

Cost Structure Analysis Of Cashew Processing Industry In Kerala

Dr. Deeja Sajan

Assistant Professor

Department of Commerce

St. Gregorios College, Kottarakkara

Affiliated to the University of Kerala, Thiruvananthapuram.

Abin P Jose

Assistant Professor

Department of Commerce

St. Gregorios College, Kottarakkara

Affiliated to the University of Kerala, Thiruvananthapuram.

ABSTRACT

Cashew is one of the most precious processed nuts traded on the global market and is also a vital cash crop. Cashew is often termed as wonder crop (Anacardium occidentale L.). India is the largest grower, processor and exporter of cashew in the world. It is also fascinating to know, that the new statistics exhibit India is also the number one consumer of cashew kernels in the world overtaking USA. For the last ten years, India has been the top exporter in global shelled cashew trade, accounting for more than 15%. With the increasing demand for cashew globally, the exports are increasing from India. This factor is helping to enhance the production capacities of cashew in India. India accounts for about 65 per cent of global cashew exports. India exports cashew kernels to over 60 countries. Its major markets are the US, the Netherlands, Japan, Spain, France, Germany, the UK as well as Middle East countries such as the UAE and Saudi Arabia. Export of cashew nut shell liquid/Cardanol from India stood at 8,325 MT, valued at Rs 326.3 million (US\$ 5.06 million) during 2017-18, while exports of cashew kernels stood at 84,352 MT, valued at Rs 58.71 billion (US\$ 910.94 million) during the same period.

KEYWORDS: *Large scale sector, small scale sector, cottage sector, and home scale sector*

INTRODUCTION

Cashew a tree native of Eastern Brazil, was introduced in India by the Portuguese nearly five centuries ago. In India, cashew was first introduced in Goa, from where it spread to other parts of the country. The adventurous Portuguese came sailing down the Indian coasts and brought with them this precious treenut “Cashew”,

the most wanted nut of the world. The term “Cashew” has originated from the Brazilian name, “Acajaiba” and the Tupi name “Acaju” which the Portuguese converted into Caju and is commonly known as Kaju in India. It is known as Paragi Andi in Kerala meaning foreign nut. Cashew came, dominated 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 well-liked crop to other parts of India. Initially, it found use in soil binding to check erosion. Commercial cultivation began in the early 1960s and, over the years, cashew became a crop with high economic value and attained the status of an export-oriented commodity, earning considerable foreign exchange for the country. Cashew processing on a commercial scale was first started in mid 1920's by Roch Victoria, a Sri Lankan who migrated to Quilon (Kollam). First exports have been made by W.T. Anderson who set up a business under the name Indian Nut Company in Quilon.

India is the major cashew growing country in the Asia-Pacific, placed as the largest producer of raw cashew nut (RCN) internationally with 5.5 lakh metric tons per annum. In India, cashew is grown in the peninsular areas of Kerala, Karnataka, Goa and Maharashtra, Tamil Nadu, Andhra Pradesh, Orissa and West Bengal. The production of inshell raw cashew in India was 758,410 metric ton in 2018 and is expected to register a CAGR of 1.8% during the forecast period, 2019-2024. High demand of cashew nut in India has resulted in growth of cashew processing industry in India. The installed capacity of cashew processing units presently (16.43 lakh MT8 / annum) is almost triple (300 per cent) of the production (as per the production of 2017-18). Therefore, many of cashew processing units import raw cashew nut, process them and export the same after processing. India is the second largest importer of raw cashew nut in the world. Cashew Plantations in Kerala state are mainly in the North Malabar, especially Kannur & Kasargod.

STATEMENT OF THE PROBLEM

Cashew was mainly well thought-out as a crop for afforestation. As it can adapt to varied agro climatic conditions, it has become a crop of high economy and commercial value. Cashew industry is one of the important agro- based traditional industries in India. It has the potential to provide source of livelihood for the cashew growers, empower rural women in the processing sector, create employment opportunities and generate foreign exchange through exports. The cultivation and marketing of cashew nut involve a considerable amount of manpower and hence play a vital role in the economic activities in India. The coastal states of India are the main cashew producers. In India, large numbers of middlemen are involved in domestic and export marketing of cashew nut. Like any other traditional industries this industry also faced lot of problems. In the early years, this units had earned almost all the capital employed. Unfortunately situation changed due to increasing processing cost, shortage of raw nuts, increasing labour cost, various stringent government rules, interference of trade unions etc. Due to these reasons most of the cashew processing units are facing the stage of closing down. Further in the recent past, the export price of cashew nut is widely fluctuated due to changes in foreign market. Therefore, a scientific study is needed to highlight the areas that require immediate and proper attention of the policy makers.

