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## A STUDY ON THE EXPORT POTENTIAL OF CASHEW FROM INDIA-WITH SPECIAL REFERENCE TO KERALA

**Dr.G.Chandrasekaran<sup>1</sup> & M.R.Jeyakumar<sup>2</sup>**

<sup>1</sup>Assistant Professor of International Business, PG and Research Department  
of Commerce, Chikkanna Government Arts College, Tiruppur-641602,  
Tamil Nadu, India.

<sup>2</sup>Research Scholar, PG and Research Department of Commerce, Chikkanna  
Government Arts College, Tiruppur-641602, Tamil Nadu, India.



### ABSTRACT

*India is the largest producer, processor, exporter, and the second largest Consumer of cashew kernels in the world. Cashew ranks second in agriculture and horticulture commodities exported from India. The country is earning 25,000 Crores through the export of cashew kernels yearly. Over 65 per cent of the world cashew kernels are accounted by India. Today, India dominates the world cashew market over 685,000 hectares are under cashew cultivation here. With an average annual export worth US\$ 564 million, India meets two third of world demand for cashew. USA is the largest buyer of Indian cashews. It is developed only in 20<sup>th</sup> century. Indian cashews are consumed in as many as 60 countries all over the world, the major markets being the United States, the United Kingdom, Japan, Netherlands, Australia, Canada, Germany, Hong Kong, Singapore, New Zealand and Middle East countries. Vietnam is the largest producer of raw cashew followed by India and Brazil. India dominates and leads the cashew kernel production list.*

**KEY WORDS:** Cashew Kernels, Cashew Nut Shell Liquid, Export, Import, Kerala

## **INTRODUCTION**

Cashew is a tropical evergreen tree known for its seed worldwide. It flowers once a year between the month of November and January. The sweet, flavored and nutrient features of cashew nuts like seeds are obtained from the bottom of the false fruit of this tree, which is termed as cashew apples. The Cashew nut can be seen sitting snugly under the soft belly of the cashew apple. Cashew seed is the food product. It is placed third among the largest consumed tree nuts in the world. The commercial production of cashew seed is done in more than 32 countries of the world, mostly in hot and dry agro climatic conditions suitable for cashew cultivations. Now it has become the number one crop in the world. Cashew was introduced in Goa by Portuguese during 16<sup>th</sup> century. Today this crop is one of the major cash crops of Goa covering an area of 5, 12,000 hector. Since its introduction, cashew has very well adapted to Indian climatic condition and it is grown in the east and west coastal region of India. Later it spread as popular crop to other part of India.

## **INDIAN CASHEW INDUSTRY**

There are 32 countries successfully cultivate cashews. Among these Vietnam, India and Brazil are the top three producers and processor of cashews. Cashew Kernels are facing stiff competition from other edible nuts like almonds, walnuts, pistachios, macadamia nuts and hazel nuts and India also facing competition from Vietnam and Brazil.

India has 24% of the global area under cashew but contributes only 19% of global production of global production. Whereas, Vietnam with 10% of the global area contributes an average yield of 2.8 tones per hectare as against India's around 800 kg.

India was the first country started to exporting manually processed cashew nut.

These processing operations were performed by experienced skilled workers. In general Indian processing system involves lower investment and variable costs and achieves far efficiency in terms of kernel. However this system requires large number of experienced workers who works at unhealthy level of exposure to CNSL. Thus cashew has the potential to increase the income of poor producers, to create employment opportunities during harvesting and processing and to increase exports.

## **DOMESTIC PRODUCTION OF RAW CASHEW NUT**

India has always been a major player in the production of cashew. It is the largest producer of raw cashew in the world. The major states in India in which cashew have been cultivated are Kerala, Karnataka, Goa, Maharashtra, Tamil Nadu, Andhra Pradesh, Orissa and West Bengal. The production of cashew in India has been fluctuating during the recent years. In India, Maharashtra produces more cashews compared to other states. Poor qualities of cashews are grown in some states, which is due to the wrong harvesting techniques. Maharashtra produces 31% of total production from India. Kerala has been standing at fourth position. They produce 11% of total production. According to the estimates by the Directorate of Cashew nut & Coco Development, the production of raw cashew nuts in India during 2009-2010 was 6,13,000 Million Tones. as against the estimate production of 6,95,000 Million Tones during 2008-2009. The raw cashew nut requirement of cashew processing industry in India is estimated to be over 12 lacks. per annum and the availability is about half of this. The balance is met by import from other producing countries. The Govt. is taking in this direction

by promoting re-plantation, expansion of new cultivation etc. The Kerala Govt. has set up a special agency (Kerala State Agency for Cashew Cultivation) for promoting cashew cultivation. The major trading centers in India are, Palasa, Cochin, Quilon, Mangalore, Kollam. The Government has contemplated various developmental measures to attain self-sufficiency in the production of raw cashew nuts in the States.

