

## A Cashew Nut Market Integration Model in Konkan Region of Maharashtra through cooperative ecosystem

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### *Abstract*

*The renewed interest in cashew cultivation throughout the country in recent years is witnessed due to several advantages of the crop. The demand for cashew in India and abroad is ever increasing and the quality of Indian cashew is well known in international markets. It is suitable for cultivation in dry land areas where irrigation facilities are scarce. New bold nut hybrids and ultra high density planting techniques have ushered in new dimensions in cultivation of the crop. Maharashtra accounts for one-third of the country's total cashew production of which a significant proportion (over 60 per cent) is produced in the Ratnagiri and Sindhudurg districts therefore it is reasonable to assume that cashew from these districts accounts for a sizeable share in country's export to other countries.*

*The study focuses on unique market integration model developed by cooperative ecosystem for the stakeholders. The study impetus that Chhatrapati Shahu Cashew Cooperative employed a multifaceted market linkage strategy that combined B2B partnerships with institutional buyers, traditional market engagement with wholesalers and traders, and a strong focus on product quality and brand building. This approach allowed them to effectively distribute their processed cashew products across diverse market segments, ensuring a robust and sustainable market presence.*

**Key words:** *cashew, market integration, cooperatives, brand building, sustainability*

### **Introduction:**

Nestled in the picturesque Konkan region of India, where emerald-green landscapes meet the azure Arabian Sea, a remarkable transformation has

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been unfolding within the cashew industry. In a land where cashew cultivation has been a way of life for generations, the Chhatrapati Shahu Cashew Cooperative has embarked on a journey that not only redefines the dynamics of this ancient trade but also addresses the pressing challenges faced by local farmers and cooperatives. Indian cashews, considered the finest in the world for their exquisite flavor and quality, have long been the pride of the nation. However, the Indian cashew industry, despite its global reputation, has grappled with the daunting issues of dwindling market prices, soaring processing costs, and the absence of crucial credit support systems. Amidst this backdrop, the cooperative, once burdened by a history of setbacks, leveraged a renewed spirit of collaboration and innovation to pave the way for transformation. It embarked on a mission to not only revolutionize the cashew sector but also reshape the mindset of Self-Help Groups (SHGs) and tackle the issues plaguing the emergence of Farmer Producer Organizations (FPOs). Moreover, the cooperative, in synergy with emerging agri-startups, laid the foundation for a sustainable rural economy that is both robust and resilient. This is a story of resilience, transformation, and empowerment, where the past meets the future, and where the heart of India's cashew industry beats stronger than ever before.

### **A problem statement on cashew Industry in India:**

Konkan region with its estimated annual production of raw cashewnut (RCN) exceeding 2.5 lakh MT can provide higher availability of RCN compared to Benin from which India imports less than 1.75 lakh MT every year. The critical requirement is to ensure round-the-year availability of Konkan RCN if a loyal base of consumers has to be developed for premium Konkan cashew. The three main constraints that disincentivise processors in Mangalore and in nearby processing clusters of Konkan to support and promote Konkan cashew are:

### **Challenges in Konkan Cashew Value Chain and Proposed Solutions**

#### **(a) Lack of Standardization and Quality Assurance:**

Konkan Raw Cashew Nut (RCN) faces challenges in standardization compared to African RCN, which typically adheres to defined moisture levels, nut counts, and Kernel Outturn Ratio (KOR). Deviations from these standards in African RCN come with compensation provisions for buyers. In contrast, Konkan RCN lacks such standardization due to fragmentation and limited sophistication among intermediaries between producers and processors. Leveraging digital technologies for professional supply chain

management, including sourcing, aggregation, quality assessment, lot-making, drying, packaging, transportation, and storage, can bridge the gap between Konkan and African RCN in terms of standardization and quality assurance.

