

E. AFRICA
W. AFRICA

44425

44425

Ref
File

Board of Trade

1917

6th Sept

COTTON GROWING
IMPERIAL FINANCIAL ASSISTANCE

Last previous Paper.

Leads
44037

The copy letter from Treasury with proposed reply States as regards inclusion of Nigeria in scheme. Requests nomination of representative to attend proposed Conference.

Mr. B. B. M. M. M.

Mr. B. B. M. M. M.

The B. of Trade have been too quick for me & my letters on 44037 are useless.

The immediate points before me

- (1) Nigeria, it appears, must be included
- (2) a conference is proposed.

If it is decided that I should represent the C.D. (you were in at the initiation of the scheme) - I reply to that effect & let Niger off - see the paper for details before the meeting.

Sept. 9. 17

Handwritten notes in left margin: 8 Sept, 44037, 44032/17

Next subsequent Paper.

44032/17

Bottomley should represent the C.O.

Had

7-9-17

yes.

at me

H. J. H.

7/9/17

Mr Bottomley

Seen - & spoken to you

at 1. H 10/9/17

526

J. O.
44425
REC-7 SEP 17

Further communication should be
addressed to—
ASSISTANT SECRETARY,
Address given opposite.
Following letter and number should
be referred to—
13917

BOARD OF TRADE,

(COMMERCIAL DEPARTMENT)

GWYDYR HOUSE,

WHITEHALL,

LONDON, S.W. 1.

Geographic Address:
COLASTA, LONDON.
Phone No.: 3840 Victoria.

6th September, 1917.

Sir,

With reference to previous correspondence on the subject of cotton growing in British Africa I am directed by the Board of Trade to forward to you copy of a letter which they have received from the Treasury and of the reply which is being addressed to that Department.

As regards the inclusion of Nigeria in the scheme of purchase by the British Cotton Growing Association on behalf of His Majesty's Government, I am to say that while the Board would have been glad to have restricted the proposed measures to Uganda and Nyassaland, as indicated in their letter of 27th August, they now fear that if the scope of the scheme be thus limited it will not meet the case. They understand from communications with the bankers to the Association that owing to the difficulties which prevent the shipping of the balance of the last crop the commitments are so heavy that the bankers are not prepared to finance the next Nigerian crop unless they obtain some form of guarantee from His Majesty's Government.

Under Secretary of State,

I

Colonial Office.

3rd September 1917.

25893

17.

URGENT.

Sir,

I have laid before the Lords Commissioners of His Majesty's Treasury Mr. Fountain's letter of the 3rd ultimo (C.10774), relative to a proposal that the British Cotton Growing Association should purchase on behalf of His Majesty's Government at fixed prices all cotton offered to them in Uganda, Nyasaland and Nigeria, prior to September 30th 1918, arrange for its shipment as and when opportunity offers, and dispose of it in the United Kingdom; and that the transaction should be financed by certain banks to whom a guarantee would be given on behalf of the Government in respect of interest and repayment of advances within a limited period.

In reply, I am to transmit for the information of the Board of Trade a copy of a letter from the Colonial Office dated the 30th ultimo stating that, in the opinion of the Secretary of State for the Colonies, it would be possible, for the present at least, to confine Governmental action to Uganda and Nyasaland. Subject to possible limitation in this direction (on which They would be glad to be furnished with the Board's observations) My Lords agree in principle that measures should be taken to prevent the coming cotton crop in these Protectorates being left on the hands of the native growers.

The letter under reply, however, does not make it clear that the Exchequer must necessarily have a commercial interest in the success or failure of the scheme of purchase. If the difficulty is, as stated, the risk that banking accommodation may be required by the purchasers for a longer period than that for which it is readily available, it might be sufficient to promise the British Cotton Growing Association that, if and when they found themselves

With regard to brokerage, I am to enquire whether this is calculated on the buying or the selling price, and at what rate, and whether it might not be preferable to agree to a fixed payment to the Cotton Growing Association for the services to be rendered by them.

As His Majesty's Government would be intervening to relieve the association, in the difficult circumstances of the present time, of transactions ordinarily falling to be discharged by that body, it would appear reasonable to fix any payment by way of brokerage at a figure which will meet the expenses of management but not afford any margin of profit.