OBJECTIVES OF THE STUDY

The main objectives of the study are

1. To study the cost of raw material of cashew processing industry.
2. To study the labour cost of cashew processing industry.

HYPOTHESIS

1. Raw material cost are independent among sector wise classification of cashew processing industry.
2. There is significant difference exist between the labour cost among various sectors.

COST ANALYSIS OF RAW MATERIAL

Cashew nut is the basic raw material of the cashew processing industry. For the sake of study, direct material cost and labour cost are taken. Data relating to the value of raw material are given below.

Table 1: Distribution of cost of raw materials based on sector wise classification

Variables		Mean	SD	N	F	p
Sector	Large scale sector	70381000.0	80024616.8	9	21.07**	0.000
	Home scale sector	127071.4	277604.3	28		
	Small scale sector	5490782.6	5959818.3	23		
	Cottage sector	3133515.2	5026550.3	33		

Source: Primary Data

** Significant at 0 .01 level

The study revealed that, cost of raw material found to be high in large scale sector (70381000) and low in home scale sector. The statistics shows significant variation at 0.01 level ($F=21.07$) There exist considerable difference in the average amount used by the four sectors.

Table 2: Scheffe multiple comparison of cost of raw materials based on Sector wise classification

Variables		Pair	F`	Sig.
Sector	Large scale sector (A)	A & B	18.88**	0.00
	Home scale(B)	A & C	15.3**	0.00
	Small scale sector(C)	A & D	17.96**	0.00
	Cottage sector(D)	B & C	0.2	0.99
		B & D	0.08	0.89
		C & D	0.04	0.97

Source: Primary Data

** Significant at 0 .01 level

The average value of raw material purchased by large scale sector and home scale sector are statistically different ($F=18.88$) at 0.01 level. Same results can be seen between large scale with other sectors like cottage sector ($F=17.96$) and small scale sector ($F=15.3$). Scheffe multiple comparison shows the average amount of raw material purchased is found to be high in large scale sector.

The hypothesis formulated that total raw material costs are independent among sectors can be tested by the Table 2 and the result shows that they are associated and hence the hypothesis stands rejected.

COST ANALYSIS OF LABOUR

Labour cost is the second largest component in the cost structure. Labour engaged in cashew processing units include permanent workers, technical workers, and temporary workers.

Table 3: Distribution of salary of permanent workers

		Mean	SD	N	F	P
Sector	Large scale sector	2055999.6	480450	9	355.29**	0.000
	Home scale sector	30856.8	36284.4	28		
	Small scale sector	325564.8	140470.8	23		
	Cottage sector	93818.4	94366.8	33		

Source: Primary Data

** Significant at 0 .01 level

Salary to the permanent workers found to be high in large scale sector (2055999.5) followed by small scale sector (325564.8). F test shows variation at 0.01 level($F=355.29$). As size increases, more workers are necessary to meet the ends.

Table 4. Scheffe multiple comparison of salary of permanent workers

		Pair	F`	Sig.
Sector	Large scale sector (A)	A & B	318.56**	0.00
	Home scale sector (B)	A & C	220.91**	0.00
	Small scale sector (C)	A & D	310.51**	0.00
	Cottage sector (D)	B & C	12.51**	0.00
		B & D	0.68	0.56
		C & D	8.3**	0.00

Source: Primary Data

** Significant at 0 .01 level

Scheffe multiple comparison shows that large scale sector with home scale sector($F=318.56$), large scale with small scale ($F=220.91$) and large scale sector with cottage sector also have significant variation at 0.01 level. Significant variation exist between home scale sector with small scale sector ($F=12.51$) and small scale sector with cottage sector at 0.01 level ($F=8.3$).

