

# Cashew Factory in Bakale Village - Case Study



## Introduction:

In line with the objectives and methodology mentioned in the proposal for case studies titled '[Avenues for New Enterprises in Rural Areas](https://drive.google.com/file/d/1PHpNK-Zg9KxygnpUblTLH9vNw0UbOCbj/view?usp=sharing)', (Ref. - <https://drive.google.com/file/d/1PHpNK-Zg9KxygnpUblTLH9vNw0UbOCbj/view?usp=sharing> ), this is an attempt to do a similar kind of case study of a cashew factory at Bakale village in Ratnagiri district of Maharashtra (India). Bakale is a small village in Konkan region of Maharashtra where **mango and cashew** are the main cash crops. Cashew processing has emerged as a gainful business for many households in villages. This case study helps understand the opportunities and challenges in this business.

## Objectives:

- Value creation using local resources (material and human resources) to create employment/self employment.
- Understanding potential for self employments avenues in rural area
- Re-establishment of the lost linkage between education and employment.

## Methodology:

- Direct interview and field visit
- Collection of the supportive secondary data
- Pictures, photographs, maps and videos.
- Compilation and analysis of data

- Report writing

### **About Cashew Production:**

Cashew (*Anacardium occidentale*) is a widely grown cash-crop across India. It covers a total area of 0.70 million hectares of land, producing over 0.40 million M.T. of raw cashew nuts annually. (Ref. <http://cashewindia.org/introduction> ).

Konkan is the main cashew - cultivation region of Maharashtra. Due to suitable climate, cashew has become the second important cash-crop next to mango. In Ratnagiri District alone, 1,02,400 ha of area is under cashew cultivation.

(Ref.

<https://midh.gov.in/VCS%20Reports/Value%20Chain%20Study%20on%20Cashew%20in%20Maharashtra.pdf> ).

There are two main varieties of cashews in Konkan - a local variety (**Gavathi kaju**) and Vengura cashew (**Vengurla Kaju**). Vengurla is a high-yielding improved variety which is recently grown by the farmers. The cashew nut harvesting season is from January to May.

(Ref.

<http://krishi.maharashtra.gov.in/Site/Home/CategoryContent.aspx?ID=046ebc7c-9489-4cf9-b1df-add1e834dccb> )

Cashew is not a water-intensive crop. Yield starts within 3-5 years from plantation. The average yield per acre is around 300 kg. (**Source: Local farmers**)

Various value-added products are made from cashew out of which, cashew kernels is the most important product. There are various traditional as well as modern methods of removing cashew kernels from the cashew nuts such as direct burning in a fireplace, drying in the hot sun, roasting in drums, steam boiling, etc. (Ref. <http://cashewindia.org/introduction> ). Steam boiled cashew kernels are popular because of its market convenience but in recent times, manually baked cashews, drum-roasted cashews and raw cashews are also becoming popular due to their fantastic taste. (Source: interaction with local farmers.)

### **About the Businessman:**

- **Name** - Suresh Jayawant Cheulkar
- **Running Age** - 53
- **Education** - 12th pass
- **No. of persons in the family** - 6
- **Address** - At - Bakale, Post - Nivel, Taluka - Rajapur, Dist - Ratnagiri, PIN - 416702

