

Cluster Profile Rock Salt Cluster Sargodha

2021



Turn Potential into Profit

Small & Medium Enterprises Development Authority (SMEDA)
Ministry of Industries & Production (MoI&P)
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1 Description of Cluster

1.1 History & Background of Cluster

Pakistan is blessed with myriad of natural resources. Salt is one of the resources bestowed upon us by Allah Almighty. Pakistan is one of the very few countries that have been bestowed with all types of available salt in the world i.e. Rock Salt, Sea Salt and Salt Lake.

Pakistan is known for its famous salt ranges stretching from Kalabagh to Jhelum covering the districts of Mianwali, Chakwal, Sargodha and Jhelum in the province of Punjab. Pakistan Mineral Development Corporation (PMDC) is working for the development and mining of salt in many regions, it has 4 salt mines and 58¹ percent share in total salt production in Pakistan. Geological survey has determined the existence of 10.54 billion tons² of rock salt reserves.

According to official statistics, Pakistan exports about 4 lakh tons of salt every year. There are numerous products which are being made by salt ranging from food grade salt to salt tiles and manufacturing varieties of colorful lamps. Pakistan's lamp making industry has skilled and efficient workers, which are able to make lamps and decoration pieces of international quality.

Presently, Sargodha Rock Salt cluster is comprising of around 500³ manufacturing units and is providing direct employment opportunities to around 20,000 people. The cluster is currently catering to domestic and international market needs.

1.2 Defining the Products

Salt is the commercial name of the naturally occurring mineral halite which has chemical composition as sodium chloride. The rock salt mined from the salt mines is generally of two grades i.e. Edible Grade and Industrial Grades. The edible grade is used for food and as table salt whereas industrial grade is used different kind of items and industries. In terms of usage following products are produced by Rock Salt:

Edible Salt Products

- Table Salt
- Food Grade Salt for Food Industry

Different Kinds of Salt Decorative, Health Related and Other Products

- Salt Lamps (Natural and Shaped)

¹www.pmdc.gov.pk

² Geological Survey of Pakistan

³Source: Sargodha Chamber of Commerce & Industry (SCC&I)

- Candle Holders
- Different Kinds of Decoration Pieces (e.g. Shape of Animals, Monuments, Historical Figures, etc.)
- Animal Licking Salt Products
- Bricks, Tiles and Blocks
- Spa Products (e.g. Massage Stones, Soaps, Balls, Sticks, Foot Tiles etc.,)
- Bath Salt Products
- Salt Inhalers
- Kitchenware and Seasoning Products

Industrial Products / Salt

Widely used in various industries, as ingredient, compounds, softening/deicing agents etc., during the manufacturing:

- Deicing of Roads
- Chemical and Paints
- Pulp and Paper Industry
- Textile Industry
- Waste and Water Treatment Plants
- Petroleum Additives and Petroleum Plants
- Dyes and Intermediates
- Food Industry

1.3 Core Cluster Actors

The manufacturers of the above-mentioned products are the core cluster actors. According to industry sources, Sargodha Rock Salt cluster comprises of around 500 manufacturing units, with majority of the units are of small and cottage size, with some medium and large ones. The key industry statistics are as follows:

Table 1: Rock Salt Cluster, Sargodha

Number of Units	Large Firms: 50 (15 units, large and organized are registered at Sargodha Chamber of Commerce & industry) ⁴ Medium Firms: 150 Small Firms: 300
Employment Generated	Around 20,000 People are directly and indirectly employed by the Salt cluster
Revenues	Approximately Rs. 28 Billion
Capacity Utilization	80% to 85%

⁴ Sargodha Chamber of Commerce & Industry

Source: SCC&I

1.4 Other Cluster Actors

The key cluster support actors who provide support services to core cluster in the area are including but not limited to raw material suppliers, machinery suppliers, finishing and packaging service providers etc.

