

ISSUES AND CHALLENGES FACED BY CASHEW PROCESSING ENTERPRISES – A STUDY IN UDUPI DISTRICT

Venkataram Bhat, Assistant Professor of Commerce,

SKVMS Government First Grade College, Kundapura – 576 222 Karnataka, India.

Abstract

Cashew nut processing is mainly an export oriented seasonal industry. The industry came into fame only during fifties and the number of cashew nut factories has since then been on the increase. Cashew processing is a labor demanding industry. It employs 95% women from socially and economically backward areas in rural India. It is a fact that any amount received by a woman member of staff will be utilized directly for the benefit of the family unit and hence the link relating to family wellbeing is quite apparent. Cashew industry is one of the most promising industries in the area of women employment and empowerment, sustainable rural development and economic development of the country. It has a greater impact on the rural economy of Udupi district. But there are various problems that are faced by the industry today which need instantaneous attention of the government and other institutions so that the development in general does not get affected. Shortage of trained manpower, less wages and welfare programmes for labourers, moderate mechanization, shortage of quality and quantity of raw materials, lack of policy push by the government are some of the problems faced by cashew industry. Researchers here took effort to spot the various problems faced by the industry in Udupi District, which is one of the major Micro, Small and Medium Enterprises of the coastal Karnataka. The Study concluded that there is an imperative policy requirement to affect the cashew industry as a whole so as to come out and face the issues and challenges.

Key Word: Cashew Processing, Mechanization, Exports, Enterprises.

Introduction

Sheltered by the soaring Western Ghats on the east and bordered by the blue waters of the Arabian Sea, Udupi district is blessed with bountiful rainfall, fertile soil and verdant vegetation. Pristine beaches, picturesque mountain ranges, temple towns and a rich culture make it a sought after tourist destination. Udupi district is basically an agrarian economy. Agricultural crops such as paddy, areca nut, coconut, rubber and cashew are the major crops being cultivated since long time. As such, Paddy and plantation crops grown in the district provide raw material for agro/fruit dispensation industries. One of the major Exportable Item is Cashew Kernels.

Cashew nut is a exceedingly nutritious product. It gives additional calories to the human body. Because of its nutritious content it gives more strength and stamina to the body. The cashew nut producers take a little percentage for their consumption and used to sell the remaining percentage. The largest producers sell the products for sales and for exports. They buy the cashew, roast and break it and take the inner nut which is very tasty. The outer surface of the nut is used of fire wood which is bought by the hotels and industries. The inner nut is marketed and used by the bakeries for preparing various types of sweets and it is used for tasty consumable products. The broken inner nut is used for local consumption.

Cashew nut processing is predominantly an export oriented seasonal industry. The industry came into prominence only during fifties and the number of cashew nut factories has since then been on the increase. Cashew processing is a labor intensive industry. It employs 95% women from socially and economically backward communities from rural areas. It is a fact that any amount received by a woman worker will be utilized directly for the benefit of the family and hence the link relating to family welfare is quite clear.

Background of study

Cashew nut has a brownish green colored outer layer, a thick middle layer and white kernel within. The kernel has a thin outer covering which is light brown in color. With the help of a machine, the thick outer layer is broken and removed; next, the inner kernel should be separated from the brown layer. Separating the inner part (kernel) from the brown layer involves very delicate work, and this job is assigned to women workers. As per weight, colour and size, 20 different varieties are identified and each cashew nut is considered, to sustain quality during production. The cashew nuts are then packed in aluminum containers and exported. Cashew and its products are exported to other countries through the port at Mangalore. India is the major producer, processor, exporter and importer cashew at the global level. It can be rightly said that India is providing cashew to the rest of the world. Cashew nuts produced in Udupi district are exported to America, Gulf countries, England, Russia, Japan, Australia and other countries. The foreign exchange received from this has played a very prominent role in the development of economy of the Udupi. As women workers are available in adequate numbers, cashew industries are seen more in Karkala and Kundapura than in Udupi talukas.

India is one of the leading suppliers of cashew kernels to international markets. This is hardly surprising since it produces 6-7 million tons of raw cashews annually. In fact, India has the distinction of

being the first country to develop the cashew processing industry. It was the leading cashew exporter for several years before being overtaken by Vietnam.

From around 100,000 tons at one point, cashew exports from India have been falling steadily. In 2018-19, India's cashew exports dropped to a two-decade low, falling by 20% year on year in volume terms to 66,693 tons and by 24% year on year in value terms to INR 4,434 crores. This is indeed surprising since the cashew industry is seeing sunny days globally. According to the International Nut and Dried Fruit Council, the international demand for the cashew kernel has increased by 53% since 2010. The scarcity of raw nuts and unfavorable instability in the market, created cut throat competition among the processors in achieving more export.

Literature review

N.Kumar Et al., (2012) in their article "Cashew Industry in India – An Overview" represented the status of cashew processing industry in India. They outlined the processes involved in industrial activity, than through light on various issues faced by the industry. They stated that Indian cashew industry is meeting only 50% its capacity. This shows the potential of cashew industry in India.