**(b) Limited Access to Working Capital:**

Volatility in RCN prices and narrowing spreads between RCN and kernel prices have squeezed processors' margins. Consequently, formal financial institutions have become cautious about lending for working capital needs. African cashew offers a more flexible financing model, allowing processors to order RCN for future requirements with a minimal upfront payment. This contrasts with Indian RCN, where banks typically assess prices conservatively, resulting in processors receiving only about 55-60% of the price paid for Konkan RCN. This financial disincentive may prompt processors to shift to the more cost-effective African alternative. Moreover, promoting Konkan cashew and building consumer awareness may necessitate additional financial investments, putting Indian processors at a disadvantage compared to those dealing primarily with African cashew.

**(c) Absence of Multi-Stakeholder Alliances:**

To promote Konkan cashew, it is crucial to establish multi-stakeholder alliances focused on the "Vocal for Local" initiative. Reliability and transparency in RCN supply are paramount for processors. Developing a vibrant ecosystem can involve connecting producers and processors through professional supply chain management agencies. These agencies can offer transparent terms benefiting both parties, allowing for forward contracts or market price-driven contracts. Critical to this arrangement is traceability, which demonstrates the RCN's journey from producer to processor and ultimately to the consumer. Traceability is increasingly favored by buyers and consumers, not only for food safety but also as it adds premium value by sharing unique stories behind the product and its origin. Meeting the Indian government's mandate for "Vocal for Local" under "Aatmanirbhar Bharat" is essential. It will not only benefit producers but also establish a distinctive identity for Konkan cashew, cultivating loyalty among buyers, both domestic and international, and aligning with the vision of self-reliance.

**Problem Statement – for ecosystem:**

The Chhatrapati Shahu Cashew Co-operative Society faced a complex array of challenges, both historical and contemporary, which collectively hindered

its ability to thrive and serve the community effectively.

These challenges encompassed the disruptive impact of the COVID-19 lockdown, a period during which the cooperative society was incapacitated, rendering it non-functional for several years. Additionally, historical setbacks, such as a significant loss in Raw Cashew Nut (RCN) procurement during the 2017-18 season, further compounded the cooperative's woes. The cooperative society had already been burdened with bank loans, making it challenging to raise additional funds without a well-structured marketing plan that could guarantee success.

On the other hand, FPOs were also struggling with the absence of a clear vision, exacerbated the situation. New FPOs generally struggled to secure loans from nationalized and private banks due to the absence of collateral, stymying their potential for growth and development.

Furthermore, the conventional market dynamics proved to be unfavourable for the farmers, who were consistently disadvantaged by traders and commission agents, leaving them without proper compensation for their produce.

In this intricate landscape, Self-Help Groups (SHGs) also faced their own set of issues, which added an additional layer of complexity. Many SHG members may have limited financial literacy, making it challenging for them to effectively manage their savings and loans. This lack of financial knowledge can hinder the growth and sustainability of SHGs. They were involved in Intra or inter-loaning activities mostly within their membership structure.

Collectively, these multifaceted challenges posed a formidable obstacle to the cooperative society's mission of empowering its members and revitalizing the local agricultural landscape. Addressing these issues holistically was imperative to not only revive the cooperative but also to ensure the well-being and prosperity of the farmers, SHGs, and FPOs it serves.

### **The Proposed solutions / interventions**

Addressing these challenges and implementing proposed solutions can strengthen the Konkan cashew value chain, enhance quality and standardization, and position it as a competitive and distinctive player in the "Atmanirbhar Bharat" and "Vocal for Local" initiatives.

Proposed as Concept for a Multi-Stakeholder Pilot Project to Position and Promote 'Konkan Cashew' as the 'World's Best Cashew' under the “Vocal for Local” Campaign of 'Aatmanirbhar Bharat' Programme

- Chatrapati Shahu Cashew Cooperative, in collaboration with the Cluster Level Federation (CLF), and Yound Startups (Aceworx, Farmscape foundation and Global Synergizers) for technical support, had collaborated with financial institutions and government schemes to provide financial literacy and credit facilities to SHGs and FPOs. The following activities are the core of the business model.