Table 2: Other Support Actors, Plastic Products Manufacturing Cluster, Lahore

Description	Details
Raw Material	The major raw material required comprises of raw rock salt and iodine. The traders and suppliers of these raw materials are operating in the cluster.
Accessories	The raw material required for accessories are Iodine for edible products, Wooden/Corrugated Cartons, packing material, Plastic Wrapper, Wooden stands, Led bulb, USB wires
Machinery Suppliers	Rock Salt processing, locally manufactured machinery is also being used. Most of the cottage industry is using second hand machinery which is easily available at Machinery Suppliers in cluster.
Traders, Wholesalers and Distributors	A large number of Traders, Wholesalers and Distributors are operative in the cluster for the sale of finished Rock Salt products in Sargodha, Lahore and Karachi.

1.5 Geographical Location

The cluster is distributed around the city; however main concentrations are on:

- Quaidabad
- Shaheenabad
- Sargodha

Majority of organized sector is located at Small industries Sargodha on Lahore Road. Moreover, the organized sector is located in other areas as stated above.

1.6 Current Cluster Scenario

The cluster requires major investment for transformation of industry from semi-automation to complete automation in order to be competitive in the market. Majority of units are operating as family businesses, therefore most of the owners are lacking in managerial competencies & formal education. The cluster direly needs to comply with the international environmental, management, safety and sanitary standards.

Furthermore, Covid-19 has not impacted the sector, and we have seen a slight rise in demand of salt, mainly the exports of pink salt. The rise on demand is also analogous to closing of border with India. Pakistan used to export its salt to India mostly on very meager rates of 40 USD per ton. India then used to purify it and after performing refinery processes sell it in international market in lucrative rates.

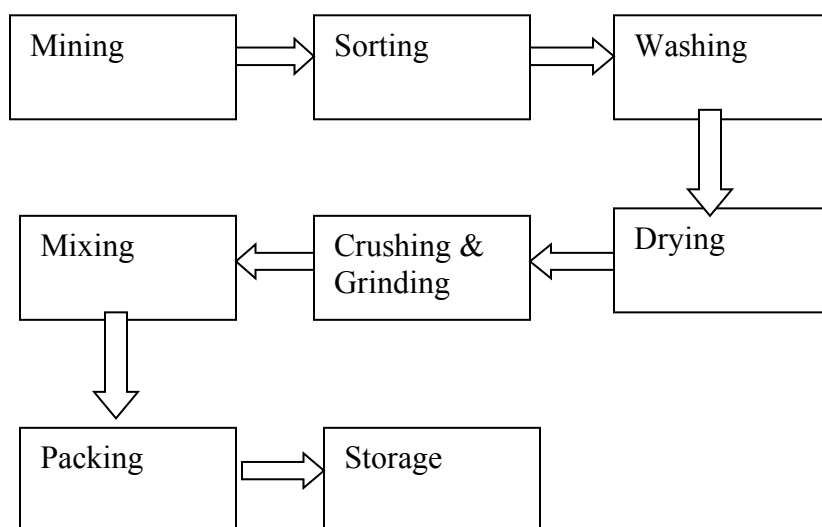
With the closing of border, the trade with India has halted through eastern borders but the inside news is that Indian buyers are purchasing it through Dubai and it is rerouting through Dubai port to India. However, Government must devise a policy in which export of raw salt should be checked and only value-added product may be allowed to export.

2 Analysis of Business Operations

2.1 Production Operations

These are processing methods used to make Edible Rock Salt. Below are the main methods in which Rock Salt is processed to form the products that end consumer's use. The major operational activities of the production include the following processes:

Flow Chart of Rock Salt from Mining to Storage



2.2 Technology Status

There is lack of use of modern manufacturing machines and techniques. Currently, semi-automatic machinery is being used by the industry. The Salt Processing plant is often made by the local manufacturers. Although the plants are not full of international environmental, management, safety and sanitary standards, yet it can further fulfill the demand of the processors and exporters after certain changes.

The machines, which are needed to run a salt processing plant or salt craft factory depend upon nature and scale of business. In Pakistan, mostly manual machines are in use due to primordial technology and capital unavailable with SMEs. Though it can be easily converted into semi-automatic and fully automatic by subsidies, grants and loan on low interest rates and easy installments to revamp the salt processing cluster and it will in return reap huge dividends for the local industry and human resource development.