I am to point out that a guarantee to the banks would require the authority of Parliament to be obtained by legislation. This necessity would not arise if any advances were made in Africa from protectorate funds to be reimbursed in London through the Crown Agents for the Colonies.

I am,

Sir,

Your obedient Servant,

(SGD.) T. L. HEATH.

Further communication should be
ad to—

ASSISTANT SECRETARY,

Address given opposite.

The following letter and number should
be—

D. 13917

Geographic Address,

COLLETA, LONDON.

Phone No.: 3846 Victoria.

BOARD OF TRADE,

(COMMERCIAL DEPARTMENT),

GWYDYR HOUSE,

WHITEHALL,

LONDON, S.W. 1.

COPY.

C. O.

44425

REF

REG.

6th September, 1917.

Sir,

With reference to your letter of 3rd September No. 25893/17, on the subject of cotton growing in British Africa, I am directed by the Board of Trade to forward to you, for the information of the Lords Commissioners of His Majesty's Treasury, copy of a memorandum prepared by their Assessor of Cotton Claims which contains some observations on the questions raised in your letter.

In view of the urgency of the matter, it appears to the Board that the details of the scheme could be more satisfactorily discussed at an interdepartmental conference than in correspondence and I am accordingly to enquire whether Their Lordships will be so good as to nominate a representative to attend a conference at this Department at an early date, which could be arranged informally when representatives had been nominated.

I am to add that a similar invitation is being addressed to the Colonial Office to nominate a representative of that Department to attend the conference.

I have the honour to be, Sir,
Your obedient Servant,

(Signed) H. FOUNTAIN

The Board of Trade urged upon the British Cotton Growing Association and their Bankers that they should take care of the next Nigerian Cotton crop. Owing to the difficulties which have not yet been overcome of shipping the balance of last year's crop the Cotton Growing Association are heavily indebted to their Bankers in fact much in excess of the credit which was promised them.

At an interview we had with the Bankers they definitely refused to finance the next Nigerian crop without a Government guarantee.

With regard to the question as to whether the Exchequer should have a commercial interest in the scheme of purchases, the matter was fully considered and we came to the conclusion that it was advisable for the Exchequer, as they had all the risk, to benefit by a certain profit which will be made.

A promise to the British Cotton Growing Association to provide them with a loan would at once cause the Exchequer to have to part with funds to finance the incoming crops as the Bankers will not make any further advances. It was thought preferable that the Bankers should continue to finance the Cotton Growing Association with a Government guarantee.

The financial details of the present proposal are as follows:-

The buying prices proposed are based upon cost of production and not upon the present high prices of cotton ruling in Liverpool. There is a margin of profit averaging 8d per bl. between the total ^{cost} green prices of the cotton warehoused in Liverpool and the prices now current there.

The question of freight need not be taken into consideration because as soon as such freight becomes payable the cotton will be available for sale and therefore no financing will be necessary on this account.

With regard to the total purchase cost mentioned above I am convinced that this amount will not be reached, on the maximum figures of each crops growth and it is certain that the amount of each of these crops which to be handled will prove to be considerably less.

Brokerage is by custom of the trade always charged on selling price. The figure named by the Cotton Growing Association for services rendered by them is $\frac{1}{2}$ of one per cent and is included in my calculation of the cost of the cotton. It might be possible to arrange for a fixed payment to the B.G.A. in lieu of brokerage but it would be difficult to decide upon a fair figure as neither they nor we can form a definite opinion of the quantity they will have to deal with.

The brokerage of $\frac{1}{2}$ per cent seems a reasonable one for services to be rendered and be a minimum brokerage recognised actual cotton by the Liverpool Cotton Association Limited.

