

# An analysis of performance of agro based industries in Kerala with special reference to cashew nut

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## Abstract

**Background/Objectives:** The cashew processing industry plays a significant role in Kerala's economy in terms of foreign exchange earnings and as an employment. The present study mainly focused on the performance of cashew nut industries in Kerala and also made attempt to understand the reasons behind in the reduction of production and exports in the state.

**Methods/Statistical analysis:** The present study relies entirely on secondary data. Data has been collected from various sources like economic review, sites of KSCDC and journals.

**Findings:** The production and export of cashew nut industries in Kerala exhibits a decreasing trend after 2004. The shifting of cropping pattern to more profitable crops like rubber is the main reason for reduction in cashew production.

**Improvements/Applications:** Essential steps on the part of Government and other private organization has to be needed to the improvement of cashew nut industry in Kerala.

**Keywords:** cashew nut industry, production, productivity, exports performance.

## 1. Introduction

India is mainly an agricultural country and agriculture is the main occupation for most of the Indian families. In India, agriculture contributes about sixteen percent (16%) of total GDP and ten percent (10%) of total exports. Over 60 % of India's land area is arable making it the second largest country in terms of total arable land. Agricultural products of significant economic value include rice, wheat, potato, tomato, onion, mangoes, sugar-cane, beans, cotton, cashew, etc. India is one of the largest producers of food and it is also the largest producer of milk, sugar cane, and tea. It is the second largest producer of rice, fruits, wheat and vegetables. In India about 70 % of the population depends on agriculture and agro based industries.

The development of agro-processing industries implies the development of agriculture on one hand and the entire set of industries, linkages, and investments that cater to the demands of the masses with improving incomes and environment on the other. It creates space for improving farm-industry linkages along with great export potential [1]. The development of agro-based industries commenced during pre-independence days and Cotton mills, sugar mills, jute mills were fostered in the corporate sector [2]. During post independence days a large number of small scale and village industries were introduced for providing more employment opportunities and efficient use of local resources. India spends more than a quarter of its expenditure on food and related items and it is the largest producer of food in the world. Agriculture services attracted foreign direct investment (FDI) worth US\$1440 million (INR 69,124.8 million). It is estimated that Indian food industry increased from the present US\$181 billion (INR 8688 billion) to US\$318 billion (INR 15264 billion) by 2020 [3].

Kerala is blessed with bounty of agricultural products like coconut, rubber, coffee, tea, cardamom, pepper, areca nut and other hill products. There a large number of agro based industries in the state. Considering the emerging market for organic food, both domestic and international, the State has an enormous capacity to cater the market with quality products. Agriculture is the backbone of the State and the plantation sector plays a very vital role in its economy. Government take a lot of measures for the development of this sector by attracting new investment for replanting of more remunerative / high yielding plants, establishing a chain of agro based industries and helping to create a Kerala brand. In order to promote this sunrise industry, Government shall formulate special schemes and packages.

## 2. Methodology

This study on the performance of Agro based industries in Kerala with special reference to Cashew nut industries is mainly based on secondary data. The statistics related to cashew production and exports has been

collected from Economic review 2013-14. Data from various articles, journals and sites of KSCDC also contribute the study.

### 3. Background of the study area

Kerala is the small state situated in the southern end of India. It has an area of 38,863 sq.km and with a population of 3.3 crs. The state has many advantages such as 74 % life expectancy and 94% literacy rate. Kerala Tourism is a global super brand and is recognized as a pioneer and trend setter in the country. Its unique culture and traditions, coupled with its varied demography has made Kerala one of the most popular tourist destinations in the world. 'Responsible Tourism' is adopted as the corner stone for the tourism development in the state. Kerala offers a host of exciting holiday options. Spread out across the year is specially designed packages that highlight the State's attractions, and prove beyond doubt that the season never ends in this beautiful land. Besides all this, Kerala is also India's most advanced society, cleanest and most peaceful state. Kerala is also known for its many small towns that are scattered across the state. The important sectors of Kerala are IT and electronics, health care, services, ayurvedic medicine, tourism, plantation, logistic, education, education, knowledge sector and infrastructure. According to 2012 census Kerala has 3.91% GDP. Out of these agriculture contributes 14%, industry contributes 22% of income while the service sector contributes 64% of the income.

