

# Palung salt in Bali: strategies for the local product to penetrate global markets

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## **Palung salt in Bali: strategies for the local product to penetrate global markets**

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**Abstract:** The purpose of this study is to investigate how the strategy carried out by the palung salt businessmen to penetrate the global markets. The determination analysed using the grounded theory method based on the in-depth interview, focus group discussion (FGD), observation, and laboratory

examination. *Palang* salt as a unique and distinctive Balinese product which has a particular taste, quality, and hygiene characteristics. Such characteristics represent the initial capital to penetrate the global markets, occupying several strategies such as improving business networks, product standardisation, and market networking. Besides, product standardisation has been created using laboratory tests, product variants, packaging, labelling, and application for the Geographical Indication. The market network tends to show patronage patterns thereby potentially establishing a dependence on specific market segmentation is reflected in several market networks. In this economic activity context, salt business is embeddedness in the social life of Balinese society and become a determinant market strategy success.

**Keywords:** *palang* salt; local products; global markets.

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**Biographical notes:** Yety Rochwulaningsih is known for being vocal to promote the rights of salt farmers. Since 2011, she has been entrusted with the expertise of the Salt Business Development (PUGAR) program by the Indonesia Ministry of Maritime Affairs and Fisheries. She is a Professor in sociology and maritime history. Her works have been analysed about Indonesia's salt development and the islands studies have been published in reputable journals. Beside of journal publications, she wrote many books about the blurred portrait of Indonesian rural and agrarian society (2008); Identification on the sociocultural typology of Indonesia's salt business (2012); Marginalization on salt farmers (2013).

Miri Gozan is a Professor in the Department of Chemical Engineering, Universitas Indonesia. He is expertised on chemical and bioprocess engineering and has been appointed as Director of Research Center for Biomedical Engineering (RCBE). Currently, he is also appointed as an expert of Indonesia's salt development lead by the Ministry of Marine and Fisheries Affairs. His works have been disseminated in some international conferences and published in many reputable journals. He is one of the book authors of *Hikayat si Indak Bumbu*, published by Gramedia Pustaka Utama. As one of the founders of Himpunan Ahli Garam Indonesia [Indonesian Salt Experts Association], he is acting to provide a recommendation on the development of salt production technology.

Mahfid Effendy is an Associate Professor of the Marine Science University of Trunojoyo, Madura. Beside teachings, he actively conducts research projects. He is one of the leading experts of salt production technology and has been appointed by Ministry of Marine and Fisheries as the senior experts on the Indonesian people salt development. He involves in the research project to make innovation on healthy salt which has been initiated in East Java. His ideas on the innovation of salt technology have been used extensively in Bangkalan, Madura.

Noor Naefil Masrroh is an Assistant Professor on Indonesian economic history of Department of History, Diponegoro University. Her minor interest is on economic and maritime history. She was also experienced conducting fieldworks in several locations, such as Brebes, Bali, and Natuna, establishing different perspectives to see how the economy has been developed in the rural and frontier regions. She has a certain interest on island and islanders issues.

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Waskno Widi Wardoyo is a Lecturer in the History Department, Sebelas Maret University. His research interest is about nationalisation issues of PT Kereta Api's assets and their influence on social changes. This issue has been deepened and became a dissertation topic pursued at Diponegoro University. He put several concerns regarding issues on business and management. Before as a lecturer, he appointed as an Editor in business and management publication in *Jakarta* from 2000-2004. During his time as a journalist, he was excited to explore economic, business, information technology, and lifestyle development issues. He has experienced meeting with entrepreneurs and pioneers of Homeland business about the successful experiences of business and political leaders and other public figures.

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## 1 Introduction

In a historical perspective, there are significant developments in economic studies where economic phenomena not only be understood from a small economic dimension but instead must be placed in a broader context, in the non-economic aspect (society). It is partly marked by the emerged of economic sociology in which study of economic phenomena. Economic sociology defines with "application of the frame of reference, variables, and explanatory models of sociology to those complex activities concerned with production, distribution, exchange, and consumption of goods and services". In this case, Smelser and Swedberg include not only the complexity of real economic activity, but also interactions of personal, group, social structure, and social control interactions in economic sociology perspective (Smelser and Swedberg, 2010). The root of this perspective seen via Weber and Durkheim works. Although both have different views, they also agree that economics can be understood exclusively regarding political or liberal economics, but each knows the market and economic power as important social institutions in modern society (Holton, 1992).

The economic approach is viewed as failing to pay attention to how the economy resides in the broader society. The fact that economics failed in monopolising the discussion of economic problems, at least for two main reasons. First, most economic jargon becomes so abstract and very mathematical and focuses on technical issues and less touching on everyday economic problems. Besides, economic analysis tends to be partial and neglect historical aspects. Second, there is a desire of non-economic scholars to also discuss the relationship between the economy and the wider community. It includes examining the relationship between the economy and political, social, cultural and norm systems (Holton, 1992; Dalziel and Higgins, 2006).

It seems that the fundamental weakness of this economic approach is precisely what later becomes the basis contribution that can be made by the new/contemporary

economic sociology approach. Starting from Polanyi's critical thinking towards capitalism and the 'optimistic fallacy' of economic equality with the market. In this case, Polanyi's thought is more important with his embeddedness concept, which can be interpreted that the economy is part of a broader social structure. In this new perspective, there are at least three main propositions put forward

- economic activity is a form of social action
- economic action socially situated
- economic institutions are constructed socially (Nee and Swedberg, 2005).

In its development, there is also an affirmation in which economic activity is not only embedded with social structures, but also with culture. The importance of cultural perspectives in contemporary economic sociology, because culture means a set of group meanings and formed scripts historically found in every economic activity. There is also the opinion that the study of economic sociology does not cover cultural aspects as a complement to the social structure, it is too narrow and less comprehensive (Granovetter and Swedberg, 1992).