### **IMPORT OF RAW CASHEW NUT**

Due to the wrong harvesting technique and aging of cashew tree adversely affect the domestic production. Now India's domestic production is around 7 lack tones while their processing capacity is about 14 lack tones. Hence India has to depend on imported raw cashew nut for more than half of the requirement. Four tones of raw cashew nut need to be processed for producing one tone of cashew kernels. India mainly import raw cashew nuts from African countries like Ivory Coast, Guinea Bissau, Tanzania, Indonesia, Ghana, Nigeria and Mozambique.

There is a rise in imports of raw nuts which had gone up by 24.26 per cent in 2009-10 from the previous fiscal. India imported 7, 52,854 tones of raw nuts valued at Rs 3,037.35 core in 2009-10 as against 6, 05,850 tones valued at Rs 2,632.41 core in 2008-09. The unit import price for raw cashew nut was Rs. 40.34/ kg. During 2009-10, as against Rs.43.45/kg, during the previous year. The import value was increased by 15.38 percent while the unit import price by 7.71 per cent.

### **STATEMENT OF THE PROBLEM**

India is one among the largest producer, processor, consumer and exporter of cashew in the world. Over 31 percent of the world export of cashew kernels is accounted by India. Cashew kernels from India are consumed

in as many as 60 countries all over the world, the major markets being the United States, the United Kingdom, Japan, Netherlands, Australia, Canada, Germany, Hong Kong, Singapore, New Zealand and Middle East countries. The Indian cashew kernels are well acclaimed for its good quality, taste and appearance. This crop intended to check soil erosion had transformed into a major foreign exchange earner in the country. Cashew nut processing industry in India partly relies on the imported raw cashew nuts owing to inadequate production of the same within the country. Since Indian cashew has reputation of superior quality in the international market, it is also desirable for the cashew exporters from India particularly from Kerala to develop theoretical background on the problems and prospects of Indian cashew.

### **SIGNIFICANCE OF THE STUDY**

In 2012-13, India exported 104,015 tons of kernels valued at INR 40.67 million. The domestic consumption is estimated to be 170 to 190 thousand tons. India imports more than half of its raw cashew requirement due to poor productivity in the country. India imports more than 0.7 million tons of cashew, which is being converted into cashew kernels. Mechanized cashew nut processing was introduced in Italy in late sixties, but high dexterity of women laborers in the extraction of whole kernels overshadowed it in India. The productivity in India is about 824 kilogram per hectare which is less than the Vietnam yield. Hence, the present study is more useful to the Cashew Export Promotion Council of India, the Kerala State Cashew Promotion Corporation, Cashew Exporters, Importers, Processors and policy makers of Central and State Government. Moreover, this is useful for the Department of Commerce, Government of India to know the potentials of cashew exports and provide subsidy to them. The Government of Kerala is

initiated various steps through ministry of horticulture for increasing cashew cultivation in various places and the present study is more useful to them.

### **OBJECTIVES OF THE STUDY**

The following are the important objectives of the study:

- ☆ To study the Indian cashew industry and the export performance of cashew from India.
- ☆ To analyse the export and assess the prospects of the cashew industry of India.
- ☆ To examine the problems faced by cashew exporters from India.
- ☆ To offer suggestions to overcome the difficulties and to enhance the growth the Indian cashew industry.

### **PERIOD OF STUDY**

The study covers a period of 2 years i.e. 2011-12 to 2012-13. The data collected, opinion and expectations revealed pertain to the same period.

### **AREA OF THE STUDY**

The area of the study was Kollam District in Kerala since this place is familiar and well known for cashew processing and export. The Cashew Export Promotion Council and Kerala State Cashew Promotion Corporation are located at Kollam.

### **SCOPE OF THE STUDY**

Many researchers have recognized cashew and cashew board for their assignments. But the studies on the problems faced by Cashew exporters seemed to be missing. To fill this vacuity, the present study is carried out. The outcome of the study will certainly extend a helping hand to the Government, Cashew Board, Cashew Manufacturers, Cashew Traders and Cashew Exporters.

