problems faced (Gürel & Tat, 2017). Swot analysis is based on the results of a survey conducted directly in the coastal areas of East Java, Indonesia, which has salt production activities, so it can be seen the problems that occur in the field and what strategies can be done by salt farmers in dealing with their problems. Types of research used in This research is a qualitative study conducted by in-depth interview to find out the conditions, and problems faced in a more real and detailed manner (Taylo et al., 2016). The analytical tool used in this study is SWOT (Strengths, Weaknesses, Opportunities, and Threats) that can identify weaknesses and threats as well as existing strengths and opportunities so that the most effective strategy can be formulated for the problems faced (Gürel & Tat, 2017). Swot analysis is based on the results of a survey conducted directly in the coastal areas of East Java,

Indonesia, which has salt production activities, so that problems can be identified in the field and what strategies can be done by salt farmers in dealing with their problems.

4. RESULT AND DISCUSSION

Data collection from the study site used snowball sampling techniques, the location of which was determined in 5 districts selected as research locations, including Probolinggo district, Situbondo district, Surabaya city, Sampang district, and Pamekasan district. Researchers conducted field observations directly to companies that process salt, companies whose raw materials use salt and PT Garam. Furthermore, researchers come directly to the location that is the object of research.

Probolinggo Regency is a buffer zone for salt production. In 2018 the people's salt business in Probolinggo District has an area of salt ponds that can be managed at 319,342 hectares located in 12 salt-producing villages. The salt-producing villages are spread over 4 subdistricts namely Gending District, Pajarakan District, Kraksaan District, and Paiton District. There are 56 Salt Farmers groups with 458 salt farmers scattered on the north coast (DKP Probolinggo district). In the city of Surabaya, the location of salt farmers is in 3 districts each in Benowo District with a total of 79 people and an area of 330.87 hectares.

On the island of Madura, the potential for salt ponds is very large in the district of Sampang scattered in several sub-districts including 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). Based on the results of research in the field of business loans are generally carried out using a profit-sharing system. But some farmers work their 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 landowner, and his workers, or better known as smallholders. The business can be in the form of its 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 landowner can act as both the capital owner and/or as the only landowner. The landowner is a businessman who has a large capital, meaning he owns the land as well as capital which is usually lent to smallholders. Besides, 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. Landowners, in this case, have three roles at once, namely landowners, financiers, and middlemen. Some landowners 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.

Salt business actors in East Java in the production sharing system cannot be separated from the presence of smallholders. The farmer is a salt farmer who has limited production inputs, in this case, salt land and capital or production costs. This limitation is what makes them have to run a sharing system with landowners. The low access to formal financial institutions makes them have to depend on landowners. Smallholder farmers who have worked closely with landowners usually have a close relationship. That is, this will affect his work contract in the coming season. The better the work of a sharecropper, the work contract (unwritten) is also clearer. Based on the results of observations on the institutional system of salt farmers in the upstream sector, as well as the problems faced by salt farmers in East Java. Then the identification of the strengths, weaknesses, opportunities, and threats (SWOT) that salt farmers in East Java face in accessing the market is carried out. Based on these factors, a SWOT analysis is carried out as the results are shown in Table 1.

Table-1. Result of SWOT analysis.

IFAS / EFAS	**Strengths (S)**	**Weaknesses (W)**
	a. The location of the access road to the location of salt land is quite easy to enter large-capacity transport vehicles. b. The government's alignments to carry out several assistance programs in the field of salting. c. The formation of salt farmers groups makes it easier to assist	a. Only a small proportion of salt farmers use geomembrane technology b. Public knowledge of salt handling to be of very low quality c. There is no adequate warehouse to store salt farmers' harvest d. Local salt NaCl levels only reached 85%, while imported salt reached 98% NaCl
OPPORTUNITIES (O)	STRATEGI (SO)	STRATEGI (WO)
a. Salt needs are still very lacking so that market opportunities are still very open b. Government policies that temporarily close salt imports c. The direction of government policies that promote the fisheries and marine industries	a. Improvement of facilities and infrastructure to support market mobility and production b. Evaluation of regulations/policies related to national salt management c. Form a working group/institution among salt farmers d. Developing differentiation and diversification of salt products	a. Regular counseling and training by the local government, especially to farmers related to salt processing to improve the ability and quality of human resources b. Provision of adequate facilities and infrastructure to support the effectiveness of salt processing c. Strengthening cooperation between farmers, middlemen/partners/processing companies, and the government
THREATS (T)	STRATEGI (ST)	STRATEGI (WT)
a. The existence of environmental pollution in marine waters can reduce the quality of seawater as a raw material for salt. b. Marketing information is controlled by middlemen c. Transfer of land functions from the people's salt shrimp farmland.	a. Conduct research to create appropriate technology for salt production and waste management from the salt production process b. Institutional strengthening from upstream to downstream c. Expanding the marketing area of processed salt	a. Conducting routine training and mentoring work to farmers b. Establish cooperation with partners both SOEs and private companies c. Increase the production of quality raw salt