Besides production, consumption, distribution of goods and services which are necessities of daily living, the economic questions are closely related to structure, dynamics of social life, and an economic model that most capable of bringing humanity become more prosperous (Holton, 1992). During the 20th century attention to these problems has led to the analysis of capitalism and socialism (communism) as conflicting economic systems, and at the level of public policy fostered a debate over the relative advantages of free markets and general planning. The discussion brought severe questions to the workings of economic institutions such as markets, ownership of personal economic resources, and about how economic institutions relate to and interact with the community. The relationship between economy and society led some interesting problems, such as

- the conceptual explanation of perspectives and sociological theories in understanding economic phenomena
- cases are raised and studied using sociological aspects and implementation of the concept and approach
- formulated prepositions in to the selected case.

These problems are examined in this paper.

Bali Province is a world's tourist destination, it is familiar with the Island of Paradise or the Island of Gods (Maik, 2016), where trade, hotels and restaurants have the highest position (Metagart, 2016), contribute 30.01%, while service sector contributes 14.27% and agriculture contributes 18.14%. With the support of the tourism sector, the economic growth rate of Bali Province is always higher compared with the national economic growth rate of Indonesia. For example, the economic growth rate of Bali in 2016 was 6.24% while the economic growth rate of national level was only 5.02%. In 2017 the economic growth rate of Bali decreased to 5.59% but still higher than the growth rate of national level of 5.07% (BPS, 2017). In addition to tourism, Bali Province has one of the local products with unique and competitive characteristics, namely the *palung* salt existing in Buleleng, Karangasem and Klungkung District (Rochwulaningsih and Utama, 2013). Although the salt is produced by evaporation method, but because the media used

is the *palung*, not pond land and boiling (Rochwulaningsih, 2008), then the resulting salt is very typical with competitive economic value compared with salt products in Indonesia. This is reflected, among others, by the existence of only one *palung* salt in Indonesia and even in the world and the highest salt selling price in Indonesia. In 2017 the average selling price of *palung* salt was IDR 7654,-/kg, while the selling price of salt produced using a medium of ponds is an average of IDR 700,-/kg (BPS and KKP, 2017).

The potential *palung* salt in Bali as a unique and distinctive local product has been developed by some businessmen and finally can penetrate the global market, covering some countries such as Japan, France, and USA (Bali Study Tour Report of Arned to Guarande, 16–24 September 2014). The product of *palung* salt, though small and very limited, may already have an element of comparative advantage as reflected in Ricardo's thought (Wiseman, 1990). In this case, the *palung* salt products represent economic activities based on local resources and knowledge of local wisdom. For a business, knowledge constitutes an essential factor for achieving a competitive advantage and the creation of innovative knowledge is extremely elemental (Nonaka and Takeuchi, 1995). Knowledge creation commonly occurs in large industries, thus study of knowledge creation in the small industry is still rare (Indriartiningtias et al., 2017). Therefore, it is fascinating to investigate the *palung* salt product having a peculiarity or specialisation as a profitable and potentially competitive industrial business.

*Palung* salt business in Bali is still running in small-scale industry. Small industry business refers to the definition of Stacey and Morse (1965) saying that a small enterprise is a business unit that has employees between 10–99 people (White, 2016). According to Focus Group Discussion that had been held on April 23, 2018, *Palung* salt business in Bali are only found in some areas such as Balekeng, Karangasem, and Klungkung in the form of joint business group/cooperatives and individual business industry with CV. *Palung* salt as an economic business cannot be separated from non-economic variables, especially sociology. An interesting question is how the salt businessmen explore, develop, create knowledge and value as well as a social relation in the economic network, thereby it becomes a business strategy that delivers local salt product in Bali which finally can penetrate the global market. Therefore, the economic sociology approach is used to explain the existence of an interactive relationship between economic activities, especially to the material production process (productivity, market, and income) and non-economic dimensions such as social, cultural and political aspects (Holton, 1992).

Moreover, in pre-industrial societies, economics is embedded in broader social relationships in which reciprocity, redistribution, and exchange are the three types of economic processes embedded in social relationships (Srinclser and Swedberg, 2010). Even in industrial societies as in pre-industrial societies, economic activity is also embedded in social relations despite different levels (Granovetter and Swedberg, 1992). It attempts to open up further discussion opportunity to identify what strategies carried out by the salt businessmen that able to penetrate the global marketplace? What sociological dimension able to synergise to improve the domestic product of salt so that it has higher competitiveness and much more comparative advantages?

## 2 Conceptual framework

Polanyi's idea on embeddedness in a more specific analysis of economic actions, that action takes place in social networks and builds social structures/embeddedness

interpersonal social relations rather than economic actors (Granovetter, 2001). This study emphasises on how salt production using *palong* technology system consider as one of economic activity which influenced by some factors and treated the production and distribution process as economic behaviours. It is inline as Parsons (1949) states that action is economically explicable only in so far as it is logical, hence all factors responsible for deviation from the norm of intrinsic rationality may be ruled out as non-economic (Dalziel and Higgins, 2006).

Traditional salt process in Bali reflects on sustainable economic development which emphasises innovation strategies on traditional products for sustainability. The salt production technology as described as a whole shows the ingenuity of the salt farmers in Bali who remains producing economic commodity in certain ecological conditions, especially on soil texture types which are not suitable for the economic activities. Meanwhile, there are three sectors are often presented as three interconnected rings to reach sustainable economic development in salt production and distribution activities, economy, environment, and society (Giddings et al., 2002).

Salt production using *palong* technology process aims to the domestic and global market. Local market essentially handled, produce, and distribute to Bali and other regions. Meanwhile, this product has meets criteria to circulate to the worldwide market. It emphasises on what is a so-called transnational network of exchanges (ideas, product design, sourcing of raw materials and subassemblies, manufacture, and distribution) that results in the final product is inherent in global markets, distinctions must be made among the country-of-origin and or country of production (Samice, 1994). Besides, stated that in the context of developing countries the sustainable entrepreneurship tends to focus in small firms due to their higher flexibility to innovate and deal with environmental harm (Zacarias et al., 2017).

