

## MARKETING OF SALT IN THOOTHUKUDI

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### **Abstract**

*Salt trading is one of the oldest trades in the history of human kind. Our interest in looking into the salt trading network in Southern India has a specific context. Some of them supply almost the entire salt requirement of a state. Very many others are small time operators who handle a lorry load of salt every day. Before we go into various kinds of traders, let us have a brief discussion on the activities of traders in Thoothukudi region. They receive orders from wholesalers, locate the right product, buys it, process the salt to the specification, pack it to the specification and reach it to the destination through the specified mode of transport. In most of the cases, traders are identified as the manufacturer of the salt.*

**Key Words:** *Distribution of salt, Export of salt, Recommendation.*

### **Introduction**

Salt is an important edible component of human consumption. It gets produced in few locations in the country but gets consumed by all. Therefore it has to be moved to all the human habitations in the country. Iodine deficiency disorders are a series health hazard in several pockets in the country. The serious health consequences of iodine deficiency led the scientists, doctors and the state towards a simple solution to the problem. They conceived a method of ensuring regular iodine intake by all in the country. They had to include iodine in the food chain to ensure a regular intake by all. They realised that salt is one edible item that is part of the food chain of all irrespective of age, gender, class, caste, region etc. They wanted to access the food chain through salt. Since salt is produced in few locations, they devised a strategy whereby salt was to be iodised at the production centres and then distributed across the country. Simultaneously, they impressed upon the Union and the state governments of the country to ban the sale of non-iodised edible salt. These efforts were scuttled when the ban on sale of non-iodised salt was withdrawn by the Union government. The main reason attributed by the protagonists of withdrawal was that compulsory iodisation programme is inherently biased against the small salt producers and in turn helps the large producers. Consequently, the small producers are driven out of their business. The ban was the sole reason for their miserable condition and lifting the ban was the only way out to save the small producers. The protagonists of universal iodisation programme argued that the ban is not biased against the small producers. There is no basis to show that compulsory iodisation has enabled the large producers to grow in their strength at the cost of small producers. Unfortunately, both the claims and counter claims

were not sufficiently backed by systemic studies on salt production and distribution. The present effort is an attempt in that direction. Earlier, the ICCIDD had commissioned a study to look into the structure and functioning of salt production in Tamil Nadu, the second largest salt producing centre in the country. Given the time and resource constraint, that study was confined to salt production and trading at one node of an entire chain viz, the production point. The present study attempts to cover destination point. The present study attempts to cover destination points in the distribution chain. The salient characteristics of these nodes are put together to understand the market network of salt traders.

#### **Objective**

- To identify the marketing practices and channels involved in marketing of Salt.
- To study the processing and export of salt from Thoothukudi.

#### **Distribution of salt**

The salt produced in this district has been sold to the nearest state of Kerala. Sales of salt depends quality to a large extent. The channel of distribution was simply the set of relationship between suppliers and their immediate consumers. In the present study there are two channels of salt marketing -

1. **Producer-Wholesaler-Retailer-Consumers and**
2. **Producer- Wholesaler-Consumer.**

The first channel is the most widely used channel, wherein commission agents purchase from the place of production. They in turn sell salt to retailers. Finally the retailer sells this to the consumer. In second channel, the wholesaler directly purchases from the producer and directly sells to the consumer. The Government is providing iodized salt in ration shops but the producers in this district have been producing only common salt which lacks in market value. The government must provide facilities to these workers to produce iodized salt. Since, the modern trend among the consumers is to use only iodised salt, the government must facilitate the conversion of common salt into iodised salt, so that the market value of salt will also be increased.

