

Interconnections – a poor man's crop and a rich man's food

Cashews are a popular consumer product. Australia imports over \$20 million worth each year. The international market is worth \$650 million a year.

Indonesian cashew farmers on a remote island of Flores had no idea of the journey or the value of their cashew nuts around the world. The cashews harvested in the remote villages around Dun Tana are bought from the farmer for \$1 per kilogram. Next, they travel to the capital of Flores, Maumere, and are sold again. Then they travel by ship to Surabaya, and then to Chennai in India (see map on p.8-9).

After being dried and cleaned, they are shipped to Australia. Here, they are salted or roasted and packaged. The cashews are then trucked all over Australia to regional centres, cities and small rural towns. Finally, Australians buy the cashews for \$20-28 per kilogram in their local shopping centre.

Overview of East Flores in Indonesia.



1 Cashews are planted and three years later growing on the tree.



2 Cashews are harvested and bought from the farmer for \$1 per kilogram in Dun Tana. It is a very labour intensive crop where farmers collect the fallen nuts on the ground.



3 Cashews are transported in bags on the back of a truck and sold again at the market warehouse in Maumere for \$3 per kilogram.



4 Cashews are shelled.



5 Cashews are shipped from Flores to Indonesia's second largest city on Java, Surabaya. Again, they are stored in a warehouse.



6 Cashews are then shipped to Chennai in India where they are sorted, graded, dried and cleaned. Then they are shipped to an Australian port and bought at \$7.30 per kilogram.



7 Cashews are transported by truck to Australian food processors. They are salted, roasted and packaged and sold to shops for \$9-10 per kilogram. Australians buy cashews from the shop for \$20-28 per kilogram.



For you to do

1. Download the world map at worldvision.com.au/schoolresources and draw the transport route for cashews from Dun Tana to your home town.
2. How are transport and communication technologies used in the trade of cashews from Dun Tana to Australia? How might future advances in transport and communication technologies affect cashew growers in Indonesia?
3. How might the trade in cashews be made fairer for the cashew farmer?
4. Why are cashews known as "a poor man's crop and a rich man's food?"

International trade – cashews

Cashews are a popular consumer product. Internationally, Indonesia is the fifth largest producer of raw cashew nuts and Australia imports over \$20 million worth each year. The international market is worth \$650 million a year.

However, the work is very labour intensive. The cashew nuts are not grown on plantations or harvested by machines. They are often grown on small farms and the nuts fall to the ground and are collected by hand.

Indonesia produces the majority of its raw cashew nuts from September till February every year. Most of the cashew nuts harvested in Indonesia are taken away to India and Vietnam for processing before being imported by countries like Australia.

Table 1: Major international cashew exporters and importers

| Top five cashew nut (with shell) production countries (Food and Agriculture Organization 2010) | Tonnes | Top five cashew nut (kernel) import countries (International Trade Centre 2010) | Percentage of market |
|--|-----------|---|----------------------|
| 1. Vietnam | 1,159,600 | 1. United States of America | 45% |
| 2. India | 613,000 | 2. Netherlands | 12% |
| 3. Nigeria | 594,000 | 3. United Kingdom | 5% |
| 4. Cote d'Ivoire | 370,000 | 4. Germany | 4% |
| 5. Indonesia | 174,300 | 5. Australia | 4% |

Diana (World Vision Indonesia): "The farmers on the island of Flores produce corn, bananas, cassava and other vegetables for their families to eat. They also produce cash crops to sell. These include cashews, cacao and dried coconuts or copra.

Each farmer sells their produce to a buyer who comes to their village. Once a week, this buyer gives them a low price for their crop and lends them money that they repay with their produce; their cashews or copra. This means they are often in debt to the

buyer and receive a very low income. For example, they would offer only \$1 per kilogram of cashews. Under this system, the buyers controlled the price and kept the farmers in debt. Also, the farmers did not understand the larger market for their produce.

From 2009, World Vision started working with the farmers on the eastern side of Flores, to expand their markets and increase their income.

Together, we did a market analysis and identified the five products in greatest demand at the local markets in Maumere, the capital of Flores: Copra or dried coconuts, candle nut, cashew nuts, tamarind and cacao.

We then took 10 farmers from their villages to follow the journey of their produce. We drove them to Maumere to see the larger daily markets where their produce was sold again.

Next, we travelled together for three days by boat to Surabaya, the second largest city in Indonesia. Here the farmers saw warehouses and companies buying cashews to export overseas. They understood that cashews were processed, graded and used across the world. The farmers found their cashews had much greater value than they realised.

We then worked with the farmers to improve the quantity and quality of their product and improve their bargaining position with the buyers. This led the farmers to join together and form a cooperative. They then sold their produce at a weekly auction.

With better information about the cashew market and simple communication technology (a mobile telephone), cashew farmers are now empowered to improve the economic, social and environmental wellbeing of their community."



Diana (pictured right) meets with buyers in Maumere. The cashews are stored in this warehouse before being shipped to Surabaya.