### **3 Methodology**

According to Neuman (2014) advice regarding social research using grounded theory based on qualitative methodologies conducted in order to identify strategies of marketing. Moreover, our case study could be classified as descriptive. Field research encompasses many specific techniques but usually, the researcher directly observes and participates in small-scale social settings (Neuman, 2014). As a qualitative method, this paper aims to get good knowledge and understanding from the emic perspective (Bogdan and Biklen, 1982) about *palong* salt in Bali, especially how the strategies of local product able to penetrate the global market. For this reason, the data collection process is carried out by several techniques such as in-depth interview, focus group discussion (FGD), observation, and laboratory examination.

#### *3.1 In-depth interview*

In-depth interviews were conducted to some individual respondents who were selected using snowball sampling techniques. It aims to penetrate social life beyond appearance and obvious meanings on salt production. It requires the researcher to be immersed in the research field, to establish continuing, fruitful relationships with respondents and through theoretical contemplation to address the research problem in depth (Crouch and McKenzie, 2006). In this case, the researcher divides respondents into two categories,

stakeholders (local government) and actors (salt farmers and businessman). The interview material is ultimately comprehended within a frame of a situation assumed to exist independently from experience. There are at least nine respondents in total that have been interviewed including direct actors and stakeholders.

### 3.2 Focus group discussion

FGD was conducted for respondents in groups to explore information related to the production issues and marketing strategies of the salt product, a personal approach to all parties involved (Lipton and Moore, 1980). FGD suggest different dimensions and nuances of the original problem that participant might not have thought of (Boateng, 2012). FGD conducted at three different centres of Palung salt production, Buleleng, Karangasem, and Klungkung. Each region led with the different number of respondents and separate session. At Buleleng, FGD held in Tejakula sub-district with 15 respondents, including salt farmers, salt enterprises, traditional government (bekel) as well as central-local government officials. Meanwhile, at Klungkung and Buleleng, FGD conducted in small number participants that belong to the members of salt farmer cooperative (*koperasi*) and local government. During three sessions, there were 27 respondents in total that has been participated in the discussion.

### 3.3 Observation and laboratory tests

Observation is conducted to view it somewhat deprecatingly as simply a procedure for production techniques and marketing strategies on salt production. It is subsequently corroborated by the more rigorous experiment (Bryman, 2004). The observation which carried out on all objects become the research locus both in production, post-harvest, until the marketing process. When observation conducted (Spradley, 1980), it is also recorded the important and relevant pictures to get a comprehensive understanding of the production and distribution process. For laboratory examination is done on the seawater sampling that uses in the production process. Besides, types of products also tested for physical conditions and chemical elements contained in the salt.

## 4 Results and discussion

### 4.1 Palung salt profile

*Palung* salt in Bali is produced using the method of solar evaporation (the evaporation of seawater), which is the oldest method in salt production heavily relying on sunlight. *Palung* (literally means a trough in English) is made from palra tree trunks or palm (papyrus) trees that split into two parts and its middle parts dredged to form an elongated basin where the depth of the pond and its length may vary according to the condition of the coconut tree trunk or palm tree used as a *palung* salt manufacturing medium (Rochwulaningsih, 2018). Regarding the measurements made in the field the average depth of the basin is 15–17 cm and the length of the *palung* is 270–300 cm. In this case, the *palung* serves as a medium or placement/drying table of the old seawater until it becomes salt in various forms, but generally a fine crystal with a bright white colour.



The process of producing *palung* salts begins with preparations for making old sea water. The first step is to clean and flatten the pond land/field where the top of the pond land is covered with special soil. Particularly the pond land in Klungkang may take the form of plots of sand. Then the surface of the pond land is watered with seawater repeatedly, and after dry, the soil or sands are collected and put into the *tinjungan*, which is a container to process the soil/sand to produce the old sea water in which the soil/sand in the *tinjungan* is also sprinkled with seawater. In this process, the measurement of salt content in the old sea water (°Be) made using Baumometer which is inserted in the old water sample showed that the salt content is high, i.e., 25° Be. This is especially remarkable because other research results for the same process using ponds, geomembrane and ceramics have shown the ready-to-crystallise salt content at level of 23° Be, 24° Be and 25° Be (Arwiyah et al., 2015). Even when the Ramsol additive has been added, the Be the level was in the range of 20° Be -25° Be (Efendy et al., 2013). With the 25° Be concentration in the *palung* salt production process, the old sea water produced in the manufacturing process was further poured into the *palung* evenly until the salt is ready harvested as shown in the following Figure 1.

Interestingly, the production process of the *palung* salts with the mechanism of soil management, the provision of soil, watering on the pond land and in the *tinjungan* and even evaporation in the *palung*, represent a knowledge creation in the *palung* salt production. Knowledge can be distinguished in two types, namely explicit and implicit (Nonaka and Takeuchi, 1995). Tacit knowledge is a knowledge existing inside the man (human system) which is personal, specific, and generally difficult to be formalised and communicated to other parties. On the contrary, the explicit knowledge is knowledge existing outside the human, but has been abstracted and usually presented in the form of writing. In this case the *palung* salt production process is categorised as the tacit knowledge and potentially becomes a unique and inimitable resource. In contrast to other traditional resources, the tacit knowledge of *palung* salt production cannot be traded in ready-to-use form by parties outside the *palung* salt community. To imitate the tacit knowledge on *palung* salt production, a person at least has a similar experience and requires a long process and times to get such knowledge. To maintain a competitive advantage, the *palung* salt production in addition to maintaining tacit knowledge, the businessmen have also developed new knowledge through laboratory test innovations, various product forms (textured salt granules) and packaging. Through combination of tacit and explicit knowledge, the *palung* salt products still have a competitive advantage and this represents a concrete form of applying a business strategy to enhance local products thereby they are able to penetrate global markets through exploration, exposure and formulation of the uniqueness and distinctiveness of the *palung* salt.