Table 5: Distribution of salary of temporary workers

Variable		Mean	SD	N	F	P
Sector	Large scale sector	8225556	1522074	9	127.68**	0.000
	Home scale sector	1749454.8	502159.2	28		
	Small scale sector	2821184.4	777994.8	23		
	Cottage sector	2318265.6	997194	33		

Source: Primary Data

** Significant at 0.01 level

Temporary labour cost is high in large sector and low in home scale sector. F test shows significant variation at 0.01 level (F=127.68).

Table 6: Scheffe multiple comparison of temporary workers

Variable		Pair	F`	Sig.
Sector	Large scale sector (A)	A & B	120.24**	0.00
	Home scale sector (B)	A & C	79.53**	0.00
	Small scale sector (C)	A & D	103.87**	0.00
	Cottage sector (D)	B & C	6.11**	0.00
		B & D	2.06	0.11
		C & D	1.44	0.24

Source: Primary Data

** Significant at 0.01 level

Scheffe multiple test compare temporary labour cost of large scale sector with the home scale sector show significant variation at 0.01 level. Similar observation can be seen, while comparing large scale sector with small scale sector (F=79.53) and large scale sector with cottage sector at 0.01 level (F=103.87).

Table 7: Distribution of salary of technical workers

Variable		Mean	SD	N	F	P
Sector	Large scale sector	2506666.8	862090.8	9	225.82**	0.000
	Home scale sector	38571.6	57070.8	28		
	Small scale sector	146086.8	80551.2	23		
	Cottage sector	90909.6	52222.8	33		

Source: Primary Data

** Significant at 0.01 level

Labour cost of technical staff is high in large scale sector (2506666.8) and low in home scale sector. Test shows significant variation at 0.01 level (F=225.82).

Table 8: Scheffe multiple comparison of salary of technical workers

Variables		Pair	F`	Sig.
Sector	Large scale sector (A)	A & B	196.5**	0.00
	Home scale sector (B)	A & C	170.73**	0.00
	Small scale sector (C)	A & D	195.46**	0.00

	Cottage sector (D)	B & C	0.69	0.56
		B & D	0.2	0.90
		C & D	0.2	0.90

Source: Primary Data

** Significant at 0 .01 level

Wages of technical workers found to be high in large scale sector when compared with other sectors.

Table 9: Distribution of total labour cost

Variable		Mean	SD	N	F	P
Sector	Large scale sector	12788222.4	1197463.2	9	386.16**	0.000
	Home scale sector	1818884.4	533047.6	28		
	Small scale sector	3292837.2	847462.8	23		
	Cottage sector	2502992.4	1021792.8	33		

Source: Primary Data

** Significant at 0 .01 level

Total labour cost is high in large scale sector(12788222.4) and low in home scale sector(1818884.4). F test shows variation at 0.01 level (F=386.16).

Table 10: Scheffe multiple comparison of total labour cost

Variable		Pair	F`	Sig.
Sector	Large scale sector (A)	A & B	355.84**	0.00
	Home scale sector (B)	A & C	253.24**	0.00
	Small scale sector (C)	A & D	324.81**	0.00
	Cottage sector (D)	B & C	11.91**	0.00
		B & D	3.08*	0.03
		C & D	3.67*	0.02

Source: Primary Data

** Significant at 0 .01 level

Scheffe multiple comparison of total labour cost shows that large scale sector with all other sectors exhibit significant variation at 0.01 level. A hypothesis was formulated that there is significant difference exist between the labour cost among various sectors. As per the analysis shown above, it is proved that labour cost exhibit wide difference among the sectors, hence the hypothesis is accepted.

CONCLUSION

Cashew Processing Industry is a traditional agro-based industry in Kerala. Cashew is one of the most important Commercial Crops of Kerala that helps to earn considerable amount of foreign exchange through export of its kernels. Compared to other plantation crops, cashew is still confined mostly to marginal and poor fertile lands and is considered as a wasteland crop. Moreover, cashew has been considered as “maintenance free” crop and the recommended package of practices are not followed. All these factors lead to low yield. Price of cashew nut in regional market also varied depending on the size and quality of nuts, demand from the processing industries etc. Government interventions for plantations in waste lands, water shed

areas and subsidy supports for private plantations were the major reasons for increased area under cashew plantations in these states.

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