- **Contact No. 94211 39653**



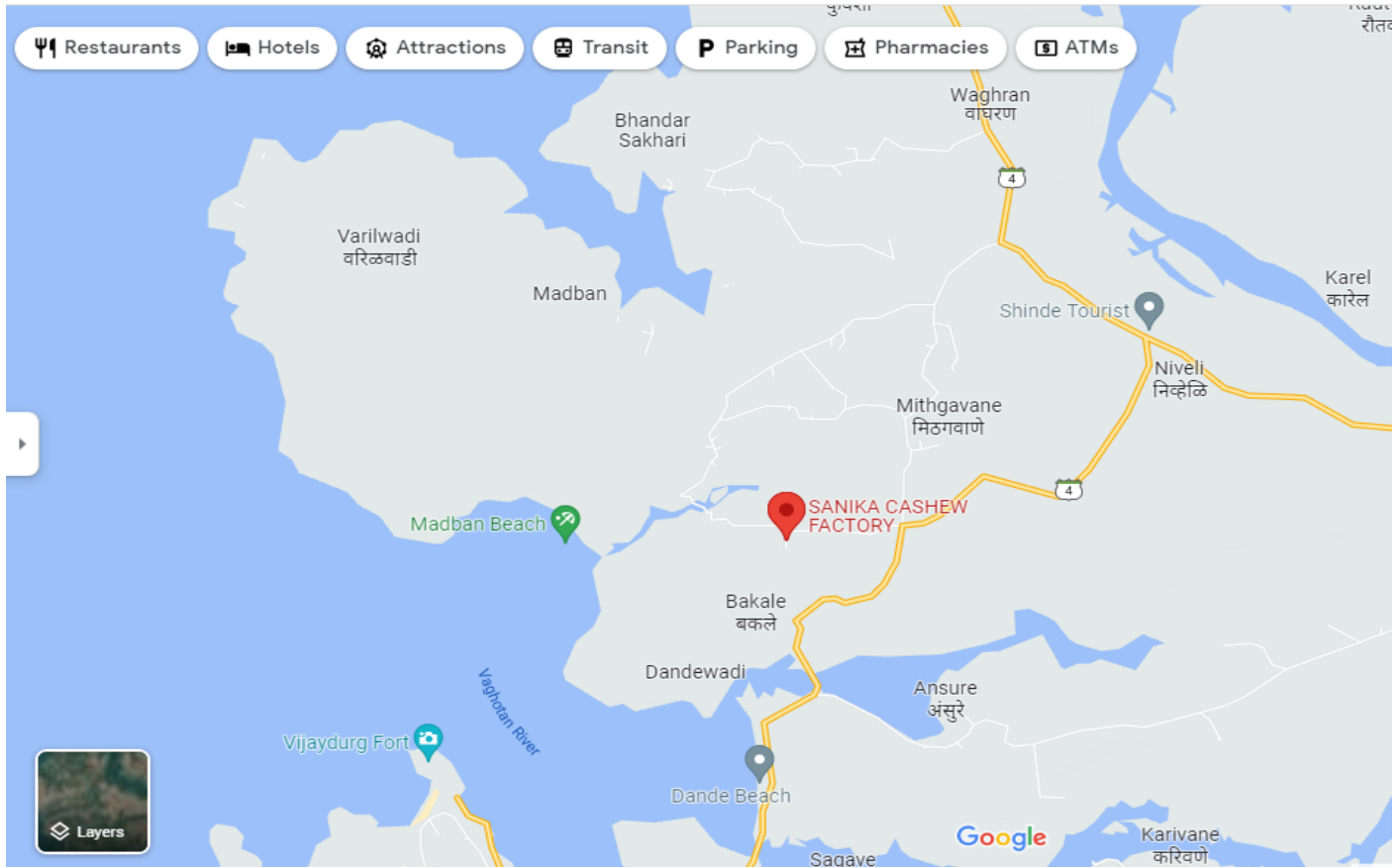
**Name of the Enterprise: Sanika Cashews**

**Location of the factory:**

The factory is located on Madban road in Bakale village in Ratnagiri district of Maharashtra.

GPS location -





Background:

Mr. Suresh cheulkar is native to Bakale village. His father was doing a job in Mumbai. After taking education up to std. 12th, Mr. Suresh started a household cashew processing business in 1995 with a basic investment of Rs. 60,000. He made this investment partially from his personal savings and partially by taking a loan from a nearby bank. He started this business in his own house located at Bakale. Initially, Mr. Suresh was processing around 3 to 5 tonnes of cashews in a season. As of today, he has upscaled his business to around 40 tonnes/year.

### Nature of Business:

This business is **seasonal** in nature. Cashew harvesting starts around the month of March and processing is carried on till November.

### Production Process:

- 1) **Collection of cashew nuts (Raw material)** - Cashew nuts are purchased from local farmers. Farmers from within the area of 40-50 kms directly sell the cashew nuts to the factory. Cashew nuts are also purchased from the nearby wholesalers. There are two varieties of cashew nuts - *Gavathi Kaju* (local variety) and *Vengurla Kaju*. *Vengurla Kaju* is comparatively higher in supply and easier to process.
- 2) **Drying of Cashew Nuts** - Collected cashew nuts are dried in the hot sun for 4 - 5 days to remove wetness. (As shown in the following image)



**Drying cashew nuts in a hot sun**

- 3) **Boiling** - Dried cashew nuts are boiled in a steam boiler for approx. 1 hour to soften the shells. (As shown in the following image.)





**Boiler**

- 4) **Cutting** - Boiled cashew nuts are cut and shells are removed. Cashew kernel, locally known as '*Kajugar*' is separated from the shells. Earlier this process was done manually with a hand-operated cutter but now is done with an automatic machine.



**Auto-cutter**

5) **Drying** - cashew kernels are kept in an electronic drier for approx. 8 - 9 hours.





**Dryer**

- 6) **Peeling** - Peeling is done in a machine to remove the husk. This process is outsourced to a nearby person who has the machinery for the same. He gets it done at the rate of Rs. 11/kg.
- 7) **Drying** - Peeled cashews are again kept in an electric dryer for approx. 2 hours.
- 8) **Grading** - According to size, shape, and structure of cashew kernels, they are manually segregated into 10 to 12 different grades. Price varies with the grade.

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काजुगराचे प्रकार	दर
सफेद काजुगर w210	900/-
सफेद काजुगर w240	850/-
सफेद काजुगर w320	780/-
सफेद काजुगर w400	720/-
करडा मीठा	780/-
करडा काजुगर	720/-
पाकळी काजुगर	700/-
तुकडा काजुगर	660/-
जाडी कणी	550/-
कणी	400/-

**Various grades of cashew kernels**

- 9) **Drying** - Graded cashews are again kept in an eclectic dryer for approx. 2 hours.
- 10) **Packing** - Ready cashew kernels of various grades are packed in a plastic bag usually in a quarter kg and a one kg of weight. Packed cashews are durable for 6 months.