The uniqueness and distinctiveness of *palung* salt as a knowledge creation indicate that the *palung* salt production process is based on the values of traditional local wisdom and landscape of coastal ecosystem in Bali. The *palung* salt is produced based on knowledge and skill acquired from generation to generation with simple technology whose materials come from palm trees or unproductive *lowar* widely available in the coastal areas of Bali at a time when *palung* salt is growing. Therefore, the *palung* salt production is an ecologically sustainable economic activity as it does not undermine the capacity of the natural system to support life or carrying capacity (Dahuri, 1998; Unity, 2008). In this context, there is a good harmony between economic activity, social culture, and environment so that the life of the human community and its ecosystem are well sustained. In the salt production process also keeps the system and mechanism that is

natural, natural and environmentally friendly, involving the use of chemicals and using human labour.

Figure 1 Series of salt production processes (left to right)



Source: Completion of Various Sources and Documentations by Researcher, 2012

*Palung* salt as a distinctive Balinese product has characteristics in taste, quality, and hygiene. In contrast to the salt of the pond in general, mainly imported salt, regarding taste, the *palung* salt is particular, that is beside it tastes salty (no bitter element), there is a natural savoury element. Laboratory test results of the *palung* salt samples in several locations (Buleleng, Karangasem, and Klungkung) showed that the content of NaCl varies in the range of 81–90.51%, while its weight and water content is still high, in range of 9–15%. Also, another testing using salt from the same location indicates the absence of harmful metals such as Arsenic (As), Copper (Cu), and Air Mercury (Hg) where their levels are undetectable. Similarly, lead is found in the level below the threshold of 8.46–9.60 (limit > 10 ppm). It shows that the *palung* salt in Bali has a high level of impurities, suggesting that the aspects of quality and hygiene are perfect and essential especially for consumption. Similarly, laboratory results performed by PT. NLS towards its products showed the potential good enough nutritional content, namely Moisture 1.60 g, 0.1 g protein, 98.0 g mineral, 2 kcal energy, and 196 mg potassium.

Meanwhile, in the context of the *palung* salt production, the production is done by businessmen which can be distinguished into two categories, namely home industry-based producers and business group or business entity. In the first category, the *palung* salt production is carried out jointly by family members who sometimes show patterns of cooperation between men and women and children. The socio-cultural dimension of a community gives its own colour in the economic activity of *palung* salt production (Smelser and Swedberg, 2005). Most works in the salt production process is done by men, whereas women and children are more likely to handle the lighter jobs such as scratching the land for drying and harvesting salt from the *palung* (Rochwulaningsih and Utama, 2013). However, there is no specific division of labour between men and women and children. The female businessmen of *palung* salt in Tejakula Buleleng, Amed Karangasem, and Kesambi Klungkung, for instance, do their jobs that require physical strength as the men. They carry the soil media from the ponds and put it in the *tinjangan*

and carry the old sea water from the storage tank to the *palung*. Management of products and marketing are done jointly between men and women in the household especially in terms of ways, time and pricing. In the second category, the *palung* salt producers not only produce, but also do the processing, labelling and packaging. All stages of the process are generally carried out by several people who are members of a group or work on business entities with a clear business management accompanied with administrative system. In this context MPIG Amed in Karangasem and PT. Neo Logis Surabaya in Tejakula Buleleng are the example of business group and business entity of the *palung* salt in Bali. Although it may work as a group or business entity, but personal and social relationships also take role in the economic activity of *palung* salt production that they do (Holton, 1992; Smelser and Swedberg, 2010).

#### 4.2 Product standardisation dilemma

In this context, the concept of product standardisation in *palung* salt business in Bali is more used in the ethnic perspective of businessmen. Product standardisation seems to be more emphasised on sustainable ecological principles where production processes are consistently knowledge-based and traditional skills where material technology is already available in the coastal areas of Bali. Therefore, *palung* salts which are local products in Bali can be classified as one of the superior products where in its development potentially penetrate the global market with certain market segments. This product with its unique and distinctive characteristics has competitive advantages both economically, socially and culturally at both local and national levels. Especially in the era of globalisation and free trade today, the competitive advantage can have high competitiveness. However, as a local product having a unique characteristic and competitive advantage, in terms of product standardisation, it is faced with a dilemmatic situation. Standardisation and conformity assessment will become important because it can protect the product against the onslaught of global market. Therefore, the *palung* salt is developed to meet the standardisation of the product in order to fit the wider market networks. With respect to the Law no. 20 of 2014 on Product and Conformity Standards, the Government of Indonesia has stipulated that all products circulating in the national market shall meet three aspects in standardisation and product conformity, covering aspects: institutional legality, rules and guidelines (BSN, 2017). In this context, it is exceptionally interesting to know whether the *palung* salt product has made some necessary preparations to meet these three aspects of legality and whether its market segment is also already running well?

There is an interesting fact in which the salt farm community as a *palung* salt producer in Bali is required to comply with the established procedures or production mechanism according to the local wisdom. It is possibly concerning the preparation, processing, storage, marketing, and recording of salt products produced. Amed salt in Karangasem, for example, is produced, stored, and marketed under the rules applicable in the people-based/traditional salt business. This rule is then recorded into the Handbook, a kind of the manual which has been published by the Geographical Indication Protection Society (MPIG). The Handbook states that when salt farmers find it difficult to meet the requirements set forth in the rules, they are advisable to ask for help from other groups. A salt farmer on a regular basis (once a week) is required to report the progress of his production business to the group. The objective of this effort is to minimise potential deviations from mechanisms that may lead to failure and loss in *palung* salt business

(Interview with Head of MPIG Amed Group on 5 May 2018). In addition, the importance of product standardisation especially for *paung* salts in Bali is aimed at eliminating the counterfeiting efforts of salt products other than *paung* salts which are also frequently marketed in Bali in Karangasem, Klungkung and Buleleng.

Basically the implementation of standardisation is voluntary, but if the standard is a reference mandated by the government of a country, then its implementation becomes mandatory (Danajaya and Wahyujati, 2012). Therefore, technical regulation must exist in the standardisation of the product, usually expressed by the quantitative values of the results of measurement, thereby all interested parties should refer to the measurement reference. Government of Indonesia through People's Salt Business Empowerment Program (PUGAR), Ministry of Marine Affairs and Fisheries since 2012 has encouraged the empowerment and development of salt business throughout Indonesia, including in Bali. In the program, the roles of both central and local governments are aimed at fostering, advocating, and controlling productivity in order to enhance the quality and quantity of people's salt products, including *paung* salts. To make this happen, then the institutional strengthening and infrastructure/facility support are being promoted. With this program, the *paung* salt business is increasingly widely known nationally and even internationally as Balinese sea salt using diverse trademarks.