Table 3: List of Machinery used in Salt Products

Manual Conventional Machinery	<ul style="list-style-type: none"> • Khrad • Cutter • Diller machine
Advanced Automatic Machinery	<ul style="list-style-type: none"> • Washing cyclone • Screw washer • Crystallizer • Milling machine • Fluid bed dryer • Cyclone • Screening machine • Elevator • Packaging machine • Cylinder

Majority of units in the cluster are using conventical machines.

2.3 Quality Assurance (Quality Standards and Certificates)

Salt Processing Industry is currently supported by various Government institutions like Pakistan Mineral Development Corporation, Ministry of National Food Security and Research, Trade Development Authority of Pakistan, Small and Medium Enterprise Development Authority (SMEDA) etc. In the areas of International Certification, following certifications are needed to export salt.

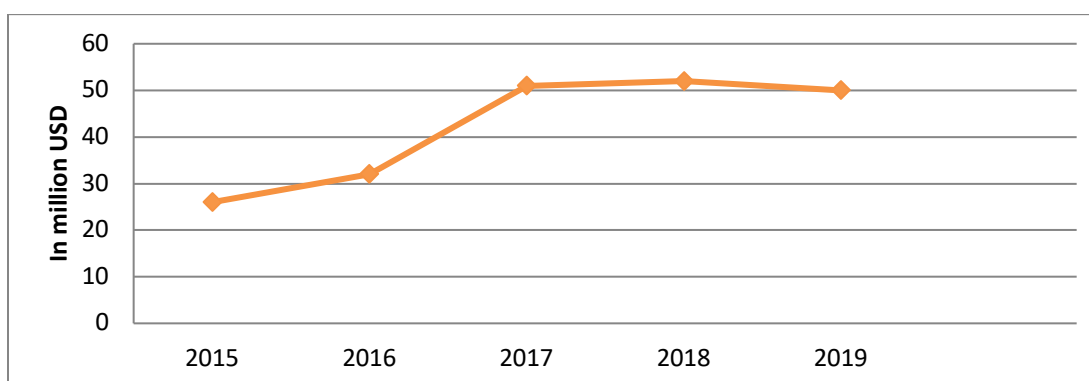
- Certification from Punjab Food Authority
- ISO 9001
- Halal Food Certification

2.4 Marketing & Sales

Salt products play an essential part in the global economy given it is an essential part of human needs related to nutrition, preservation of food items as well as having various industrial applications.

The total market size of global trade in Salt Products was estimated to be around US \$ 3 billion during 2019 – falling by 9.6% in value compared to the previous year. During the last five years the global trade value of Salt products has grown at a Compound Aggregate Growth Rate (CAGR) of 3.0%.

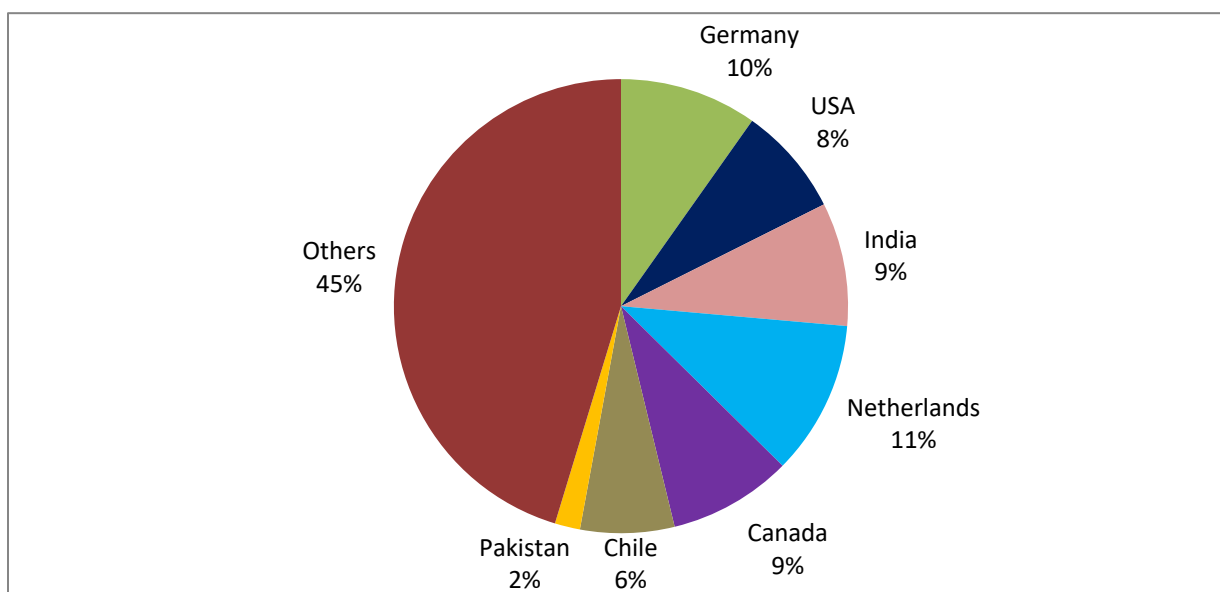
Figure 1: Pakistan Salt Exports (Value US \$ Million)