#### **Exporters**

Thoothukudi being a port is the home for many export houses for several decades. The export houses were exporting various items essentially to East Asian and South Asian Countries. Among other items that are exported by these houses, salt is one. Salt was mainly exported to Sri Lanka, Malaysia, Indonesia and Philippines. Recent trend shows that there is a decline in the export of salt to these countries as the market in those countries is flooded with salt from Australia. Whatever salt is exported from Thoothukudi is not of high quality. The market has become so competitive that salt is not exported based on letter of credit. Exporters take enormous risk when they export without letter of credit. The importer can easily evade payment when they do not commit themselves through their

banks in the form of letter of credit. Salt exports from Thoothukudi are based on trust these days. Only those export houses that have managed to establish a trust worthy relations with their importers over a long period of time can afford to risk such business dealings. Hence, there is a fall in export of salt to these countries.

**Details of Export of salt from Thoothukudi port (Fig in '000 Tonnes)**

S.No	Country	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Indonesia	0.00	0.00	16.30	292.43	82.17
2.	Malaysia	20.46	20.29	28.22	41.40	33.62
3.	Maldives	3.77	3.94	4.62	1.87	3.44
4.	Phillippines	0.00	0.00	5.90	0.00	0.00
5.	Singapore	0.03	0.28	0.42	0.43	0.44
6.	South korea	0.00	0.00	0.00	0.44	0.00
7.	Sir Lanka	25.55	14.19	5.89	4.97	2.49
8.	Thailand	0.15	0.00	0.00	0.00	0.00
9.	Liberia	5.49	3.02	1.76	1.89	2.58
10.	Sierra Leone	0.00	0.06	0.14	7.10	2.80

Export of salt from Tuticorin between April and November 2012 dropped to 1.22 lakh tonnes against 1.37 lakh tonnes during the corresponding period in the previous year. However, salt production showed an upward trend. Production grew by 5.7 per cent between April and November 2012 and reached 16.45 lakh tonnes. During the corresponding period last year, 15.56 lakh tonnes of salt was produced. "Indonesia remains the biggest importer of salt from Tuticorin with business worth 45,000 tonnes so far this fiscal down from 82,175 tonnes last year."Indonesia tops the list of importers of salt from Tuticorin, followed by Bangladesh with 38, 750 tonnes and Malaysia with 27, 998 tonnes. Tuticorin salt exporter, the export market was unpredictable. "Now many countries have invested in manufacturing salt and demand was declining,"he said. "Besides, the domestic market has also been slowed by declining value of the commodity".

#### **Summary Conclusions and Recommendations**

Substantial quantity of salt produced in Thoothukudi is for human consumption and it is mainly supplied to the adjoining southern states of the country. Nearly nine tenths of the salt produced in the regions is moved by road.

We also found that the small producers of Thoothukudi region confine their activity to just produce the basic salt. Every other additional processing and packing is undertaken by the trading houses.

The trading houses are at the centre of activity and they are the interface between the retail market and the producers. They are the agents who convert the basic salt into various types of salt as demanded by the market.

The traders have developed various business practices to cater different segments of the market. These business systems are dovetailed to the labour practices and the transport network that has evolved in the region towards a successful trade proposition.

Salt is highly differentiated both in content and in form. There are also spatial differences in the quality of salt demanded.

There are layers of traders who take salt to the ultimate consumer and the biggest margin goes to the retailer. The size of the margin goes when the retailer handles differentiated salt.

#### **Recommendations**

- Salt has become a highly differentiated commodity with varying profit margins.
- Both producers and traders respond to the market signals and that is precisely why the product has been differentiated. This is the most important lesson for the programme.
- Iodization does not add much to the cost and given the huge margins that the retailers make in selling salt, the additional cost should not deter them.
- Given the cost and profit structure of ordinary crystal salt, iodization can be easily accomplished if the demand is created.
- Increased income levels in few pockets enable people to go in for value added salt like free flowing salt. However, we cannot wait for the income of the people to go up for them to demand iodised salt, as it costs almost nothing. In fact, for the price that they are paying now, they should get iodised salt. Since they do not insist on that, the traders do not bother to iodise the salt supplied to them.

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