With the existence of 34 lakes and other streamlets, innumerable backwaters and water bodied and 49 rain fed rivers, Kerala facilitate agriculture to a great extent and hence the economy of the state is dominated by agriculture. The most essential crop of the state is rice and paddy. About 600 varieties of rice's are grown in the paddy fields of Kerala. Kuttanad, a region in Kerala known as the 'rice bowl of the state' [4] and enjoy a significant status in the production of rice. Majority of the population in Kerala are dependent directly or indirectly on agriculture for their livelihood. Coconut provides important earnings to Kerala farmers. In India nearly 70% of output of coconuts is provided by Kerala. For developing Cashew production Kerala provide facilities for converting raw cashew into dried fruit, salted or plain. Cardamom another important cash crop gives Kerala a distinctive place in Indian export. Alappuzha is also known as the rice bowl of the state and it has a predominant position in the production of rice in Kerala.

## 4. Results and Discussions

### 4.1. Cashew Nut Industries in Kerala

In order to protect the interest of cashew workers, provide maximum employment to them and give statutory benefits like minimum wages, bonus, etc., the Cashew Development Corporation or KSCDC was established. Its headquarters is situated in Kollam city (cashew house Mundakkal) and is called "Cashew Capital of the World. For promoting the exports of cashew a Central Export Promotion Council for Cashew, Cashew Export Promotion Council of India (CEPCI) is situated at Kollam city. In 1971 KSCDC started Commercial activities under Government of Kerala and has a turnover of Rs. 250 crores. Kerala State Cashew Development Corporation has started Cashew plantations in Kerala for increasing the production of indigenous raw nuts. Cashew industries in Kerala have national importance and it provide employment to 6.7 lakh employees and farmers. Table 1 shows details about Kerala State Cashew Development Corporations cashew factories in Kerala.

Table 1. KSCDC Cashew Factories in Kerala

District	No. of KSCDC Owned Cashew Factories
Kollam District	24
Alappuzha District	3
Thiruvananthapuram District	1
Thrissur District	1
Kannur District	1

Source: www.cashew corporation.com. [5]

### 4.2. Production and Productivity of Cashew in Kerala

India is the largest producer of raw cashew nuts in the world. The production of cashew nuts in India shows an increasing trend and it increased from 6.92 lakh MT in 2011-12 to 7.28 lakh MT in 2012-13. Considering the data during 2011-13 shows that in India the area under cultivation of cashew declined from 9.91 lakh hectares to 9.82 lakh hectors. In Kerala after 2010-11 there has been a continuous and considerable decline in both areas under cultivation as well as production of cashew. During 2004-05 the area, production and productivity was 81.5, 60.6 and 744 respectively. Area and production are increasing steadily in other producing states in the country. Andhra Pradesh (19.5 per cent) contributes the major share of area for cashew cultivation. There is an increasing

trend of cashew production in Maharashtra and its production was 10 percent in 1990-91 and it increased to 32.2 percent in 2011-12. Kerala holds 4th position in this regard. Table 2 shows area, production and productivity of cashew nut industries in Kerala and India.

*Table 2. Area, Production and Productivity of cashew nut industries in Kerala and India*

SI.NO	YEAR	AREA (000'Ha)		Production (000'MT)		Productivity (kg./ha.)	
		Kerala	India	Kerala	India	Kerala	India
1	2004-05	81.5	820	60.6	544	744	663
2	2005-06	80.7	855	57.6	573	714	670
3	2006-07	70.46	854	61.7	620	876	725
4	2007-08	58.38	868	52.4	665	898	766
5	2008-09	53.01	893	42.33	695	799	778
6	2009-10	48.97	923	35.82	613	731	664
7	2010-011	43.85	945	34.75	653	792	691
8	2011-012	54.05	991	36.7	692	680	749
9	2012-013	52.08	982	37.91	728	730	741

Source: Economic Review 2013-14 [6]

This table shows that after 2004 the area for cultivation production and productivity of cashew nut in Kerala shows a declining trend. The production reaches the lowest rate in the year 2010 -011. Compared to Kerala the area, production and productivity of cashew shows a increasing trend.

#### 4.3. Trends of exports

Kerala had a near monopoly in cashew production, number of processing units and export of cashew kernels till a few decades ago. But the emergence of processing units and more productivity in other States of the country has contributed to a decline in the dominance of Kerala's performance. Even though the production of cashew is more concentrated in the northern districts of the State, the industry has been cantered in the southern district of Kollam. The State-wise production of cashew shows that there is a steady decline in the production of cashew in the State in terms of quantity and area. Table 3 shows export of cashew nuts in Kerala and India.

