

Problems faced by the cashew exporters in Kerala

ABSTRACT

Aims: India is the world's largest cashew producer, processor, and consumer. For years, India had an unrivalled and unchallenged monopoly on cashew production, processing, and marketing around the world. Considering the promising future of the cashew export market, the study aimed to analyse the problems faced by the cashew exporters in Kerala.

Place and Duration of the Study: 65 cashew exporters (who have been continuously exporting the cashew for the last five years) in Kollam district of Kerala were selected randomly and the primary survey was conducted through a pre –tested structured questionnaire.

Results: The study highlighted that the major problems faced by the cashew exporters are high processing cost, unattainable of Standard Input-output Norms (SION), threats of foreign entrants to the domestic market, reduction in international share, the orientation of processing to big sectors, and the exploring of new markets.

Conclusion: Thereby the protective policies like, increase exportable grades has to be fixed at ratio of 1:6, withdrawing the basic customs duty imposed on the imported cashew and increase the export incentives adopted by the government, which will helps to reduce the problems in the cashew industry. In addition to that contribute in a better way to the growth of the country by providing gainful employment opportunities via attaining women empowerment fetching foreign exchange to the nation and protecting it as a dominant position in the international market that it used to enjoy till a decade back.

Key words: cashew, exporters, Garratte ranking method, problems of cashew exporters

INTRODUCTION

India is the world's largest cashew producer, processor, and consumer. For years, India had an unrivalled and unchallenged monopoly on cashew production, processing, and marketing around the world. However, when more and more producing countries acquired processing know-how and entered the international market, India's premium position began to erode, and her share of the international market began to decline from 65 percent 25 years ago to 29 percent now (Bhoodes, 2012). Domestic consumption, on the other hand, had risen to such heights that she is now the world's largest consumer.

However, she earned this position at the expense of her international market share. But this position she achieved was at the cost of her lowering the share in the international market. But, in order to obtain this position, she had to reduce her market share in the foreign market. (Binu, 2018)

India was dragged into the race by its reliance on imported raw materials, underutilised processing capacity, high processing costs, and a lack of mechanisation, modernization, and innovation. Another issue confronting the processing industry is a lack of people. Traditional processing methods require seven to nine man-days to process an 80 kg bag of cashews. As a result, she has among of the highest processing expenses in the world. In addition, India's domestic market would face competition from other countries as other processing countries looked to tap into the growing domestic market (Balamurugan et.al, 2011). Raw nut production in India is already hampered by competition from other crops such as rubber, spices, and so on. Other cash crops provide farmers with higher profits. Another factor contributing to India's poor raw nut output growth rate is the ageing of trees and low productivity. Another issue to deal with would be the ever-increasing home consumption and tremendous demand for kernels on the worldwide market. The cashew sector in Kerala is likewise beset by issues, making it difficult to reclaim the dominance lost over the previous decades. The major issues can be divided into two categories: external and internal. The cashew industry's private and public sectors are both discussed here. During this session, the researcher discovered several issues that cashew exporters in Kerala encounter.

METHODOLOGY

For research, 65 cashew exporters were selected from (who have been continuously exporting the cashew for the last five years) Kollam district in Kerala. The respondents were selected through a random sampling technique. Primary data was collected from the sample respondents by using a pre-tested structured questionnaire. Garrett's ranking method was used for analysing the data.

ANALYSIS AND DISCUSSIONS

Internal problems faced by the cashew exporters

The internal problems include challenges that can be solved through internal institutional changes. The internal problems include mechanisation issues, marketing issues, managerial issues, etc. The problems of cashew exporters as internal wise are shown in the below table.