### **METHODOLOGY**

This section portrays the research methodology adopted for carrying out the study. The method of data collection, sampling procedure, framework of analysis and definition of terms used in the study are explained.

#### **1 Data and Sources of Data:-**

The present study uses both primary and secondary data. Primary data have been collected with the help of structured questionnaire. A pilot study was conducted with 30 cashew exporters to ascertain the relevance of questions. Secondary data have been collected from monthly release called "Cashew Bulletin" from the Cashew Export Promotion Council of India, The Kerala State Cashew Promotion Corporation, books, magazine, journals, newspapers and through web sites.

#### **2 Sampling Design:-**

The study was conducted in Kerala state of India. The exporters list was collected from the official website of the Cashew Export Promotion Council of India. The present study is carried out with the exporters who are registered with the Cashew Export Promotion Council of India promoted by Government of India in Kollam District. There are 250 exporters in Kollam District, which comprises of both merchant exporter and manufacturer exporter registered up to March 2013.

#### **(i) Selection of District:-**

In India, Cashew is grown nearly in eight states namely, Kerala, Karnataka, Goa, Maharashtra, Tamil Nadu, Andhra Pradesh, Orissa, West Bengal. Out of these, Kerala is deemed to be the 'Land of Cashew'. Next to Kerala, the major stakeholder in cashew production is undoubtedly Karnataka. In Karnataka, cashew is densely cultivated in many districts. In Kollam district, the Cashew Export

Promotion Council of India tracks the entire business of manufacturer exporter and merchant exporters. Though the manufacturers of cashew are more in other districts in Kerala, they operate their export business through Merchant exporters in Kollam. Hence, the Kollam district has been chosen for the present study.

### (ii) Selection of Cashew Exporters:-

The list of both merchant and manufacturer exporters of cashew industry in Kerala state is portrayed below. On the overall, it is seen that the merchant exporters are more in and around Kollam. When the manufacturer exporters are traced, it clearly signifies 'Kollam'. It is because in Kollam district, Mangadu,

Cheerancavu are the key area where abundant of cashew nut are cultivated. It is clearly depicts that the majority of cashew exporters belong to Kollam district and hence it induced to make an attempt in Kollam District.

### (iii) Selection of Sample Respondents:-

The total cashew exporters in Kollam District are 250. During the data collection, it seemed to be conditional to meet all the exporters because some of those are not cooperative for the study and thus it made to go for sampling method. A sample of 96 respondents has been determined as per the Krejcie and Morgan's Law, 1970 and those respondents were contacted by adopting convenience sampling method.

**Table 1. Selection of Sample Respondents from Kerala**

Area	Merchant Exporters	Manufacturer	Total
Other than Kollam	35	47	82
Kollam	33	13	46
Total	68	60	128

Source: Registered Exporters in Cashew Export Promotion Council

## FRAMEWORK OF ANALYSIS

The collected data have been evaluated using (i) Friedman Rank Test, (ii) Analysis of Variance (ANOVA), (iii) Chi-square Test, (iv)

Multiple Regression and (v) Correlation Analysis. Statistical tools used.

**Table: 2 Exports and Import Trend of Cashew in India in 2012-13**

Sl.No	Export Import Particulars	2012-2013
1	Import of raw cashew nuts (quantity in lakh tones)	8.922
2	Import of raw cashew nuts (value in crores)	5331.12
3	Export of cashew kernels (quantity in lakh tones)	1.040
4	Export of cashew kernels (value in crores)	4067.21
5	Export of CNSL (quantity in tones)	9192
6	Export of CNSL (value in crores)	29.84
7	Foreign exchange earnings (Kernel + CNSL) in crores	4097.05
8	Indigenous raw cashew nuts (quantity in lakh tones)	7.28

Source: Various Custom House and DGCI&S Kolkatta

## **MAJOR PROBLEMS FACED BY THE CASHEW EXPORTERS**

### **1 Shortage of Raw Cashew Nuts:-**

Shortage of raw cashew nut adversely affects the export of cashew product. In India Domestic production of cashew has been fluctuating during the recent year. This is mainly due to the inclement weather and aging of cashew tree. This would drop the productivity. Apart from the use hybrid variety, new systematic and scientific method should be used. The idea of re plantation programme and organic cashew farming can enhance the domestic productivity. Now, India's domestic productivity is around 7 lacks. While their processing capacity is about 14 lacks tones. So India has to depend on imported raw cashew nuts.