Map of East Flores



For you to do

1. On the world map at worldvision.com.au/schoolresources, colour the five main cashew production countries and the five main importing countries. What regions of the world do they represent?
2. Look at the map of East Flores. What is the distance from Dun Tana to the main market and port in Maumere? Suggest a reason why the farmers do not sell their crops directly to the market in Maumere?
3. Research your home and neighbourhood and identify the source of different products – foods, clothing, cars, white goods, information technology products. Record your findings in a table. What patterns do you notice? What regions of the world are represented?
4. Research the fair trade and ethical consumerism social movements. Evaluate their effectiveness and impact on communities producing coffee, chocolate (cacao) and clothing. See ethical.org.au and the video "What's Behind the Label?" (1 min 57 seconds) at worldvision.com.au/schoolresources

How can farmers improve their human wellbeing?

Lazarus (Dun Tana farmer): "In the past, buyers would come to each farmer's property and buy our produce at a low price. For example, they would only offer \$1 per kilogram of cashews. They would also lend farmers money which meant the farmers were often in debt to the buyer. If we didn't have enough money to repay the debt, we would have to repay by giving them some of our crop.



Lazarus with the early bags of cashews arriving for auction.



Weighing the produce at the local market.

Now, all the farmers around the village have formed a cooperative and bring their produce to the Dun Tana market on Friday morning. Now we sell our combined produce in bulk and the buyers have to come to our auction and bid for our produce. A contact in Maumere sends me a text message about the market price for cashews from the day before, and we have better market information about a fair price for our product.

This has increased the income for all our crops. For example, the cash we receive from a kilogram of cashew nuts has more than doubled from 7,000 Rupiah (\$1.00) to 16,000 Rupiah (\$2.20*).

Before, the community did not understand how much profit the buyer was making from our crops. It was important for us to understand the market price at Maumere because this has helped us negotiate a better price at our local market. World Vision also helped us with training and managing our finances so that we keep good records and accounts.

World Vision has also helped us add value to our crops. For example, villages are now starting to shell the cashews. This increases our income too. A worker can shell 10 kilograms in a day and this can provide an extra 37,500 Rupiah (about \$5.30*) in a day. As the cashews are shelled, they are graded into two groups: broken and unbroken. We receive four times more money for the unbroken nuts.

After the cashews are shelled, the next step is to peel the cashews and remove their skin. The more we can add value to our product by shelling, skinning, roasting, salting and packaging, the more money we can receive. At the moment, this extra processing is done overseas.

*Current at time of printing

There are now 1,500 farmers and 16 villages involved in the farmers' cooperative. This story is now being repeated in other rural areas of Indonesia. As local farmers get access to better market information, they are able to get a more just and fair price for their work. In the future, I hope that our community will be able to sell our cashews online to any buyer in the world!"

OVERCOMING OBSTACLES AND OPPOSITION

"When the cooperative auction started, the buyers decided to work together and make it harder for the farmers. The buyers agreed with one another to keep the price low at the auction.

When the local buyers agreed to keep the price low, we decided to close the local village auction. We hired a truck and sold our produce directly to the bigger market in Maumere – two hours away by truck. After we did this a few times, our local buyers asked us to come back. They were not getting any crops to sell.

The transport and time cost for us to take our produce to Maumere meant that it made more sense to come back to the local market. The buyers have now learnt a lesson that we can now close their local market if they do not offer a fair market price." (Lazarus)



Local villagers are now beginning to shell the cashews before sending them to Maumere.



"The farmers' cooperative means that families can send children to school and university which they couldn't afford to do before. I have graduated from senior high school and will go to university to study health. I would like to become a nurse or a midwife so that I can help other people." (Floriane)



"The cooperative has meant that we are now cooperating more together. This new market system means that we receive a better income that helps our whole family ... I have been able to build a toilet and bathroom in our house. We can now save if our children get sick and need to go to hospital and we can also save each month for the children's schooling." (Sibu)

For you to do

1. How has the community on Flores improved its economic, social and environmental wellbeing?
2. Why does change in communities sometimes involve opposition and conflict?
3. How were the farmers able to overcome opposition from the buyers?
4. What has been the role of the NGO (World Vision) in this aid project? How has it worked with the farmers in the community?

Reflection and action

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|--|--|
| I was surprised to find out... | |
| The most interesting thing I learnt was... | |
| I would like to know more about... | |
| I don't understand... | |
| One thing I would like to do now is... | |

Edward de Bono's thinking hats

Use de Bono's six thinking hats to explore Australia's engagement with Asia: Indonesia. This includes the DVD chapter and written resources.



White hat: What are some of the facts you learnt as a result of looking at this topic?



Red hat: How do you feel as a result of looking at this topic? Hopeful, angry, depressed, thankful, disappointed, something else?



Black hat: What were some of the negative aspects to this topic?



Yellow hat: What are some of the positive, encouraging or hopeful aspects of this topic?



Green hat: What are some ideas or possible actions that could address an issue in this topic?



Blue hat: What is the "big picture idea" behind this topic? What have you learnt about Australia's engagement with Indonesia?