Table 1 Internal problems faced by the cashew exporters

Internal problems	Score	Rank
Shortage of quality raw cashew nuts	1606	12
High processing cost	4954	1
Unavailability of cashew to meet the requirement	1173	13
Problems related to online transactions/ documents	1966	11
Liability damage paid by the exporter during the export period	3802	5
Outdated shelling method	3809	4
Inability to provide continuous and smooth supply	2765	9
Inadequate and unreliable transportation, communication facilities	3616	6
Non-availability to keep prompt track of business information overseas	3573	7
Lack of active export promotion	2730	10
The high wage rate of workers	3929	3
High dependency on import	3199	8
Political issues (Labour strikes)	4738	2

Table 1 clearly indicated how cashew exporters were found and their concerns were ranked. Expensive processing costs (first), political challenges (second), high worker wage rates (third), outdated shelling method (fourth), and responsibility damage paid by the exporter throughout the export period (fifth) were all cited as important issues for exporters.

Kerala continues to employ a traditional cashew processing technology, albeit it has evolved over time. Drum roasting has taken the role of oven pan boiling in Kerala. The processing would be more technologically advanced and capital demanding. It would also necessitate a more professional processing and marketing strategy. Kerala's processing costs are significantly higher than those of competitors such as Vietnam and Brazil. For cashew processing, these nations employed mechanisation technologies. Political difficulties, like as labour strikes to raise wages, are particularly prevalent at Cochin Seaports, and have a direct impact on exporters during shipping.

Another issue for exporters is the high salary rate of workers (third). India's processing costs are high as compared to its rivals, owing to a lack of mechanisation and high labour costs. In India, the average cost of processing a tonne ranges between 25,000 and 40,000 dollars, compared to USD 150 (9750) per MT in Vietnam. Drum roasting is still used to treat cashews in India and Kerala. It's all done by hand. In Indian cashew, this is the high point. This process might take a long time to finish manually. If cashews are mechanised in this fashion, the flavour and quality would suffer, and the market demand for cashews will fall. The rate of breakage is also anticipated to rise.

If importers discover any violations within the container (such as insects), exporters must incur a penalty of \$4,000,000. (minimum). As a result, another issue for exporters is the loss of obligation paid by the exporter throughout the export period.

Exporters do not need to be concerned about issues such as a lack of cashew to satisfy the demand (thirteen). The raw cashew nut is available all year from various parts of the world; it comes from Kerala in March-April, May, April-May-June, Ghana and Ivory Coast in April-May-June, Benin and Togo in June-July, Senegal, Gambia, and Guinea Bissau in July-August-September, Indonesia and Mozambique in September-October-November, and Tanzania in November-December-January and February.

The lack of high-quality raw cashew nuts (number twelve) was likewise a low-ranking issue for exporters. The Export Inspection Council of India (EIC) shall inspect the quality of raw cashew nuts before importing them, or acquire a certificate from the importing nation. They weighted 22.5 kilos (52 pounds) from an 80-kilogram bag, according to the quality inspection method. The importer will be fined if this amount is not obtained from a bag.

External problems faced by the cashew exporters

The external problems include that are affecting the cashew industry externally and could not be solved through institutional corrections like fluctuations in the international markets, price changes, import and export issues, etc. The problems of cashew exporters as external wise are shown in the below table.

Table 2 External problems faced by the cashew exporters

External problems	Score	Rank
Impact of import duty on raw cashew nut	4361	3
Penalty for late clearance of cargo	3669	5

Unattainable of global food quality standards	1040	12
Low level of export incentives compared to competing countries	4224	4
Fluctuation in the exchange rate	3182	8
Recession in the world market	2722	9
Problems of sea pirates attacks	2619	11
High port charges	2628	10
Facing competition from other producing countries	5077	2
High price of imported raw cashew nut	3596	6
Unattainable SION (Standard Input Output Norms)	5395	1
Non-refund of GST paid on exports	3264	7