Patil PJ (2016) in their article on "Food Processing Technology and Packaging: A Case Study of Indian Cashew-nut Industry" stressed the need for skilled labour in the industry. They mentioned various activities in cashew processing. They concluded that there is need for modernization of cashew industry so as to meet the demands of international markets.

Banana, Krishna and Kumar Veeranjaneya (2017) in their article "Problems and Prospects of Cashew nut Processing Industry:" projected the need for imperative changes to be made in the existing cashew processing system, so as to find a substantial improvement in the growth of the industry. Along with policy strategies the researchers suggested co-operative movement in the sector. There is need for growth of registered trade unions so as to bring about market stability of cashew products.

Literature review shows that there are multi furious problems along with opportunities in the cashew industry. The most important is inadequate supply of raw nut required for the industry for providing employment to the workers for about 250 days. This has adversely affected the socio-economics of the workers in general and women workers in particular. Moreover, the various welfare policies and other measure taken by the Government have not helped the cashew workers for ameliorating their pathetic

condition. Hence a socio-economic study by incorporating the workers, processors and trade unions have been attempted to iron out the exact problem haunting the workers and the industry in general.

Research gaps

The studies conducted highlighted the problems and prospectus of cashew nut processing industry from point of view of various timelines and geographical locations. There is need for study in Coastal Karnataka especially in Udupi district which is housing greater number of processing units. The study would help policy makers to outline development of region by empowering the cashew processing enterprises.

Objectives

With this background the researcher has set the following objectives for the present study.

1. To know the issues faced by the cashew industry in Udupi District
2. To study the challenges of cashew industry
3. To suggest measures for improvement of status of cashew industry

Methodology

In Udupi District there are 229 cashew nut processing units. Keeping in mind the time and resource constraint for research in researchers focused on the convenience sampling method and only 16 cashew nut processors were surveyed through a direct and telephonic interview. A structured questionnaire was used for this survey. The responses were formulated into various points of issues and apprehensions for the purpose of analysis and presented in a theoretical form.

Scope and limitations

This study is limited by the coverage of cashew nut processing units situated in Udupi district. The issues and concerns were of the points of views of the producers during the time period of survey in the month of December 2017 and January 2018. The study is a descriptive one and depends mainly on the opinion of cashew nut processors.

Findings and Analysis

Issues faced by Cashew nut processing units

1. Inadequate supply of raw cashew

Raw cashew produced in the district is not sufficient to meet the requirements of the cashew nut factories. The raw cashew nuts grown in India and made available to the cashew factories constitute hardly one-third of the total requirements of the cashew factories. Also, due to increased demand for

cashew nuts in the global market, the cashew processors were compelled to import around 50 per cent of raw nuts. There are about 229 cashew nut processing factories in the district and these factories depend on cashew nuts imported from South Africa, Vietnam and other countries. Some amount of raw cashews is also obtained from the North Kanara district and also from Kerala State. On an average 39,729 tons of raw cashew nut are produced every year on 19,374 hectares land in the district. However this is not sufficient to meet the raw material requirement of these factories. About 30,000 tons of the raw cashews are imported and the final product, after value addition, is exported to the United States and European countries.

2. Lack of proper policy push for growing cashew

Karnataka Cashew Manufacturers Association has urged the Government to formulate policies to encourage cashew cultivation in the State. Though there are plenty of cashew nut trees in Udupi, especially in the hilly regions of Brahmavara and Kundapur. Cashew processing industry is facing acute shortage of raw material and the policy resolutions by the state would help to grow the cashew in these areas and also solve the raw material shortage problems of the state. Through the horticulture department more dry land could be identified and separate zones for cashew nut should be reserved.

3. Shortage of skilled labour

The cashew processing industry in Karnataka employs around 50,000 women which gives a major boost to women empowerment. However, there is a sharp decline in the number of skilled workforce in recent years. Hence, to overcome skill shortages and to increase the output, the industry is actively looking for efficient machineries. Cashew has to be peeled, shelled and graded and the entire process is labour intensive. Second-generation laborers are moving out of the cashew industry and finding jobs in large shops and other establishments. Laborers are also making a shift to the government's national job-guarantee scheme, NREGA, which doles out daily wages for work on small to midsize infrastructure projects. This is also due to the fact that there is increased awareness about higher education and rural youth have access to the modern global opportunities through welfare programmes of the government.

4. Need for fine tuning the technology and mechanization

Some processing units have installed machines that shell, cut and grade cashew. But technology needs a little fine-tuning. A processing unit, which has installed new machines, can avail of government subsidies only after a thorough inspection of the facility by government inspectors. The Cashew Export

Promotion Council of India (CEPCI) wants the processors to improving packaging standards, from traditional tin containers to flexi-vacuum packing. Cashew kernels are obtained after cashew nuts are processed, that is, after they are roasted or steamed, shelled and peeled. The cashew industry, of late, has been exploring the possibilities of mechanization to enhance labour efficiency and solve the problem of shortage in women workers. However, given the complex nature of the work involved, a full mechanization does not seem to be practical and viable. In fact, shortage of labour is felt only in the shelling section and that is mainly because a majority of the factories are still following the conventional method of roller roasting. If some sophistication is brought in, 90 per cent of the problem will be solved, said some of the processors.