**Market Access and Marketing Strategy:**

- Chatrapati Shahu Cashew Cooperative and the CLF had developed a comprehensive marketing strategy that included Collaboration between stakeholders, efficient supply chain management, Storage, Value addition, market intelligence for price setting and, market linkages to enhance the visibility and competitiveness of cashew products.
- They had explored opportunities for direct market access by partnering with Institutional Market Players along with traditional and regional markets.

**Capacity Building and Training:**

- **The cooperative, in collaboration with the CLF, had provided regular training and capacity-building programs for SHG and FPO members in cashew cultivation, processing, quality control, and financial management.**
- **The model build the capacities of rural women from SHGs and CLFs to manage their fund properly. They provided the financial literacy and awareness training program from CLF, Cooperatives and FPOs.**

**Value Addition :**

- Chatrapati Shahu Cashew Cooperative and the CLF had encouraged value addition by introducing high end grading (grading cashews into 40+ grades), and bring in Traceability
- They had explored opportunities for organic certification to tap into premium markets. Organic certification of RCN was carried out by FPOs.

**Strengthened CLFs and FPOs:**

- The cooperative, along with the CLF, had strengthened the governance structures of CLFs and FPOs to ensure transparency, accountability, and efficient decision-making.
- They had collaborated with government agencies, MSRLM, and Startups, to provide technical support.

**Sustainable Practices:**

- The cooperative and the CLF had promoted sustainable and environmentally friendly agricultural practices among members, emphasizing organic farming and responsible resource management.

**Data Management and Technology Adoption:**

- They had implemented robust data management systems to track production, procurement, and sales, enabling data-driven decision-making.

**Community Engagement and Gender Inclusion:**

- The cooperative and the CLF had actively involved women in leadership roles and decision-making within SHGs, CLFs, and FPOs. - They had engaged in community outreach programs to raise awareness about cashew cultivation and cooperative benefits among local farmers. During the period from 2020 to 2022, this collaborative effort between Chatrapati Shahu Cashew Cooperative and the CLF had resulted in the successful implementation of these initiatives and strategies, fostering the growth and sustainability of the cooperative business.

**The key Processes in the Business Model****1. Storage and Post-Harvest Handling:**

An indispensable facet of the triumphant journey involved the meticulous management of storage and post-harvest handling, further fortified by the unwavering support of the Cluster Level Federations (CLFs), Farmer Producer Organizations (FPOs), and the technical partners. Recognizing the pivotal role played by these esteemed collaborators, it was ensured that Raw Cashew Nuts (RCN) were stored with utmost care in the strategically located facility at the factory location. This strategic collaboration not only

streamlined operational costs but also ensured a consistent and substantial supply of RCN to meet the burgeoning demands of both processing and the market.

Moreover, the dedication to post-harvest handling remained steadfast. With the guidance and expertise of their partners, in conjunction with the proactive participation of CLFs such as Jjiau Mahila CLF in Sawantwadi and Anmol Women CLF in Kudal, Chatrapati Shahu Cashew Cooperative was able to adhere to industry best practices. These practices included precision drying and the meticulous packaging of RCN, safeguarding the impeccable quality and integrity of the cashews throughout their journey from the fields to the market.

The partnership of the cooperative extended even further with the collaboration of FPOs such as Shivswapn FPO in Malwan and Samgra Konkan Pragati FPO in Malwan. These organizations played a pivotal role in conducting quality testing at the ground level, ensuring that the cashews consistently maintained their top-tier grading.

To underline their remarkable progress, the Chatrapati Shahu Cashew Cooperative saw a substantial increase in the quantity of RCN procured over the years. In 2020, the cooperative procured approximately 32 metric tons, and by 2022, the procurement had soared to an impressive 282 metric tons, i.e an increase of 781% in a period of just two years. This remarkable growth, made possible through the collective efforts of their partners and stakeholders, solidified their position as market leaders in terms of quality and consistency. The collaboration of the cooperative with CLFs, FPOs, and the invaluable contributions of Agri-startups has truly been instrumental in securing a place at the forefront of the cashew industry.