*Table 3. Exports of Cashew Nuts in Kerala and India*

Year	Kerala		India		Kerala share %	
	Qty	Value	Qty	Value	Qty	Value
2008-09	2217	3.91	9099	26.06	24.37	15.00
2009-010	3079	6.65	9748	24.12	31.59	27.57
2010-011	2624	6.17	12051	33.77	21.77	18.27
2011-012	1243	4.82	13528	59.46	9.19	8.11
2012-013	1575	4.17	9192	29.84	17.13	13.97
2013-014	872	2.66	9480	38.61	9.20	6.89

Source: The Cashew Export Promotion Council of India [7].

Comparing to the export of 2011-12, India shows a declining trend in the export of cashew kernels. As in the case of Kerala both the value and quantity of cashew nut exports are decreasing in all years. It results a declining foreign exchange earnings. The reducing trend of cashew export shows diversion of cashew nuts to domestic markets.

#### 4.4. Declining trends in cashew production: reasons

India is largest producer of raw cashew nuts in the world and its production of cashew nuts increasing from 6.92 lakh MT in 2011-12 to 7.28 lakh MT in 2012-13. The area under cashew cultivation was 9.91 lakh hectares in 2011-12 and it declined to 9.82 lakh hectares in 2012-13. Kerala had been at the top in production of cashew nuts in the early 90s, but gradually dropped to the 4th position after Maharashtra, Andhra Pradesh, and Orissa. In Kerala there has been a continuous and considerable decline in both area under cultivation and production of cashew for the last one decade. Considering the production of cashew which stood at 60 thousand MT in 2004-05 and it declined to 37.9 thousand MT in 2012-13. While area declined from 81 thousand hectares to 52 thousand hectares and Productivity of the crop which was around 900 kg per hectare during the late eighties also declined to 730 kg per hectare. Area and production are increasing steadily in other producing states in the country. Area under Cashew Cultivation and Yield per acre has been decreased in Kerala mainly due to the replacement of cashew with remunerative crops like rubber and rapid urbanisation.

Despite most processing factories being located in south Kerala, most cashews is grown in the northern districts, especially Kannur and Kasaragod, where the biophysical conditions are particularly suitable. North Kerala is known for the high productivity (590 kg per acre) and quality of the nuts it produces. Yet despite favourable biophysical conditions, Kerala farmers have not engaged in intensive cultivation practices although the reasons for this are unclear. Many farmers, especially in the southern districts, have switched from growing cashew to other more lucrative crops, such as rubber. Thus, the relatively low value of cashew has been an important reason for its decline in Kerala. The production and area of cultivation of rubber rapidly increase in recent years. In 2010 -11 the area under cultivation of natural rubber was 534230 hectares and the production was 770580 tonnes and the productivity was 1442 kg/hectares. It was rapidly increase in 2011-12, the area under natural rubber was 539565 hectares and the production and productivity was 788940 tonnes and 1462 kg/hectares respectively [8]. Rao (2002) has extensively studied the crop weather relationships of cashew and concluded that the reproductive phase of cashew is highly sensitive to weather aberrations and final crop yield depends upon weather conditions, provided no pest incidence is noticed. This is one of the reasons for marked variations in the cashew production. Cashew requires relatively dry atmosphere with mild winter for better flowering [9].

Other reasons for the decline of cashew cultivation in the state include fluctuating weather conditions, pronounced seasonality of the cashew production cycle, unattractive prices, land ceiling for cashew plantations (which existed until recently), the non-agricultural orientation of landowners and the senility of the trees. Some of these reasons, or a combination of all reasons, has led to a decline in Kerala's relative share in the production of raw nut.

#### 4. Conclusion

India, and especially the state of Kerala, has a long engagement with the cultivation and processing of cashew. Cashew provides an important source of income and food security for smallholder producers and for low-income groups, particularly women, who work in the processing sector. After 2004 the production of cashew in Kerala shows a declining trend. Table 4 shows major cashew producing states in India.

Table 4. Major Cashew Producing States in India

States	Production (1000 tonnes)
Maharashtra	225.0
Andra Pradesh and Telangana	118.0
Odisha	101.0
Kerala	77.0
Karnataka	75.0
Tamil Nadu	62.0
Goa	30.0
West Bengal	12.0
Jharkhand	5.0
Others	49.0

Source: <http://www.mapsofindia.com>. [10]

Maharashtra is the highest cashew producing states in India. Kerala has the fourth position in production. The shifting of cropping pattern to more profitable crops like rubber is the main reason for reduction in cashew production. The data shows that the area under cashew nut cultivation is decreasing every year. Thus the production of cashew in Kerala faces a serious problem. Essential steps on the part of Government and other private organization has to be undertaken for its improvement.

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