As one of the local products which having competitive advantages, the *paung* salt businessmen try to meet the standardisation products as the requirements from the Indonesian government. Efforts to standardise the product have been done, but several times farmers and businessmen have difficulty meeting some of the key requirement about iodine salt content (Metrotvnews.com, no date). The iodine fortification of salt products represents an important requirement to meet standardisation. However, for *paung* salt products, the market does not want it because it is regarded no longer meet the natural element. This condition is experienced by almost all businessmen of *paung* salt in Bali especially at Buleleng, Karangasem, and Klungkung. In addition, one of the requirements of the Balinese *paung* salt product to be nationally traded is that the product must have a license from the Indonesia National Agency of Drug and Food Control (BPOM) and for that it is considered eligible if iodine content in the form of KIO<sub>3</sub> in salt is  $\geq 30$  ppm. Iodine content in the form of KIO<sub>3</sub> in *paung* salt is in range of 20 ppm and this, among others, may cause the Bali salt is not able to penetrate the supermarket markets in Indonesia, because it has not been able to meet these requirements and for that reason, the *paung* salt products more prioritise the needs of the foreign markets which do not want the iodine fortification. To obtain the license, the *paung* salt must already have SNI issued by the Ministry of Trade and Industry. When the *paung* salt has SNI certification, then it can apply to obtain MD. The MD label is given by food or beverage producers and MD is generally given to a business having large capital and is expected to be able to comply with food safety requirements set by the government (*Badan Pengawas Obat dan Makanan*, no date).

Salt farmers and the *paung* salt businessmen in Bali consciously acknowledge that iodine and NaCl contents in salt have not met the requirements of SNI, but they are also reluctant to use or add chemicals such as iodine in their products, because their special market segment does not want it. Nevertheless, the efforts to commercialise salt products that meet SNI are continuously carried out by doing production and distribution activities in the national and international market networks. Actual efforts have been made by salt farmers group incorporated in Amed's Society of Geographical Indications Protection (MPIG), which 2015 performed a quality test of salt quality in 2015. The test results

stated that the NaCl content of Amed salt has met the minimum limit of SNI, but the water content is still large enough. Amed salt water content is 11.7% while the maximum limit is only 7%. This issue is a major concern in almost all groups and businessmen of the *palung* salt in Bali, indicating that product standardisation is a basic principle in maintaining and developing their business.

#### *4.2.1 Artisanal salt: product innovation and development*

As part of the strategy for survival and development of market share, the *palung* salt farmers group in Bali, especially in Buleleng, since 2013 produced artisan salts with main raw materials sourced from *palung* salt produced by salt farmers. Artisan salt is a processed salt product packaged hygienically, neatly, and artistically. Balinese salt businessmen in Tejakula, for example, say that they are reluctant to use salt raw materials other than *palung* salt and those come from outside Tejakula. Therefore, they always take salt directly from farmers around Buleleng (without intermediaries). In the production process, the traditional salt farmers are always wanted to maintain the *palung* production method despite having many more obstacles and risks.

Pyramid salt is one example of products which has hygiene and high economic value. This product can directly become a role model of product innovation produced by salt businessmen and salt farmers. Given this unique and artistic salt product, it needs particular supplementary technology and of course, the production time is long enough. The method and technique used to produce this artisan salt is a greenhouse. The artisan salt product is not only a prism-shaped but snow-shaped grain, also known as *Saow*. In essence, the key to successful artisan salt production lies in the quality of the hygiene of the production and processing process which is the knowledge creation that relies on the value of the tradition of local wisdom and the landscape of sustainable eco-coastal ecosystem on the island of Bali.

Until today the development of artisan salt products is considered potential and has a unique market segment, even this becomes a government commitment that cross-institutionally conducted (Rusdi, 2018). There are three ministries that handle the artisan salt development efforts, the Ministry of Marine Affairs and Fisheries of the Republic of Indonesia which focuses on product quality improvement; Ministry of Industry focuses on handling SNI issues in artisan salts, as well as Ministry of Trade which focuses on the product design and packaging development (*3 Kementerian Garap Proyek Percontohan Garam Artisanal di Bali*, 2016). Development of artisan salt production is currently limited to certain areas in Bali, namely Buleleng and Karangasem. It indicates that not all *palung* salt centres are capable of producing artisan salts due to technological limitations and process inefficiency considerations. The development of artisan salts which is performed consistently in Tejakula Buleleng causes this area to be the success story of artisan salt project in Indonesia. The artisan salt is developed to provide the added value of the *palung* salt commodities to be more competitive and give impact to the improvement of people's prosperity and economic growth.

Artisan salt products can motivate the *palung* salt businessmen from various elements of farmers, business groups, and business entities. Through the processing of *palung* salts into high-value artisan salts, they have an exceptional standard to maintain the traditionality in the production process, handling, labelling, and packaging. With the unique and natural media and production process stages, the businessmen are consistently maintaining product originality. Moreover, to manufacture the artisan salt products, the

raw materials required are salt only and do not use raw materials processed with other technologies such as tarpulins, geosolator, etc. Some businessmen from salt farmers in Buleleng, Karangasem and Klungkung said that the salt products made through geosolator technology are more bitter than using media and the price is much lower than the salt, making it less attractive for the *palung* salt businessmen. Under these conditions, the development of artisan salt directly contributes to the *palung* salt businessmen to remain consistent with their business.