## Cashew Kernels - ready to sell

### Output, Cost, Revenue and Profit:

1) **Output** - Final output is 25% of the raw material. 4 kg of cashew nuts yield 1 kg of cashew kernels. Shells are purchased by the traders as a raw material for oil. Currently, Mr. Suresh processes around 40 tonnes of cashew nuts and the final output of kernels is around 10 tonnes.

2) **Cost** -

A) **Fixed Cost** - The details of the fixed cost incurred by Mr. Suresh recently are as follows.

No.	Particulars	Cost (Rs.)		Life Expectancy	Fixed Cost per year (fig. Rounded off) (Rs.)
1)	Automatic Cutter (2)	1.15 lakh each		4 years	75000
2)	Dryer (4)	30kg	55k	20-25 years	13000
		60kg	65k		
		70kg	80k		
		150kg	1.30 lakh		
3)	Boiler - 160 kg	1.20 lakh		10 years	12000
4)	New factory building (Constructed in 2020)	15 lakh		50 years	30000
<b>Total Fixed Cost Calculated on Yearly Basis</b>					<b>130000</b>
<b>Fixed Cost per unit of output (kg)</b>					<b>13</b>

B) **Recurring Cost:**

No.	Particulars	Cost (Rs.)	Yearly
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			Recurring Cost (Rounded off)
1)	Raw material	120 - 130 per kg. (As per the market rates in 2022)	50,00,000
2)	Labour (10 to 12 workers, mostly women, are employed throughout the season, approx. for 200 to 250 days in a year.	160 to 170 per person per day (As per the prevailing wage rates in 2022)	4,00,000
3)	Electricity	8000 per month	1,00,000
4)	Annual maintenance of machinery	6000 to 8000	1,00,000
5)	Transport		5,00,000
6)	Packaging		50,000
7)	Miscellaneous		50,000
<b>Total Recurring Cost per year</b>			<b>6200,000</b>
<b>Yearly recurring cost per unit of output (kg)</b>			<b>620</b>

### 3) Revenue and profit:

Price depends on grades. The current price for different grades is shown in the following table. The average rate per kg. that Mr. Suresh gets is Rs. 700.

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कणी	400/-

Calculation of Revenue and profit is as under:

Cost per kg (including FC and RC as calculated earlier)	Average Price per kg	Profit Per kg	Total Profit (Profit per kg x Final Output) (Rs.)
633	700	67	6,70,000
+ Revenue from the sale of the shells @Rs. 5 x 30,000kg			1,50,000
<b>Total Yearly Profit from the Business</b>			<b>8,20,000</b>

Marketing:

Around 400-500 kg of cashews are sold in the local market. The remaining stock is supplied to the wholesalers, retailers and end customers in Rajapur, Mumbai and other nearby cities.

### Problems and Challenges:

- High investment due to the high cost of machinery
- Storage - storage of cashew nuts requires separate godown. It increases the requirement for additional land and building. Cashew nuts need to be protected from moisture. Bank doesn't provide any loan for creating a storage system.
- There are barriers in introducing advanced machinery because of irregular and insufficient electricity supply.
- Competition has increased due to automation and differentiated products such as roasted cashews, etc.
- Cost of raw material is increasing due to the growing market for raw cashews, locally known as *Ole Kajugar*.  
(Ref: <https://www.loksatta.com/pune/large-expansion-wet-cashew-markets-consolation-to-growers-akp-94-2825260/> )
- Import of cashew kernels is restricting increase in the market value.
- Impact of climate change on cashew crop.

### Lockdown effect:

Mr. Suresh informed that lockdown didn't have any considerable impact on his business as markets were open for food products.

### Future Plans:

Mr. Suresh wishes to carry on and expand the business to his best capacity. No specific future planning has been made yet. He wishes his future generation to carry on the same business but leaves the decision to them.

### Conclusion:

- Cashew processing is a profitable business in Konkan region. Above information shows that there is around 12% profit in this business.
- This business has the employment potential in rural area for up to 200 days a year. 40 tonnes of cashew processing has provided employment to minimum 10 women for at least 200 days at the wage rate of Rs. 160-170 per day. Thus, a woman employed in this business can earn up to Rs. 35000-40000 in a year.
- Easy availability of raw material, uncomplicated process, non-requirement of skilled labour, durability of final product, relatively inelastic demand are the advantages of this business.



- High cost of machinery, increasing cost of raw material, storage of cashew nuts, high-load electricity supply, competition with imported cashew and other types of kernels are some major challenges in this business.
- Other value added products such as cashew-shell oil, beverages and animal food from cashew apple,etc. can be made under the same establishment but no such enterprise exists in the nearby area. .

**Case Study Done By:**

**Harshad Tulpule**

**At-Post Ansure, Taluka - Rajapur, Dist - Ratnagiri - 416702**

**Mob. No. 9405955608**

**Email id - harshadtulpule@gmail.com**