

THOUGHT ON COUNTERMEASURES TO IMPROVE THE CONCENTRATION DEGREE OF SALT INDUSTRY

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Abstract: This paper discusses the structure of China salt manufacturing industry and the problems. And it also gives the countermeasures to enhance concentration degree of salt industry.

Key words: Concentration degree of salt industry, countermeasure

Along with the development of economic globalization, the tide of large-scale merging and purchasing of enterprises have been raised one after another. Various social and economic resources speed up the steps to enter the superior enterprises which have higher efficiency. Industry markets have been dominated by a minority of large multinational corporations. Gradually, industrial concentration trend has already taken shape, no matter in traditional or new hi-tech industries. For Chinese salt industry, the improving of industrial concentration, which has important significance for the industrial structure adjustment and enhancing international competitive power, is imperative under the situation.

1. STRUCTURE OF CHINA SALT MANUFACTURING INDUSTRY AND THE FACING PROBLEMS

Presently, excessive competition is displayed typically in the market state of Chinese salt product industry. The statistics shows that there are 443 producing salt enterprises in our country with the average output is about over 140 thousand tons, including 313 enterprises with its output is under 100 thousand tons account for 70.65% of the total. Compared to the trend of intensive development in advanced country such as America and Australia, lower concentration degree is still the main factor that restricts the development of Chinese salt manufacturing industry, and therefore forms a series of

contradictions and problems to be dealt with:

1.1 Low industrial concentration influences industrial optimization and upgrade.

Low industrial concentration means most of the producing salt enterprises are in small-size and their firm sizes are below the standard of industrial economy of scale. According to statistics, there are 63 producing salt enterprises of 300 thousand tons and 33 of it with the product capacity has exceeded 600 thousand tons per year that account for 7.45% of the sum total. Low industrial concentration and small scale production lead to low overall labor productivity that the average is only about 50800 Yuan/year in 2007. Meanwhile, the inferiority in the production scale and the accumulation of capital aspect, labor productivity of small-scale enterprises in our

country are generally lower, production cost is high, lead us lack of the competitive ability in the international market. This also makes most of the mining companies with little benefits or deficit. Therefore, it needs to lead to the industrial structure adjustment and upgrading.

1.2 Low industrial concentration restricts industry technology progress

Most of evidences show that industrial concentration in a certain degree is favorable to promote the development of science and technology. First of all, the revolutionary technical innovation achievements can be acquired through relying on the long-term, professional research and development. And only large scale enterprises can afford a large amount of R&D cost and share risks. And then, sufficient human and material resource is needed for application of scientific and technological achievements in mass production. Finally, owing to the lack of the capacity to guarantee the deserved interest, rapidly gratuitous imitation would reduce the commercial value of innovation and erode incentives to invest, ultimate to the detriment of continuous technology advancement. Small scale of firm has become the mainly restrictive factor of increasing the sci-tech input, only a few technology products can be transfer into productivity per annum, and be subjected to be limited by the technical level. The advanced technologies introduced from abroad are hard to digest and absorb, thus restrict the overall technology progress.

1.3 Low industrial concentration leads to the idleness of production capacity and price war frequently

Supply exceeds the demand in our salt industry due to more enterprises enter into the salt industry. According to statistics, the throughput of salt in China reached 70430 thousand tons in 2007, while the yield was 6211.41 ten thousand tons and the sales volume was 5696.08 ten thousand tons. In addition, batches of projects are under construction. Especially under the situation of financial crisis and the shrink of downstream industries, the structure of low industrial concentration results in the idleness of

throughput, single product structure, and therefore cannot meet the various market demand. On the other hand, the development of a large number of enterprises, small size and excessively high cost of information transmission, becomes the key factors that fail to reach the price agreement. Furthermore, the low level of price war for market shares decreased the slender economic benefit.

1.4 Low industrial concentration cannot adapt to fierce international competition

Our country is the great resource and consumption country of salt. Under the condition of low industrial concentration, and after long-term vicious competition, dominant firms are short of the ability of controlling markets. Accompanied with the bigger opening degree of salt market after we joined WTO, foreign salt companies are getting into China successively. It predicts that domestic salt companies should encounter the fierce competition against foreign companies. Low industrial concentration should make it difficult to exert their self advantages and it should restrict the expanding oversea markets seriously.

2. THE COUNTERMEASURES TO ENHANCE CONCENTRATION DEGREE OF SALT INDUSTRY

From the industry point of view, the reason of formation of over competition market structure is various, in summarize, it can generally be classified into these category: as micro subjects of industrial organization, salt enterprises are short of vitality that induced by the mechanism reform hysteresis; market system construction lagging and market system is not perfect; the policy of industry organization needs to be improved; decentralized investment and irrational repeating construction at low level; the absence of effective administration and the competition domestic only ,etc. Looking at the overall situation, we need to concentrate on the following questions to promote the concentration degree of salt industry and improve integrated quality and competitiveness.