Based on the results of the SWOT analysis shown in Table 1, it can be seen that to develop market access for salt farmers several strategies involve various parties from upstream to downstream including the government, industry players, and middlemen. To realize these strategies, an institutional system is needed that can more efficiently connect the upstream and downstream sectors. To create a marketing institution that is efficient and profitable for the salt farmer, it is necessary to have an institutional design that can connect directly between the salt farmer to the manufacturer and can also be applied in the marketing of public salt in East Java. The design of the salt farmer institutional will later be controlled by the government so that the salt farmer does not incur extra costs and can sell its products following the regulations that do not harm both parties. The salt farmer institution will be composed of representatives from the salt farmer, government, and other stakeholders as shown in Figure 1. With the existence of the salt farmer's institution, salt farmers will benefit from being able to sell their products directly to the manufacturer without being burdened with profit margins taken by middlemen and wholesalers. Salt farmers institution can formulate a marketing rule which is the result of an agreement between all parties involved in it which is certainly mutually beneficial without harming one of its main parties in the matter of pricing.

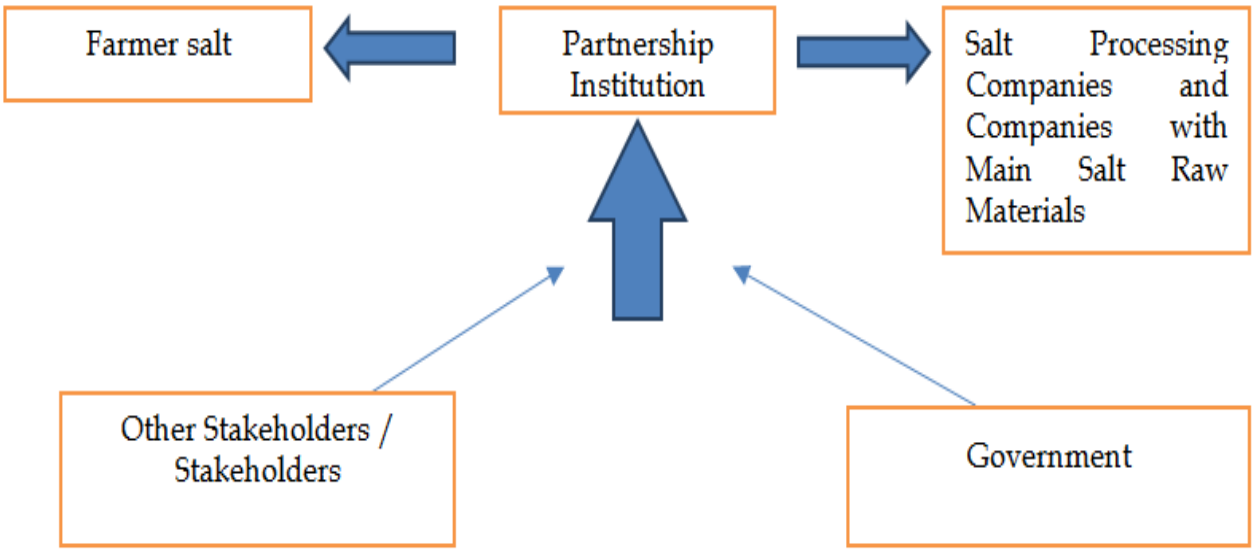

Figure-1. Model of Salt Farmer Development in East Java with Patterns.

In addition to the existence of salt farmer's institutions in the development of community salt marketing institutions, a partnership pattern between salt farmers and the factory is needed. Salt farmers and the factory has their weaknesses and strengths. Salt farmers do not have enough capital to work in a mortification business, while the factory does not have enough land to produce people's salt. The existence of a partnership pattern can complement both where the factory will help in terms of capital both financially and assist in the procurement of logistics, while salt farmers will distribute all of its products to the factory.

5. CONCLUSION

The potential of a small scale salt production business in East Java is very attractive because it has three important aspects of economic business, namely the availability of land, human resources as business actors and markets. The main problem is that the sector has not has been seen by the public or government as an important and strategic sector to work on and is used as a medium to increase income and improve the economy of business actors and coastal communities in East Java. In general, the strategy that needs to be implemented is mainly to develop salt productivity in East Java in terms of institutional strengthening from upstream to downstream to create a strong synergy between farmers, partners (BUMN / processing companies/middlemen), and the government.

Funding: This study received no specific financial support.
Competing Interests: The authors declare that they have no competing interests.
Acknowledgement: All authors contributed equally to the conception and design of the study.

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