Source: Trade Map

Pakistan's Exports of Salt Products has recorded its highest exports over the last decade in 2018 where total export value was recorded at US \$ 52.0 million. However; exports declined by 4.6% the following year and were estimated to be US \$ 50 million during 2019. It is; however, worth noting that the overall export value witnessed a robust growth with Salt products export estimated to have grown at a CAGR of 18.1% over the last five-year period

Major Exporting Countries During the last five years, exports of Salt Products have been dominated by Netherlands and Germany followed by India, Canada and the United States of America. It is worth noting that while historically countries such as Netherlands and Germany have always been major exporters; in recent years India has managed to grow its value of Salt product exports at a tremendous pace during the last five years with a CAGR recorded at 16.4%. The export value, global market share and CAGR of the five biggest exporting countries is provided in the table below.

Figure 2: Global Share in Exports of Rock Salt in 2019

Source: Trade Map

Sargodha Salt Cluster is primarily targeting the local as well as international export market. In order to target and cater for the market, processors have developed a network of traders and exporters in the cluster. However, large and medium size units are also directly exporting to different countries.

2.5 Financing

At present, financial institutions have not developed / offered any specific lending scheme for the development of Salt Processing industry. The financial products available in the market do not cater the requirements of this sector. The financial institutions lack awareness on ways to market and sell their services to SMEs. Salt processors and exporters low level of education is also an obstacle to avail the financial products. However, the cluster members may get benefit of the existing generic financial products and services of the financial institutions.

2.6 Human Resource Management

Most firms prefer those individuals who have received some sort of formal training. The education level of workers / labor working in this cluster is very low, which is a major hindrance in learning and accepting new tools and techniques for grinding, mixing, iodizing and packing. The labor is unskilled and major factor in the loss of quality product, because these workers are involved in mechanical injuries. The industry is forced to work on conventional lines. There are no specific vocational training facilities for the training of workers of this cluster. Therefore, Government may coordinate with the processors to design TEVTA based programs to impart necessary skills to the labor.

2.7 SWOT Analysis

Strengths

- Pakistan has been blessed with the huge resources of Salt.
- Raw material is available to the local industries at a very low price due to huge reservoirs.
- The pink salt is of supreme quality and created a niche in foreign markets such as United States of America, Spain, United Kingdom, Italy, France, China, Japan European countries and Middle East
- Salt is used in medicinal and therapeutic purposes like the alleviation of asthma.
- Cheap and hardworking labor.
- Strong and dynamic linkages in international markets due to product quality and exclusiveness.
- Entrepreneurial culture directed towards exports
- Flexibility in production runs with short lead times
- Skilled workforce
- Strong vendor network
- Strong logistics infrastructure

