

NEW ISSUES OF CASHEW MARKET IN TAMILNADU (INDIA) – A STUDY OF ITS PROBLEM AND PROSPECTS

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ABSTRACT

India has the maximum area (21.6%) under cashew nut and is the third largest producer (17.3%) of raw nuts in the world. After Vietnam, the country is the second largest exporter, accounting for 34 percent of the world's export of cashew kernels. India has a comparative advantage in the production and processing of cashew nuts on account of its cheap and skilled labour force. There is a need to expand and fully utilize the potential if India has to keep pace with emergent global demand, retain market share and stay ahead of the rapidly emerging competition in the world market. Against this backdrop, NABARD conducted a study in some of the cashew emergent States, viz., Kerala, Orissa and Tamil Nadu to examine the issues related to production, processing and marketing of cashew. The Report also covers the by- products of cashew, viz., Cashew nut Shell Liquid and Cashew Apple.

This study indicates that the adoption of improved technologies like grafts had enhanced productivity and profitability of cashew in the study area. Investments in processing and Cashew nut Shell Liquid has also been financially viable. Benefits of public- private partnership have been highlighted through the experience of Tamil Nadu Forest Plantation Corporation Limited (TAF CORN).

The objectives were to study the following

- Trends in area, production, yield and price of cashew in the domestic and world market
- Production aspects including net income, constraints/ issues in production at farm level
- Export potential - export competitiveness of the crop, present quality standards, role of Agri-export zones and issues relating to export marketing; and Strategies for Cashew development.

INTRODUCTION

Cashew

Four centuries ago, the adventurous Portuguese came sailing down the Indian coasts and brought with them the priceless tree nut "Cashew" , the wonder nut of the world. Cashew came, conquered and took deep roots in the entire coastal region of India. Cashew found the Indian soil more homely than its homeland.



Later it spread as a popular crop to other parts of India. Cashew cultivation now covers a total area of 0.70 million hectares of land, producing over 0.40 million M.T. of raw cashewnuts annually. By the end of the century India has targeted to achieve a production level of over 0.60 million M.T of raw cashew nuts.

CASHEW TREE

It is a short, stocky, low-spreading, evergreen tropical tree. It flowers once a year, between the months of November and January. The fruit ripens fully within 2 months.



CASHEWNUT A FASCINATING SIGHT OF NATURE

The nuttiest feature of Cashewnut is that it is attached to the lower portion of the cashew apple which looks like a fruit, but in reality it is the enlarged stem of the cashew tree. The Cashewnut can be seen sitting smugly under the soft belly of the cashew' apple. Together, it is one of the fascinating sights of nature.

The Cashewnut seed has within itself a whole kernel and this delicate kernel is covered by a testa membrane and a thick outer shell which effectively protects the tasty kernel from the ravages of nature from the time of harvesting to processing.

In its raw form, the cashew kernel is soft, white and meaty. When roasted it changes colour and taste. The cashew kernel turns from a creamy white into a golden hue and the mellow pulp becomes crisp. Salted, it appeals to the palate as the most delicious nut.

About Cashewnut

Cashew-nuts.in is an association of producers and exporters of fresh and dehydrated, high quality cashew nuts, splitted cashew nuts, whole cashew nuts,

scorched cashew nuts, plain cashew nuts, salted cashew nuts, processed cashew nuts, cashew nut kernels from India.

Each member of the association is a verified exporter - registered with Directorate General Foreign Trade (DGFT), India. By interacting with Cashew-nuts.in - you will receive responses from more than 275 reliable and quality conscious producers and exporters of cashew nuts. From all over India, significantly adding product varieties and price quotes in your sourcing kit. Cashew-nuts.in portal is sponsored by Ace Infobanc Pvt Ltd - a leading Internet company in India serving Indian manufacturers and exporters since 1997.

Quality - Customization - Competitive Price

Quality, customization and competitive price - are the three key elements guiding the working of cashew-nuts.in

Each member of the conglomerate is committed towards total quality and Good Manufacturing Practice (GMP). Members are exporting to various countries and are well aware of healthcare registration requirements and compliance procedure. Many of them are ISO 9000 certified.

Competitive price is assured as you are interacting with multiple sellers - members of the conglomeration will compete with each other to give you the best possible price - significantly reducing your sourcing time and effort.

HISTORY

The cashew, botanically-known as *Anacardium occidentale*, is the seed of a tropical evergreen plant related to the mango, pistachio, and poison ivy. Originating in Brazil, the cashew plant made its way to India in the sixteenth century via Portuguese sailors.