### 4.3 Market networks

#### 4.3.1 Marketing strategy

Globalisation has created export opportunities for high-value commodities, including food commodities. Some studies suggest that there is an increase in commodities from developing countries to developed countries, especially in food commodities. The increasing demand for high-value food commodities such as *palung* salt opens opportunities for businessmen to diversify and innovate commodities that have strong potential and achieve greater results (Birtchal et al., 2007). However, the existing conditions indicate that there are some businessmen, especially groups of *palung* salt farmers who lack access to markets, capital, labour input, and technology.

The availability of capital and raw materials also significantly affects the price of salt in the market. The quality and quantity of *palung* salt is determined by the availability of *palung* media and weather. One of the total production costs of salt is used to buy a *palung* media that must be replaced timely. *Palung* is made from coconut tree trunks that cost around IDR 300,000 to IDR 400,000, depending on the quality and does not include the larger maintenance cost. Therefore, the use of traditional technology cannot guarantee lower production costs, but may actually make capital and production costs more expensive (Porter, 2000; Stephens and Barrett, 2011). However, there is a change in consumer orientation in buying products that no longer take into account of the price but the quality and a more natural and hygienic production method (Selfa and Qazi, 2005).

The absorption of Balinese *palung* salt is made simultaneously and in limited way. Thus far, people's salt absorption in Bali, especially those using *palung* production method, is not made to meet local and national markets, but it is for international demand. This condition, as described above, is caused by the absence of a national-SNI product legalisation license. Standardisation of the SNI needs to be strived to accommodate this food commodity. It should also be considered that when demand for the *palung* salt increases, the limited supply of *palung* salts from farmers can be a threat. This is true because the farmers themselves seek only five tons of the *palung* salt production per year. While on the one hand, opportunities of investment that can be absorbed in this business is quite large. For example, PT. Kalbe Farma cannot make purchase contract of *palung* salt in Tejakuta as it is constrained by licensing issues. Nevertheless, in order to ensure the ability of the *palung* salt to access the national market, the Ministry of Industry is committed to helping access the national market by carrying out the *palung* salt iodisation program in Bali.

Marketing strategy is the key to economic success based on local products. In the perspective of middlemen, to get salt from businessmen who are the farmers, simply come to the location of ponds or cooperatives to have a transaction. For small-scale business such as salt business, direct purchasing from farmers is one of efforts to reduce

transportation costs and making it more efficient (Danne et al., 2011). The direct selling price of farmers usually varies. Middlemen or wholesalers who buy in bulk/in large quantity will get a price of IDR 28,000/kg, while the retail price is up to IDR 42,500/kg. Farmers through the group usually sell salt in a relatively small package (250 g) at a price of IDR 30,000 per box. This sale is more profitable because the volume of salt is smaller.

Previously, the middlemen (in the local language called *pengulu*) bought salt from farmers directly by using barter system. According to a farmer, in the 1990s there are still some small farmers who used this system. *Pengulu* usually came to the ponds to buy *palung* salts. If these *pengulu* come from outside the area, they will buy the salt in cash, but if coming from the same area (the same village or sub-district) they usually choose to exchange salt with rice (Interview with I Nengah Nugra on 5 May 2018). The size of salt and rice was agreed upon the price of salt on the market at that time where a kg of *palung* salt was equivalent to two kg of rice. The salt was then marketed in the village market or subdistrict village. However, salt farmers usually had weaker bargaining position compared with the *pengulu*, especially those from outside the village. However, when the salt cooperatives were established, there is agreement and clarity of price regulation among salt farmers making farmers get higher profit given the price of salt continues growing up.

At the farm level, by using the *farm-direct selling* method, the harvested *palung* salts are routinely bought not only by middlemen but food entrepreneurs. For example, tofu factories in the Klungkung area now choose to come directly to the pond to get the residual *bunga garam* (*fleur de sel* or caviar of salt). Farmers sell it around IDR 90,000/35 kg in the rainy season and IDR 100,000/35 kg in the dry season. This water is used to perform a thickening in the process of making tofu and sprinkle it on the printed tofu. Currently the salt water buyers do not come from Klungkung only, but also from some areas in Bali such as Badung, Denpasar, and Gianyar. Previously, the residual salt water (post-harvest residual salt water) was always discarded by farmers because it cannot be used. This condition indicates that the whole processes of *palung* salt production actually has a very high economic value, not only the finished product in the form of salt but the material and the manufacturing medium also have high economic value.

The group of salt farmers formed the Joint Business Group (KUB) of *Palung* Salt farmers which serves as a business unit in the countryside. In addition, the Joint Business Group (KUB) also acts as a mediator for salt products produced by the group members. It can also manage salt products by sorting, packaging, and storing in line with the market demand. The presence of KUB at the village level becomes a direct model of community empowerment, especially rural communities with limited access to the economy (Ustriyana, 2015). People Salt Business Group [Kekompok Usaha Garam/KUGAR] has been established since 2013 in most of Balinese *palung* salt centres, one of them is KUGAR Tasik Segara Lestari in Les Village, KUGAR Sarining Pertiwi in Tejakula, and other group bases such as Geographical Indicators Protection Society (MPIG) Amed, and Cooperative-LEPP Kusamba in Klungkung.

MPIG Amed as one of the businessmen has a robust bargaining position that is deeply reckoned in the salt marketing network in Bali. MPIG itself was formed as an effort to strengthen the geographical indication (IG) protection in the Amed Coast Area. MPIG Amed was formed by the community and has been approved legally by the government of Karangasem Regency by virtue of the Decree No. 510/744/Disperindag/Setda concerning the Establishment of the Geographical Indicators Protection Society (MPIG)

of Bali Amed Salt on 19 March 2015. This organisation oversees the five groups of salt farmers, consisting of KUGAR Tasik Segara, Bhuana Sari, Wisna Sari, Karang Sari and Sari Laut, involving 32 active farmers in 2014. Estimated amount of MPIG Amed production was 21,955 kg in 2014. In addition, the salt farm group is facilitated to make innovation on salt packaging using MPIG Amed logo.