Weaknesses

- The major problem is the lack of modern technology. Whereas many developed countries have inculcated artificial intelligence (AI) and complete automation in their industrial processes.
- The second major problem is the lack of international soft image arises due to faulty deals, frauds and lack of quality given by our processors and exporters. It has created a bad reputation in international market, thus hampering the exports of Salt as well as other commodities.
- Small sized companies with weak management skills and structures
- Limited product innovation
- Limited distribution channels
- Lack of branding and marketing

Opportunities

- Pakistan has gigantic reserves of salt. Moreover, salt is an essential product of world with the growing demand of Pakistani pink salt all over the world. This industry can flourish and it has promising opportunity for the new investor to invest their money and gain profit.
- By proper networking and communication through different modes, Pakistan can increase number of orders. The main purpose of this is to gain the trust of the buyers.
- Emerging middle class in domestic market
- Attitude of end consumers changing towards health & fitness (domestic and international)

- Removal of subsidies by competing countries due to obligations under WTO
- Untapped potential markets of South America, Far East, Africa and Eastern Europe

Threats

- The Salt Processing Industry is labor intensive and facing critical shortage of skilled workers.
- Load shedding and high tariff of Electricity is also a major obstacle to enhance the salt processing.
- Lack of Government interest to regularize this sector so that raw salt is not exported on bulk quantity.
- Salt exports which is not value added.
- Domestic/international political situation.
- Imposition of social, environmental, technical & compliance barriers to trade by importing countries
- Technological advancements

3 Institutional Setup

3.1 Entrepreneurs' Associations

Sargodha Chamber of Commerce & Industry

Address: House No 2, Main PAF Road Sargodha

Tel: (+92) 30834

Email: presidentscci@gmail.com

3.2 Support Institutions

Pakistan Mineral Development Corporation

Address: PMDC 13/H-9 Islamabad

Tel: (+92) 529250 288

Email: info@pmdc.gov.pk

Punjab Small Industries Corporation (PSIC), Regional Office

Address: Opposite FG college, Mela Mandi Road, Sargodha

Tel: (+92) 048-9230102

Web: [Punjab Small Industries Corporation \(psic.gop.pk\)](http://psic.gop.pk)

Trade Development Authority of Pakistan (TDAP), Regional Office

Address: Taj Colony, Faisalabad, Punjab

Tel: [\(041\) 9210202](tel:0419210202)

Web: www.tdap.org.pk



Regional Business Center (RBC) – Small & Medium Enterprises Development Authority (SMEDA)

Address: House No 2, Near Bistro Bakery, PAF Road, Sargodha
 Tel: (+92) 3208588950
 Email: ali.rana@smeda.org.pk

3.3 Banks and Financial Institutions

Almost all the registered financial institutions of Pakistan have their branches within the geographical area of the cluster. There are branches of every commercial bank in Sargodha including SME Bank and Khushali Micro Finance.

4 Major Issues and Problems

- Lack of modern technologies and scientific practices
- Absence of certified laboratories
- Poor mining practices which result in low quality produce – Lack of Skilled Workforce
- Non-compliance with Int'l Standards (ISO 9001, SPS, etc.)
- Lack of innovation
- Lack of business acumen, weak linkages with processors & exporters - disproportionate power of middleman
- Lack of storage and transportation facilities
- Incapability of Exporters to deal with quality sensitive buyers
- Weak Compliance to International Standards & Certification
- Lack of quality processing and packing
- Poor image of Pakistan as a supplier of Quality Fruits
- Lack of Product diversification
- Market diversification - limited access to high end markets Constraints of R&D and Infrastructure
- Lack of technical expertise & infrastructure Cluster

5 Investment Opportunities in Cluster

The growing market both at domestic and international levels offers many lucrative investment opportunities to the investors. Following are some potential projects with good rate of return.

- Logistics Freight Forwarders
- Production of De-Icing Salt
- Local Production of Iodine



- Pink Salt Retail Chain
- Manufacturing of Salt Tiles

Moreover, the Pre-feasibilities on ‘Salt Product Manufacturing’ are available on SMEDA website and can be consulted for further information. The said documents can be downloaded from www.smeda.org.pk.