## **2. Financial Support and Investment:**

As the cooperative navigated the path towards success, financial support played a pivotal role in fuelling their growth. The financial stability and progress was made possible through a diverse array of funding sources, including the Ajara Urban Co-operative Bank, Cluster Level Federations (CLFs), Agri-startup, and individual contributions from their community members in a manner akin to angel investment.

These collaborative financial initiatives facilitated the journey of the cooperative from a modest beginning in 2020 to an impressive scale of operation in 2022. The support from Ajara Urban Co-operative Bank was

instrumental in providing the much-needed credit facility. In fact, a significant majority, amounting to 75% of the credit involved, was generously extended by the bank. This funding not only empowered the cooperative to scale up the procurement and processing capabilities but also served as a testament to the bank's commitment to the vision of the cooperative.

Moreover, the partnership with CLFs, Aceworx, and the contributions from their local community members further solidified their financial foundation. The synergy between these entities, complemented by the community's willingness to invest in the cooperative's venture, created a robust financial ecosystem that propelled the cooperative society forward.

It is this multi-faceted approach to financial support and investment that underscores resilience and determination of the cooperative. The cooperative stands as a testament to what can be achieved when diverse stakeholders come together to support a common vision, and thereby reach new heights in the cashew industry.

### **3. Market Linkage Strategy: Chh. Shahu Cashew Cooperative with B2B and Traditional Markets**

The Chhatrapati Shahu Cashew Cooperative employed a comprehensive market linkage strategy with the help of partner startups which were linked with Markets, to ensure the successful distribution of its processed cashew products. This strategy involved engaging with both Business-to-Business (B2B) partners and traditional markets, catering to a diverse range of buyers.

#### **1. B2B Market Linkages:**

- **Institutional Buyers:** The cooperative actively sought out institutional buyers who could provide a consistent and substantial demand for their processed cashew products. This included companies like Nexton Wonderland Foods, Waycool, Nexton, and other processors in the cashew industry. These institutional buyers typically purchase cashews in bulk for various purposes, including further processing or packaging for retail.
- **Long-Term Contracts:** The cooperative often entered into long-term contracts and agreements with these institutional buyers. These contracts ensured a steady and predictable demand for their cashew products, allowing for better production planning and resource allocation.



- **Quality Assurance:** To meet the high-quality standards demanded by institutional buyers, the cooperative maintained stringent quality control measures in their processing facilities. This included sorting, grading, and packaging to ensure that the cashews met or exceeded the expectations of their B2B clients.

## 2. Traditional Market Engagement:

- **Cashew Wholesalers and Traders:** In addition to B2B partnerships, the cooperative also tapped into traditional cashew wholesalers and traders who play a significant role in the cashew trade. These intermediaries often bridge the gap between producers and retailers or end consumers.
- **Local and Regional Markets:** The cooperative explored local and regional markets where traditional cashew traders and wholesalers operated. This allowed them to reach a broader consumer base, including consumers who preferred buying cashews from traditional marketplaces.

## 3. Marketing and Promotion:

- **Brand Building:** To establish a strong presence in the market, the cooperative focused on brand building and creating a positive reputation for their cashew products. They invested in packaging and branding to enhance product visibility and appeal.
- **Market Intelligence:** Continuous market research and intelligence gathering were part of their strategy. This allowed them to stay updated on market trends, consumer preferences, and pricing dynamics, enabling them to make informed decisions.

## 4. Flexibility and Adaptation:

- **Adapting to Market Trends:** The cooperative remained flexible and adaptive, responding to changing market dynamics and consumer preferences. This included introducing new flavors, packaging sizes, and value-added products as per market demand.

In summary, the Chhatrapati Shahu Cashew Cooperative employed a multifaceted market linkage strategy that combined B2B partnerships with institutional buyers, traditional market engagement with wholesalers and traders, and a strong focus on product quality and brand building. This approach allowed them to effectively distribute their processed cashew products across diverse market segments, ensuring a robust and sustainable market presence.

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