One of the keys to success of *paung* salt marketing is achieved through the KUB KUGAR network. Given the national markets have not been able to fully absorb the salt production from farmers, it is necessary to establish group business institution that has a wide network and with one member having good interpersonal skills (Interview with Mr. Bekel of Tejakula, 24 March 2018). If not, then the high-value salt will only reach the village and sub-district markets. The three examples of the above business groups have shown that the *paung* salts are able to compete competitively in global markets. It needs innovation on product and packaging of production so that it is interesting and sellable in the market. The group and its members have been aware of this situation, so that they can compete to create and market products in competitive and healthy manner. Apart from the effort, the presence and role of the group leader becomes very essential to mediate and bridge the wishes or aspiration of the group members and also to seek a penetrating market network for their products. Figure 2 is the visualisation product of premium salt produced by Amed Salt Farmers.

**Figure 2** Amed salt package in box and IG-logo plastic package (see online version for colours)



Source: Researcher Documentation, 2018

Meanwhile, for local and national markets, KUGAR is in agreement with government policies and regulations. There are two important issues in marketing namely the rules on salt iodisation and the packaging (Sari et al., 2016) that conform to market standards. Firstly, in response to the local and national market demand for iodised salt, several efforts are made by establishing Working Groups (POKJA) under the control of local government and the Ministry of Industry. This condition happened in Klungkung Regency. However, until now, this process is still running. In terms of marketing, Klungkung regency guarantees the availability of a market that is able to absorb salts from business groups. The government is committed to distributing about three tons of salts for the State Civil Apparatuses (ASN) in Klungkung Regency every month



18 (Koperasi-LEPP Mina Segara Kusamba Produksi Garam Beryodium | PIP News Jatim, 2018). Second, the regulation on standard packaging that can increase the selling value of the product needs also to be established. Fortunately, there is now a commitment of universities in the form of social activities by providing salt packing training. This has been done by Sari et al. (2016) who trained group members to make the product packaging more attractive and artistic with Uyah Kusamba brand. This product is packed with a plastic vacuum of net 150 g with packaging selling price of IDR 10,000/pcs (Sari et al., 2016).

#### 4.4 Premium salt and international markets

Although businessmen of the salt farmers contribute considerably to the production of high value salt, but access to national markets is still restricted by the rules and scale of production. The market gains are relatively small, while the local market for high-value commodities is low. Marketing at the national level can increase transportation costs, even with relatively low selling prices due to the unknown characteristic and uniqueness of the production process and the elements contained in *paling* salt products, thus causing dramatic dilemmas (Birihul et al., 2007). Armed with product innovation capabilities and wide-range networks, the *paling* salt can rapidly penetrate global markets. In that context, product innovation by itself categorises the *paling* salt as premium salt. In other words, a completely natural process is well combined with modern and hygienic packaging methods under the packaging standards in developed countries.

Product innovation is indispensable to drive economic change resulting in new processes and results. Product innovation is carried out through a system of economic actors. Considering that product innovation is all about knowledge creation, acquisition and adaptation, it may affect economic organisations and business groups (Carlsson et al., 2009). Product innovation based on knowledge-creation can generate a major effect on foreign market share rather than local and national markets (Baldwin and Hanel, 2013). This is in line with the market share condition of the *paling* salt, even leading to market specialisation. However, market specialisation is not only overseas market but also domestic one with certain type. The premium salt mentioned in this section is the artisan salt in which its main ingredients are sourced from *paling* salts.

##### 4.4.1 Businessmen network

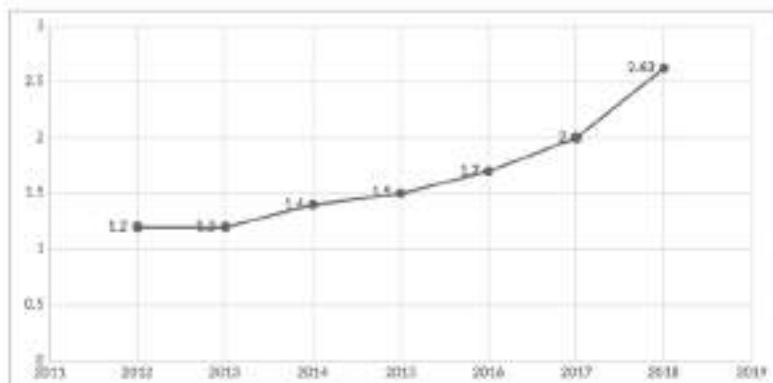
The existence of premium quality artisan salt is one of the stimulants of the local economy. The salt is made by the workers with high accuracy given the technology used is still limited. The local community is directly involved in the production process in the pond area, while some of them are also working in the processing sector organised by the relevant businessmen. Some businessmen engaged in artisan salt production is dominated by medium-sized companies and business groups in cooperation with export companies. There are several products of different types and designations. In addition to decoration and raw material in a classy restaurant, the salt is also used for health and beauty. Thus, it is clear that the specialty of the salt market is determined in its designation. Some of the trademarks engage in this business are Bali Sea Salt produced by PT. Neo Logis Surabaya (NLS) through its representative in Buleleng, PT. Javara through KUGAR in Buleleng, MPIG Amed Karangasem, and Buleleng Salt Farmers Group. Usually, artisan

salt processing is done by these companies, while other businessmen (business groups) process the *paung* salt into fine and white salt.

Export company, such as PT NLS is the holder of the Bali Sea trademark with Super Tejakula, Dice, Pyramidion, Snow, and Super Kusamba types. Based on the Company Directory of the Ministry of Industry, PT. NLS is located at Dusun Sukadharma Bulcleng and has specifications on salt export commodities from Bali. The company's headquarter is in Surabaya to be used to facilitate the distribution access. PT. NLS buys salt directly from farmers for IDR 30,000/kg. It is willing to buy the salt from farmers at such price in an effort to respond the demands of a market wishing the productivity and taste of the *paung* salt should remain the same, so the salt quality and taste must be thoroughly controlled. It is recorded annually that the company experienced an increase in salt exports with MD Gamm Laut [Bali Sea Salt] (Figure 3).