Unlike most fruits where the seed is found inside the flesh, the cashew seed hangs from the bottom of the cashew apple. Although the fresh cashew apple fruit is not only edible but delicious, it is only available to those who grow the plant. It is much too perishable to bring to market. Cashew apples begin to

ferment as soon as they are picked and will barely last 24 hours. Cashew apples are highly prized in their growing locale, where they are sometimes found canned, in jams, or used to make liqueurs.

The kidney-shaped cashew nut is encased in a hard shell with two layers. In between these layers is a black substance called cardol, which is extremely caustic and can cause blistering of the skin upon contact. This substance is removed during the shelling process and is used in the making of such products as varnish, insecticide, paint, and even rocket lubricant. For this primary reason, cashews are never sold in the shell.

PRODUCTS RANGE



Cashew Nuts



Cashew Nut Kernels



Roasted Cashew Nuts

Raw Cashew Nuts



Cashew Nut Shell Liquid Oil



Split Cashew Nuts

CASHEW NUTS

- India is the largest producer and exporter of cashew kernels in the world. Over 65 per cent of the world export of cashew kernels is accounted for by India. Indian cashews are consumed in as many as 60 countries all over the world. The Indian cashew kernel is well acclaimed for its good quality, taste and appearance. Sometimes cashew nuts are called “nature's vitamin pill,”
- Cashew nuts, a richly sweet product of the cashew tree, have gained popularity not only for their succulent flavor but for health benefits, too. Whether roasted, salted, sugared or covered in chocolate, the cashew nut, often used as a flavorful complement to appetizers, main

dishes and deserts, packs a mix of nutrients and minerals not found in many common foods.

CASHEW-NUT PRICE REACHES NEW HIGH IN GLOBAL MARKETS IN INDIA

Crisis in the industrial sector in Vietnam and Brazil, main competitors of India in the cashew-nut market has resulted in its price reaching a high of USD 3.60 per pound in global markets as against USD 1.90 per pound about six months back. This has been the main reason for India, the biggest cashew producer in the world, getting a record price, Cashew Export Promotion Council Chairman, P Bharatan Pillai said. The price for super quality cashew-nut in the national market ranges from Rs 500 to Rs 550. Unseasonal rains from March-April 2008 affected the crop and the default on Vietnam's part in delivering the commodity also hit supply,

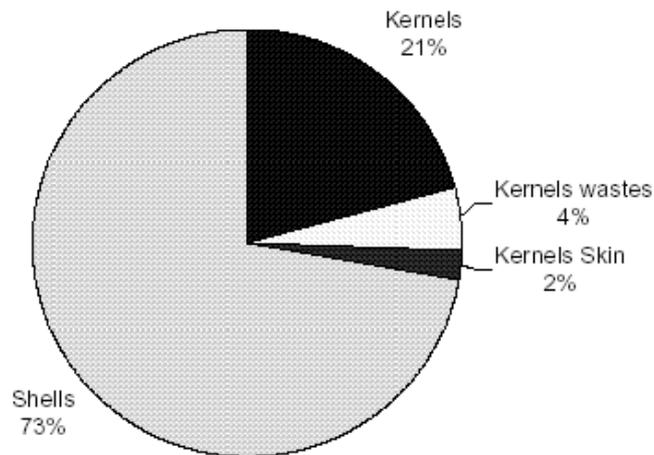
INDIA IS PROCESSING 99% OF THE CASHEW NUTS PRODUCED WORLDWIDE

The countries have developed a local processing industry in parallel with the increase of their raw material production. All these countries have strong policies to protect and promote their local processing industries.

India is today:

- Number one for the raw cashew nuts production (400,000 tons)
- Number one for the cashew processing capacity (more than 1 million tons)
- Number one for the production of cashew kernels (220,000 tons)

AVERAGE COMPOSITION OF CASHEW NUTS



Composition of the cashew nut and yields of the process

A cashew nut is made up of two main components, the shell and the kernel.

The kernel is covered by a thick reddish skin or testa.

The honeycombed shell contains a phenol like resin called Cashew Nut Shell Liquid (CNSL).

During the processing, the average yields obtained from the nuts are (in percentage of the weight of the nuts,)

Kernels = 20 – 22 %

Kernel wastes = 3 – 6%

Skins = 1.5 – 3 %

Shells = 70 – 75 %

The kernels can be of different sizes or colors, they can also be broken into pieces of different sizes. All different types of whole kernels or pieces are called grades. The cashew nuts processing industry is marketing between

fourteen and twenty five different grades of kernels. The better prices are obtained with the bigger sizes of the whole white kernels.

A 5,000 tons processing unit should produce about 1,000 – 1,100 tons of kernels per year.