2.1 Further deepening the system reform of

salt industry

Under the prerequisite condition of consolidating the table salt monopolization policy, eliminating system obstacles which obstruct the efficient concentration of salt industry market and resources optimization development to promote reasonable resource configuration, recombination and capital expansion. Personally, as to the reform of salt industry system, we should concentrate on the issues of "two-advancements": the first is the advancement of manufacture and sales unification, it can reduce the contradictory of production and sale and manage costs, promote reasonable resource configuration, it also can be beneficial to the collaboration among the enterprises in the same enterprise groups or alliance, restrain vicious competition and implement unified planning to develop the same target market. The second is the advancement of the reform for the multiple property rights structure. Whereas the fact that the property rights structure of the salt enterprises mostly are solely state-owned, in order to widen financing channel, make full use of external fund and accelerate the steps of enterprise expansion, property right structure reconstruction is imperative. Therefore, salt industry should increase worker force of attracting investment and project exploitation, develop capital operation actively; advance the transformation of property rights structure through the approaches such as purchase, annex, auction, getting listed and so on. In order to ensure the implementation of "two advancement", we should optimize the soft environment, cultivate and standardize the property right and production factors market to create the base foundation that the salt resource can be allocated cross industry, regional and sectors under the market mechanism conditions.

2.2 Accelerating the policy making of industry mechanism with industrial concentration as guidance.

As has been said above, the fundamental issue which hinders the development of salt industry is the low degree of industrial concentration operation efficiency. Thereby, it

is necessary to implement the policy of industry mechanism with industrial concentration as guidance. The edible salt monopoly policy is unshakable. New salt industry policy should further consolidate and exert adjusting and magnify leverage effect of it to carry out and implement the salt industry policy conversely. For the sake of boosting the concentration of salt industry efficiently, we should deeply investigate the actuality of salt industrial organization structure and learn from development trend of advanced country to constitute the minimum scale criterion and efficiency standard, therefore we need concentrate on the following three tasks. Firstly, we should optimize distribution of production capacity, strengthen regional planning and promote rational distribution of productivity, further support the scale expanding of regional superior enterprises according to various economic and geographical factors to increase the utilization level of scale economy. For instance, rock salt resource in Hengyang of Hunan province has the traits of large reserves, wide-ranging distribution, high grade, favorable geographical location, well developed transportation and together with adjoining to the sales territory such as Guangxi, Guangdong and Guizhou. It has a wide development prospect, thus we may focus on its development as a major high-purity vacuum salt products base in the south of China while the scale above manufacture enterprise which is non-dominant should be led to optimize the product structure and improve product-addition value.

Secondly, we should eliminate backward productivity capacity. We should restrict the development of the enterprises which has high composite cost, lagging techniques, poor economic effect and low resource utilization, until to phase it out and based on this. We should control the productivity capacity and alleviate the excessive competition.

Thirdly, we should encourage the collaboration among salt manufacturing enterprises. Professional specialization is the necessary condition of implementing the scale

operation by big enterprises. According to the advantage of comparison and production scale, we should strengthen the collaboration and form a very close coordination relation among different salt enterprises to further increase industrial concentration, reduce vicious competition, highlight the benefit provided by economies of scale and enhance overall competitiveness.

2.3 Quickening the steps of international management.

We should define the strategy of internationalization development under new circumstances. On the one hand, it has an important significance for transference of domestic surplus productivity, promoting industrial structural adjustment, restructuring the industrial market and improving the whole enterprise quality. On the other hand, we can participate in the international competition actively, open up the international market, control the foreign resources and enhance international competitive power by means of international strategy. Global consumption markets of salt products concentrate on the Europe, America and Asia with total trading volume beyond 20 million tons. The salt trades in North America and Europe mainly depend on self-support while the salt requirement from the most important importers such as Japan, Korea, Philippines and Indonesia in the Asian market account for more than 50% of quantum of world salt trade with yearly import reaches 10 million tons. Following with the development of international trade, the requirement from Asia market should increase gradually. The import products mainly are made from Australia and Mexico, however, the market share of national companies is so tiny although close to Japan and Korea. According to statistics, the total amount of import and export is basically small but steady, the export of salt products from our country is only 768.9 thousand tons in 2007, account for 1.24% of the whole annual output while the import is only 1595.6 thousand tons. Consequently, the competition among

domestic salt companies is a domestic competition in a closed state. In view of this, we need to grasp the opportunity and take the improving the international competition as the starting point. On the one hand, we should make positive guidance to improve production technology, optimize management, reduce costs and raise quality. On the other hand, we should increase the momentum of enterprises integration and support salt enterprises enlarging and strengthening. In the mean time, we should choose some key salt production enterprises from which has comparative advantage in the rich resource、enterprise scale and traffic convenience to build production bases for export products in the sea-lake salt producing area from northern China or well and rock salt producing are from southern China. And then, carrying out international marketing by the way of joint venture, agent mode and direct investment in the gver-seas target market, cultivating multinational, salt enterprises gradually by means of co-operative competition.

2.4 Optimizing market competition order diligently to promote effective competition.

Orderly market competition rule is the important guarantee for the salt industrial concentration. Consequently, we should vigorously boost reform of China salt logistic system, feasibly improve management and supervision level in each production, supply and marketing links of products. We should further optimize salt market rules, implement overall supervision on the operation activities and competitive behavior of salt market, restrict excessive and unfair competition to provide a market environment in favor of equal competition and fair exchange for market subjects. Moreover, market intermediary organizations must be introduced to play their full roles and offer perfect services for operation activities of salt market. We also should strengthen non- administrative supervision to ensure that various management activities can be carried out orderly, regularly and successfully.