Increased export volume is also followed by market expansion. The largest export markets of Bali Sea Salt are Japan, Hong Kong, Australia, South Korea, and USA, while Turkey becomes one of the new market opportunities. Japan appears to be the largest export destination country of the Bali artisan salt. Each export destination country has its own taste for the salt ordered. For example, South Korea since early 2017 imports salt from PT. NLS, but before being sent to Korea the salt is allowed to store to lower the water content and bring a different flavour than usual. Currently, besides Japan, America is a strategic market share. US imports 2625 tons of Pyramidion, Super Tejakula, Snow and Dice salts since 2017. Salts with the Bali Sea trademarks of Pyramid and Super Kusamba are the most frequently shipped products for export. Through an import company PT. Le Sanctuaire based in California that wants to establish a direct cooperation of the salt-making business. However, it was rejected by PT. NLS, because salt farmers to be recruited are given a salary or wage monthly. This condition is quite difficult due to the strong bond between farmers and ponds as well as the tradition of making salt they do. Here is the export volume of PT. NLS recorded during the period of 2012–April 2018.

Figure 3. The export volume of Bali sea salt by PT. NLS in 2012–2019



Source: Completion from various sources

PT. NLS is basically a company based on processed salt products and packaging, its production operational range is only around Buleleng and Kusariba, Klungkung (Interview with Made Widnyana, 24 September 2018). In the future, PT. NLS is oriented to be able to dominate the production and distribution networks of *palang* salts in Bali. In terms of marketing network for the national scale, PT. NLS cooperates with freight forwarder companies such as JNE and PT. POS that can serve salt shipping from Bali to all regions in Indonesia and for export. An officer of POS Indonesia stated that it has been working with PT NLS since 2011 for salt delivery to the headquarter in Surabaya in large quantity. Usually, the car or truck of POS will come to the location to pick up the goods. The delivery is done per two weeks with the amount of about 500 kg (Interview with Gede Anteng, 24 March 2018).

Besides PT. NLS, PT. Javara is also a company that processes and packs some local food products including *palang* salt. Not much information can be known about this company other than its operational base in Kemang, South Jakarta. In the context of Bali *palang* salt distribution, the company cooperates with the Pemuteran Farmers Business Group to process the *krisol* salt using greenhouse technology (Parnamawan, 2016). Not only that, PT. Javara is also known to invite several groups of salt farmers along Karangasem and Klungkung to buy their *krisol* salts. As in Pemuteran, MPIG Amed is asked to supply an average of 700 kg monthly to PT. Javara.

PT. Javara also exports salt to Japan. Table 1 shows the comparison of artisan salt selling prices in the national market. Both PT. NLS and PT. Javara make use of e-commerce to market the Bali Sea salt products, although they have differences between vendors. They have collaborated with several e-commerce vendors and have marketplaces in Tokopedia and Bukalapak. Each marketplace displays different contents and prices. As Kotler (1997), stated that there is a tendency that the choice of marketplace usage through e-commerce is now being pursued for three reasons:

- lack of capital to carry out direct marketing
- decrease cost effectiveness
- can be more focused on core business (Kiang et al., 2000).

**Table 1** Prices comparison of packaged salt per 100 g on e-commerce sites (in IDR)

<i>Company (Trademark)</i>	<i>Bukalapak</i>	<i>Tokopedia</i>
<i>PT. EST New Logo</i>		
Super Tejakala	17,500	19,000
Dice	25,000	23,500
Snow	25,000	23,500
Pyramidion	37,800	35,000
<i>PT. Javara</i>		
Amed Bali Sea Salt	16,500	20,000
Kusariba Artisan	38,500	38,500

Source: bukalapak.com; tokopedia.com

Thus, there are many alternatives of salt distribution along with the development of advanced information and communication technology, without the need to think about

product socialisation. Even in one particular mode, businessmen can interact and see the customer's immediate response by utilising the comments and testimonials that are already installed automatically. Here is a comparison of *palung* salt prices from two companies that process and market the *palung* salts. The data shows that there is no significant price difference for the types and packages that are almost the same. Nevertheless, for more innovative product shapes and packages, the prices differ significantly.

## 5 Conclusion

From the above discussion, it can be concluded that *palung* salt is a manifestation of a knowledge-creation based on sociocultural values of coastal communities in Bali that produces a local product with unique and natural specific characteristics in the production process. Thus, the *palung* salt production is a creative economic activity that is not only a source of livelihood for several communities. It also ensures the preservation and sustainability of coastal ecosystems of Bali. As a local product that has unique and natural specific characteristics, *palung* salt becomes a commodity with a high economic value, making it competitive and has a comparative advantage. Hence, *palung* salt has its market segment in the local, national or global market, even with its relatively small volume. Some countries that become the market share of *palung* salt include Japan, Hong Kong, Australia, South Korea, USA, and Turkey.

To penetrate the global market, there are several strategies have been conducted by the salt businessmen from various elements, whether those in the upstream sector as farmers and producers or the downstream sector as salt-processing entrepreneurs. The initial strategy is to develop a knowledge-creation that manufactures the *palung* salt products through soft technological innovation in the form of institution, as well as the hard one in greenhouse, processing, and packaging. From the institutionalisation in the KUB of *palung* salt and business entities (PT) with assistance from various competent parties from NGOs and government, innovations remain within the preservation framework of characteristic and uniqueness of *palung* salt products. It is done because the excellence and competitive values lie precisely in its features and specificity, which has a significant influence on the market share of foreign countries rather than domestic.

The next strategy is to standardise the *palung* salt product, although in this case, the businessmen encounter a dilemmatic condition especially related to the fortification of iodine substance in *palung* salt products, it is following the government regulation, striving to fulfil it for the domestic market. As for the interests of overseas markets, standardisation is carried out following the market requirements and necessities. Another very crucial strategy for the local product of *palung* salt is to build a network for marketing. In this case, people in business make systems through great and close personal relationships as done by administrators/management of the Amed MPIG, Karangasem; PT. NLS; and PT. Javam. The businessmen are also utilising the advancement of information and communication technologies to market *palung* salt products as advertised through Bukalapak and Tokopedia. On account of these strategies, *palung* salt as a local product in Bali can penetrate the global market.

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