Apart from the kernels, the others products are by-products which can be used, processed and marketed. It can be extracted 25-35 % of CNSL from the shells (by pressing). All the by-products represent possible additional revenue and profit for a processing unit.

THE DIFFERENT STAGES OF THE PROCESS

The successive stages involved in the processing of the cashew nuts into marketable kernels are:

- Cooking of the nuts
- Shelling of the nuts
- Drying of the kernels
- Peeling of the kernels
- Grading of the kernels
- Packing of the kernels
- The whole process usually lasts about 5 to 7 days.

THE INDUSTRY REQUIREMENTS

All costs or other figures have been acquired through personal experiences in cashew processing or during interviews of Indian processors. The unit costs refer to the quantity of raw nuts processed and are evaluated in CFA / kg of nuts (For Indian processors, the unit costs are in USD / bag of raw nuts, a bag being 80 kg of nuts).

HIGH LABOR INTENSITY

For a large size processing unit running 275 working days a year, the ratio (number of worker / ton processed per year) is about 0.25 – 0.30.

The ratio (workers / ton processed per day) is around 75.

A 5,000 tons processing unit should employ 1250 – 1,500 workers.

LOW LEVEL OF REQUIRED SKILLS

Most of the operations of the processing of cashew nuts are manuals and very repetitive. They need patience and concentration but they do not need special education or training.

LOW LEVEL OF INVESTMENT IN EQUIPMENT

The equipment of a cashew nuts processing unit can be of an extreme simplicity. Thus, the costs of the investment in equipment for a 5,000 tons processing unit is about USD 750,000 - 1 million.

IMPORTANT SURFACE REQUIRED

The erection of a processing unit can require a very important surface to install all working sections and storage facilities.

- For a 5,000 tons processing unit:
- Storage capacities for the raw nuts = 2,500 – 3,000 m²
- Surface required for working section = 5,000 m²

The constitution of the stock of raw nuts and its financial implications

A cashew processing unit is supposed to be run on a whole year basis (although this assumption can be discussed).

A processor should buy a stock of raw nuts during the harvest season, from March to June, and is going to process it for at least 10-11 months. Each year, this processor must have a large amount of money for this stock purchase.

He can take the money on its own resources but, more often, he is going to look for banking facilities.

The credit line or revolving obtained from a local bank (or more probably from an international bank) is going to generate high financial costs.

For instance, the CFA 1 billion necessary for a 5,000 tons unit (with a unit price of CFA 200 / kg of raw nuts) can cost CFA 10 to 30 / kg of nuts or 50 to 150 millions for the whole year campaign.

Indian processors have not similar problems as they used to work on three different stocks, the nuts bought in India, then the nuts purchased in Western Africa and finally the stocks they acquire in Eastern Africa.

OPERATING COSTS

We are making the distinction between the variable costs and the fixed costs. The variable costs are proportional to the quantity of nuts processed when the fixed cost are independent of this quantity. All costs are depending on the efficiency of the process (quantity of nuts processed per unit of time).

The variable costs can be estimated about CFA 100 – 150 / kg of raw nuts. They are shared between wages (70 % - 80 %), packing materials (10 % - 20 %) and others inputs and utilities (5 % – 15 %) but without all financial costs.

The fixed costs are about CFA 25 – 75 / kg of raw nuts without depreciation costs and all taxes.

The total costs are about CFA 125 – 225 / kg of raw nuts processed and an objective for a new operating large size processing unit could be CFA 175 / kg of nuts.

CONCLUSIONS

- The small size farms were more cost efficient and productive than the large farms. Hence, the farmers are advised to go in for small size plantations.

- Investment in cashew plantations was found to be economically possible and financial sound in the state. Hence, the farmers are encouraged to take up the cultivation of this crop in large areas of wasteland.
- Annually 40 and 2.9 lakh tonnes of cashew apples are estimated to go waste in India. Hence, effective methods for economic use of cashew apples in the preparation of alcohol need to be explored.
- The producer's share in the processor's rupee was more when sold the produce/ raw nuts directly to processing units, than in any other channels. Hence, the farmers should be encouraged to sell through processors.
- Particularly in the state of Tamilnadu, the growth in area, production and productivity showed on the way out trend during post-liberalisation and overall periods. Hence, concerted efforts should be made to improve productivity by replacing age-old plants.
- There is a need for yield and area stabilizing policies through appropriate Crop Insurance Scheme for cashew. In order to protect the cashewnut producers from high fluctuations.

KEY WORDS:

DGFT - Directorate General Foreign Trade

GMP - Good Manufacturing Practice

DACCD - Directorate of Cashew and Cocoa Development.

NABARD: National Bank for Agriculture and Rural Development

TAF CORN: Tamil Nadu Forest Plantation Corporation Limited.

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