IN AFRICA

44425

Nigerian Cotton.Buying price $1\frac{3}{4}$ ¢. per lb. of seed cotton on railway as at present. $3\frac{1}{2}$ lbs. seed cotton yield 1 lb. of lint and $2\frac{1}{2}$ lbs. of seed.First cost $3\frac{1}{2}$ lbs. at $1\frac{3}{4}$ ¢..... 5.16d. per lb

<u>Charges in Africa.</u>	Pre-war		to-day.	
Merchants Commission $\frac{1}{8}$ ¢.	.47	3/16	.71	
Cost of Bags	.04		.12	
Freight from buying Station to ginnery (average)	.15		.15	
Ginning and Baling	.75		1.00	
Management & working expenses	.20		.20	
Insurance $\frac{1}{4}$ % on lld.	.03		.04	
Loss in weight $2\frac{1}{2}$ % on sd.	.15		.16	
Bill of Exchange $\frac{1}{2}$ %	.04		.04	
Financing $1\frac{1}{2}$ %	.12	2%	.16	
Extra cost of storage	nil		.10	
Increased rate of insurance $2\frac{1}{2}$ %	nil		.16	
	<hr/>		<hr/>	
	1.96		2.84	2.84d.
	<hr/>		<hr/>	
Price per lb. at Up-country stations on the Railway				<hr/> 5.00d. <hr/>

Uganda Cotton.

Buying price 12 cents. per lb. of seed cotton at Lake Ports.

 $3\frac{1}{2}$ lbs. seed cotton yield 1 lb. of lint and $2\frac{1}{2}$ lbs. of seed.First cost $3\frac{1}{2}$ lbs. at 12 cents.

6.72d. per lb.

Charges in Africa.

Merchants Commission and working expenses	1.00
Ginning and Baling	1.00
Insurance $\frac{1}{4}$ % on lld.03
Bill of Exchange & Financing $\frac{1}{2}$ % on 10	.40
	<hr/>
Carry Forw.	2.43

Charges in Africa (Contd.)

Brought Forward	2.43	6.72d. per lb.
Loss in weight $\frac{2}{4}\%$ on 10d.	.20	
Extra cost of storage	.20	
Increased rate of insurance $\frac{2}{4}\%$ on 10d.	.20	
Railway & steamer rate	.35	
	<u>3.38</u>	<u>3.38d.</u>

Value in store at Port 10.10d.

or say 10 $\frac{1}{2}$ d. per lb.

Nyasaland Cotton

Buying price of seed cotton 1 $\frac{1}{2}$ d. per lb. at Blantyre.

3 $\frac{1}{2}$ lbs. of seed cotton yield 1 lb. of Lint and 2 $\frac{1}{2}$ lbs. of seed.

First cost 3 $\frac{1}{2}$ lbs. at 1 $\frac{1}{2}$ d. . 5.25d. per lb.

Charges in Africa.

Merchants Commission and working expenses	1.00	
Ginning and Baling	1.00	
Insurance $\frac{1}{4}\%$ on 12d.03	
Bill of Exchange and Financing $\frac{5}{8}\%$ on 8 $\frac{1}{2}$ d.43	
Loss in weight $\frac{2}{4}\%$ on 8 $\frac{1}{2}$ d.17	
Extra cost of storage20	
Increased rate of insurance $\frac{2}{4}\%$ on 8 $\frac{1}{2}$ d.17	
Railway rate to Port Herald25	
	<u>3.25</u>	<u>3.25d.</u>
Value in Store at Port Herald		<u>8.00d.</u>

Gov B. DT EA
~~44532~~ 44425 GA

10
8 Sept. 1917
Sir,

I am in back. the
act. of your letter, C. 13917,

of Sept. 6th and to request you
to inform the Board of Trade
before you that he has

nominated Mr. W. C. Bottomley
of this Office Dept. to

represent the Colonial Office and
the proposed conference to

discuss the scheme for
financing the next cotton
crop in British Africa.

I am to take this
opportunity to transmit
to you ~~the enclosed~~ for the

Board to you a copy of a
letter which has been

DRAFT.

Mr. Asst. Secy:
Commercial Dept.
Board of Trade
MINUTE.

- Mr. Bottomley 8.9.17
- Mr.
- Mr.
- Mr. Grindall.
- Mr. Lambert.
- Mr. Road.
- Sir G. Fiddes.
- Secy.
- Mr. Steel-Maitland.
- Mr. Long.

Ministry of Finance, Treasury, &
C. 13917, 41666, 42735 & 42744
4532.
of these letters have been made & sent to
Mr. C. D.
to go to Mr. A. J. Harding
Ministry of Finance, C. D.
6 Sept
(44532)

reply to the tel^g of the 1st
of Sept. a copy of which was
sent to you on the 6th of Sept

8

(Signed) H. J. READ