5. Outdated Shelling methods

At present, women shell the kernel from the roasted raw nut by beating it with a short stick. This method, in existence for decades, is done by women workers who over the years have acquired the skill on this job. A shelling worker's each day output, on an average, is 7 to 8 kgs of kernel. A sophisticated method introduced in recent years in several factories is steam processing, under which the hard shells are softened and the kernel is extracted by cutting the shell using a manually operated mechanical system. Blades are adjusted in such a way that it does not touch the kernels. In this case, workers' daily output is higher at 12 to 13 kg, which means an increase of 20 to 25 per cent in their daily wages. With this method; the capacity utilization of the factory can be enhanced. If mechanization is introduced in the shelling segment, 75 tons of raw nuts can be processed daily. Thus, the capacity utilization could be increased and that in turn will enhance the output of the workers, and consequently their daily wages.

6. Semi-Mechanization

Most of the factories in the Mangalore region are operating on the semi-mechanized steam procedure; there too mechanization has been introduced only in the "cutting/shelling" segment. Mechanization should be an important option wherever needed in order to enhance the efficiency of the workers and benefit the industry. Increase in productivity by ensuring quality of the kernel would make the product competitive besides fetching a premium price. The taste of the kernel processed using the traditional methods of roasting and shelling is better than that produced using the steam process.

7. Market issues

Cashew marketing is in risk due to quality issues and valuable material is handled badly without information and knowledge about the produce. Cashew markets in India are operating to satisfy only the seasonal requirements. There is no unusual phenomenon to notice than meeting the routine demand. There is still no substantiation of Industrial demand being insistent. Unreceptive demand for core consumption is on. The markets in India generally are lack gleam. This is both due to physical demand and could be speculative buying. Focus on quality and food safety aspect to satisfy the sensitive consumers of tomorrow.

8. Poor working conditions

A large majority of the cashew workers are made to sit on the floor to perform tasks such as shelling, peeling, and grading. This uncomfortable posture causes health problems. Benches and chairs should be provided to the workers, the majority of whom are women.

9. Other General issues of Cashew industry

1. Shortage of finance of working capital by banks and delay in sanction of loan.
2. Unfriendly government policies
3. Lack of infrastructure like industrial area / estate since 10 years.
4. Lack of uninterrupted power supply.
5. Marketing problem and Effects of recession in the market.

Suggestions for Improvement

The above issues can be resolved so as to achieve a good growth in the industry. A few suggestions are enlisted below:

Enhance Indian brand name and position in the Global market

The mechanization will not enhance profitability and feels that the industry should concentrate on diversified value addition to the kernels and market them in the global market under an Indian brand name instead of exporting it in bulk form.

Use Modern technology

The mechanization of the entire processing method is possible with new technology. Therefore, improving the conventional method followed here for decades is the need of the hour. There is need for advanced technology to ensure the quality of the end product is in line with international standards. The old

“oil roasting method” that was used here for decades has been lost to Vietnam now. By applying better technology in production and packaging, different value added products like salted, spiced cashew, and kaju masala can be taken up for high end category markets by few entrepreneurs in this area.

Take care of post-harvest treatment

An important message that needs to go out to the cashew producing community is to take care of post-harvest treatment of raw cashews. The estimated loss of global value on this account exceeds Rs 700 crores per annum (100 million Euros). This is calculated at 10 percent of the traded value of raw cashews. The marketing potential loss is much higher. This can be substantiated only when producer trader and manufacturer interests gather to study assess and estimate the losses.

Trained manpower, more wages and welfare programmes for labourers, empowerment and education of women workers, increase in quality and quantity of raw materials, policy push by the government, export promotion to build a greater brand India are the suggestions for improvement of state of cashew industry.

Improve the working conditions and economic conditions of the workers

There is a need to provide clean toilets, washing spaces, and rest areas to the workers. Employers should be made aware of the importance of adopting hygienic practices, particularly since they compete for a share of the international market. There is a need to recognize that employers face genuine problems. Considering the fact that the cashew industry is dominated by women workers, possibility of establishing women banks in select centers to enhance women empowerment should be explored. Cash benefits of the Employees State Insurance Scheme are disbursed to the cashew workers only through the State Bank of India. Given the poor financial condition of the workers, the zero-balance account facility must be provided.

Conclusion:

To conclude, the industry is one of the most promising industries in the area of women employment and empowerment, sustainable rural development and economic development of the country. This needs further attention of the government and other related bodies to strengthen the building blocks of the industry to be a world leader in cashew nut processing. The research urges for better policy formulations in this regard so as to strengthen the cashew processing industry.

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