### **2 Exchange Rate fluctuations:-**

The exchange rate fluctuation directly affects the profitability of the exporting companies. Since the invoicing is done by the companies against an assumed fixed rate. When the domestic currency weakens against the foreign currency the profitability is eroded. The purchase agreement is signed for a period of three to five years. For the firm most of the contracts are fixed for term of three years.

### **3 Infrastructures:-**

The export of cashew product requires shipments from airport and sea ports. The Poor infrastructure in the Indian Scenario creates logistical problems. To agreement export infrastructure is more important. The warehousing and storage facilities are not adequate and the standards are very poor when compared with international parameters. The rail net works is inadequate to serve the transportation requirements of agro commodities. This results in higher lead time for procurement and cause delay in delivery.

### **4 Competitions:-**

Indian exporters face stiff competition from countries like Vietnam and Brazil. Productivity of these countries is more compared to productivity of India. These countries using new modernized systematic and scientific method. Production capacity of Vietnam is more than that of India. This is because the usage of high yielding variety crop, their adequate harvesting technique, storage and ware house facilities. Vietnam as a major exporter of raw cashew at competitive price .The Govt. of these countries gives various concession to the cashew export community. The tariff was imposed by union Govt. for the Indian exporters. To increase the economies of scales they enable to offer product at lower price.

### **5 Financial problems:-**

The cashew industry not has sufficient financial capacity. The bank and financial institutions are providing few amounts of loans and advances at high rate of interest basis. At that bank and financial institutions are ask for high securities and not giving this loans and advances at correct time. This lead to shortage of production. Some banks unnecessarily delaying for opening Letter of Credit (L\C). This type financial institutional rules and procedure are very risky. Today cost of production is very high .so the exporter's required huge amount of finance. Especially the small exporters are highly faced in this problem. The govt. spent some amount to cashew industry, but this amount is not sufficient for all exporters in India.

## SUGGESTIONS

- 1) Evolution and valuation of genetic resources and development of cultivars which can fit into achieving vertical growth and can sustain climate change and meet consumer's requirement towards ensuring nutritional security. Genotype and phynotyping to locate desirable genes particularly for dwarfness, compactness and nutritional constitutes. Evolve varieties with durable resistance to pests, heat, drought with high level of bioactive compounds, having high nutrient and water use efficiency. Biotechnological tools must be used in conjunction with conventional breeding to tag genes of interest for making assisted selection. Utilize the tools of bio-informatics and nanotechnology for enhancing the output.
- 2) Eco-region specific technology generation based on maximum productivity of available resources. Develop production system for productive use of water and nutrients. Canopy management system for efficient utilization of nutrients, air, water and sunlight to optimize production with resources.
- 3) Integrated management of emerging pests and development of cost effective, eco-friendly approaches.
- 4) Develop production and post-harvest technologies to improve product quality and minimize environmental impacts. Increasing the value of production by reducing variability in yield, quality, reducing crop losses and increasing marketability. Mechanization of

operation, and use of non-conventional energies. Technological innovations value chain management for reduction of losses and enhancement of quality.

- 5) Inter institutional mechanisms to network and review the ongoing program of biotechnology, cost effective production technologies, post harvest technology, farm mechanization, transfer of technology and organic farming for optimization.

## CONCLUSION

Plantation crops like Coconut, Cashew, Cocoa and Arecanut are emerging as important sector of horticultural crops. These crops including cashew nut being high and low in volume have provided opportunities to farmers in utilizing marginal land have added value to environment through diversification. The technologies developed based on new research strategies would help in enhancing the productivity of cashew resulting in increased production and lesser dependence on import of raw cashew nuts with self reliance on indigenous raw nuts required for processing. Product diversification efforts have resulted into enhanced trading of cashew products and market for cashew product as health food is attracting the consumers across globe. India has succeeded in developing new cultivars, production system and also large number of products which require adopting and researching together in network mode. There is need to develop and disseminate technologies to help cashew farmers in terms of realization of higher returns. Further, large tracts of potential area need to be brought under cashew cultivation even in non-traditional areas. Increasing productivity and expansion of area under cashew through developmental agencies will have strong impact on cashew development, in general, and increased production of raw cashew nut in the

country, in particular. Intensification of research will definitely add value for optimization and effective utilization of this crop.

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