The primary issues faced by cashew exporters, as shown in table 2 based on rankings, are the inability to meet Standard Input Output Norms (SION), (first), and competition from other producing nations (second). Under the Advance Authorisation Scheme, the Foreign Trade Policy (FTP) allows duty-free imports of raw cashew nuts for processing and export (AAS). Standard Input Output Norms (SION) guidelines dictate that 1 kilogramme of completed items should be exported for every 4 kg of raw cashew nuts. Simply simply, exporters purchase 100 tonnes of raw cashew nuts, and within 18 months, they must export 20% of their raw cashew nut imports. However, this proved practically impossible to do, and a consistent ratio for raw nuts of various sources with drastically varying outturns cannot be established. When India was the sole importer of high-quality raw cashew nuts from the selected market, the SION was set much earlier. Because of the great demand for raw cashew nuts from all processing nations, importing graded quality raw nuts is no longer viable, hence a platter of mixed quality nuts is now available. However, SION has been amended (at the request of CEPCI, 2018) to 1:5.04 ratios from 1:4 ratios, which are once again unattainable for exporters.

The cashew industry in Kerala has been completely deprived due to intense competition from Vietnam, which affects both the supply and demand sides of the cashew industry. Vietnam, which was once a significant supplier of raw cashew nut imports, has been employing domestic manufacturing to produce cashew kernels and other value-added goods at low rates using highly mechanised plants. The raw nut-producing nations began processing straight after mechanisation and automation in cashew processing, and the goods are now offered on the international market. This has had a significant impact for Kerala

(India) cashew exporters since raw cashew nut supplies have been restricted, and raw cashew nut producing nations have become rivals in the worldwide market. The international growth of replacement goods such as almonds and walnut has impacted the market for Kerala's cashew sector. The demand has been harmed by the indigenous development of these items in their home market.

Another external issue for cashew exporters is the impact of import duties on raw cashew nuts (third). For meeting local and international demands for cashew kernels, the Indian cashew sector is heavily reliant on imported raw cashew nuts (about 50% of total requirement). The baseline import tariff was 5% until February 1, 2018, when it was decreased to 2.5 percent. Under the Duty-Free Tariff Preference, import duties are waived for Least Developed Countries (LDCs) (DFTP).

Export incentives are very low in comparison to other nations, which is a concern for exporters. The processing of raw cashew nuts is heavily supported by governments in competing nations, with large incentives for exporters. Given the comparative disadvantages of the Indian cashew industry, which incurs a 10% processing cost compared to competing countries, and in order to survive the cashew export business, and since the exporters have suffered significant losses as a result of the abrupt slashing of incentives since April 1, 2015, the Government of India is requested to provide at least 10% Merchandise Export India Scheme (MEIS) for cashew kernel. Due to WTO compliance, this incentive programme will be phased off in December 2020. This has a significant impact on cashew nut exporters.

Cashew exporters also had to deal with penalties for late shipment clearance. Imported cargo must be cleared within three days of its arrival in the port, or a daily penalty will be imposed. The majority of raw cashew nut cargo is imported from Africa, and importers frequently face delays in acquiring clearance documents. Exporters would have to pay a punishment of Rs 5,000 for one to three days, Rs 10,000 for three to six days, and a fine of more than six days on a daily basis.

Exporters are unconcerned about issues such as unattainable global food quality standards, pirate attacks at sea, and high port fees. Food quality requirements set by CEPCI and AFI must be met by exporters. Previously, sea pirate raids were a hardship for them; now, they are unaffected. The port's charges are not an issue for exporters; they are expensive, but when compared to other routes of transportation, they are not a hardship.

CONCLUSION

In the next years, the Indian cashew sector will confront significant problems. In the cashew business, India's key strength is its growing domestic market. The key obstacles that India will face include high processing costs, the inability to get SION, risks of foreign entrants into the local market, a decline in international share, the concentration of processing in large industries, and the exploration of new markets. Thereby the protective policies like, increase exportable grades has to be fixed at 1:6,

withdrawing the basic customs duty imposed on the imported cashew and increase the export incentives adopted by the government, which will help to reduce the problems in the cashew industry. In addition to that contribute in a better way to the growth of the country by providing gainful employment opportunities via attaining women empowerment fetching foreign exchange to the nation and protecting it as a dominant position in the international market that it used to enjoy till a decade back.

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