

E. AFRICA
W. AFRICA
44037

44037
17

Treasury
1917
3 Sept.
Last previous Paper.
B. of T.
42860

Impt. assistance to Cotton Industry.

Send for obvious Treas. reply to B. of Trade ref. proposed scheme for purchase, shipment and sale by B. C. G. A. on behalf of Impt. Fed. of all cotton offered in Nigeria, Nyasaland, and possibly Algeria prior to 30 Sept 1918.

Lead
Mr. B. of T.

The Treasury ask for our views, but the Board of Trade, who are in touch with the B. C. G. A., can answer the letter more usefully than we can. We must, in any case, I think send them a draft of our reply for concurrence, as we did before.

Para. 3 of Treasury letter. The Board of B. C. G. A.

can only be put in charge if the scheme is a Govt one - i.e. if the Treasury alternative is adopted the offer of Govt advances must be made to each grower separately. I see no objection to this: we should have to make it a condition that the grower receives a fair price (to be stated) for his cotton, but that is equally

Annals of Cotton M.A. 1917

Next subsequent Paper.
B. of T.
44425 SA.

Neamy agree to indemnify the

Protectors against loss - & would

they need Park authority sanction to that

The need for cotton is an Imperial need,

and the want of shipping facilities

arises from Imperial exigencies, & there

is no reason why the Protectorates should

be saddled with any loss.

? Off. in the lines & send it
to H. of T. for concurrence.

6 Oct. 6/9/17

2/2/17

6.9.17

Off. Encl.

Stone

to J. R.

6/9/17

Any reply to this letter should be addressed to--

THE SECRETARY,

TREASURY,

WHITEHALL, LONDON, S.W. 1.

and the following number quoted.

TREASURY CHAMBERS.

3 4

September 1917.

32

25893

17.



Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to acknowledge Mr. Grindle's letter of the 30th ultimo (^{But} 42860/17) relative to the letter addressed to this Department by the Board of Trade on the 3rd August on the question of the measures necessary to secure the continuance of cotton growing in British Africa in view of the difficulties which have arisen with regard to shipping, and I am to transmit herewith copy of Their Lordships' reply to the Board of today's date, and to request that They may be favoured with any observations which the Secretary of State may desire to make thereon.

I am,

Sir,

Your obedient Servant,

The Under Secretary of State,
Colonial Office.

P.L.

7 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,

(Sd.) ROBERT CHAMBERS

20947
COPY.

Board of Trade,

(Commercial Department),

Gwydyr House,

Whitehall,

London, S.W.1.

3rd August 1917.

Sir,

I am directed by the Board of Trade to state, for the information of the Lords Commissioners of His Majesty's Treasury that they have had under consideration the question of measures which will be necessary to secure the continuance of cotton growing in British Africa in view of serious difficulties which have arisen in shipping the last crop and which it may be assumed will be still greater in the case of the next crop. Representations have been made to the Department by the British Cotton Growing Association and the Board have been in communication with the Colonial Office and the Ministry of Shipping in the matter.

As regards the unshipped remainder of the current crop, the provision of tonnage is a matter of difficulty, though the Ministry of Shipping have expressed their readiness to make special arrangements to get the cotton in question shipped in the next few months. They state, however, that they would feel justified in doing so only if the British Cotton Growing Association could be enabled to continue operations for at least another year. There is no security that provision can be made for sufficient tonnage to lift the next crop and in the event of tonnage not being forthcoming it would be necessary to store the cotton in Africa with the result that the money required for its

Secretary,

Treasury.

purchase

C. O.
44037

Ref
(S.E.)

34

purchase would have to be locked up for a considerable period.

It has been the practice for about half the Uganda crop, three fourths of the Nyassaland crop and the whole of the Nigerian crop to be purchased by the British Cotton Growing Association, who pay cash for their purchases and who are unable to fulfil their obligations to the Banks financing them until the cotton is sold after being shipped to this country. The buying for the next crop will commence shortly, so that financial arrangements have to be completed as soon as possible, but the Banks, which have advanced money in the past to them on more favourable terms than to ordinary business houses are naturally not prepared to advance the money necessary to secure the purchase of the next crop if it is likely to remain in Africa for an indefinite period, unless they have Government support.

As Their Lordships are aware, His Majesty's Government attach very great importance to the extension of cotton growing within the Empire, and the Board have recently appointed a strong Committee with a view to considering how best to secure this extension. They regard it as a matter of the highest importance in the national interest that the work which the British Cotton Growing Association have carried out to this end should continue, and they cannot but realise that if the next crop is not purchased, the native growers will be very greatly impoverished, land now under cotton will go out of cultivation, and the work carried out in the past few years in furthering cotton growing in Africa will receive a great set back.

It has therefore been proposed that the crop should be acquired on behalf of the Government by the British Cotton Growing Association who should purchase locally at fixed

prices

prices all cotton offered to them in Uganda, Nyassaland and Nigeria prior to September 30th 1918, arrange for its shipment as and when opportunity offered and dispose of it in the United Kingdom. As regards the money required for the purchase it is not suggested that this should necessarily be advanced out of public funds as the Board have ascertained that the Banks who have hitherto acted for the British Cotton Growing Association would be prepared to advance the necessary sums to the Association provided that they were guaranteed by His Majesty's Government in respect of the interest on the money advanced and the repayment of the capital within a fixed period not exceeding 18 months. Should this period expire before the cotton could be shipped and disposed of further financial arrangements for the ensuing period would have to be made. The exact prices to be fixed for the cotton are at present under consideration but it is considered that there should be no difficulty in fixing them at a level which would give ample inducement to the native grower to continue planting whilst making it probable that a substantial profit would accrue from the sale of the cotton when it could be shipped. Estimates have been furnished by the British Cotton Growing Association as to the extent of the entire crops of Uganda, Nyassaland and Nigeria which have been deliberately framed on the large side and they show that in any event the capital expenditure necessary to put the scheme into effect would not be likely to exceed £1,250,000.

As indicated above the British Cotton Growing Association are not normally the sole purchasers of cotton in the areas in question and the Board are in communication

with

with the Colonial Office on the question whether other Companies should be brought into the scheme. Before, however, proceeding further the Board would be glad, if possible, to receive an expression of Their Lordships' approval of the general principle of the Scheme and their authority for the continuance of the negotiations with the interests concerned.

I have the honour to be,
Sir,

Your obedient Servant,

(sd.) H. FOUNTAIN.

with the Colonial Office on the question whether other Companies should be brought into the scheme. Before, however, proceeding further the Board would be glad, if possible, to receive an expression of Their Lordships' approval of the general principle of the Scheme and their authority for the continuance of the negotiations with the interests concerned.

I have the honour to be,

Sir,

Your obedient Servant,

(sd.) H. FOUNTAIN.

3
September 1917.

35883

17.

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.

2. 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.

Secretary,
Board of Trade,

The

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 unable to secure a continuance of such accommodation, a loan at suitable interest upon the security of cotton then remaining unsold would be made to them from public funds of not more than the value of the security or of their unrecovered expenditure, such loan to be repaid when the cotton was eventually marketed or at the end of the war.

4. If, on the other hand, it is considered essential that the transaction should be on Government account, any profit or loss thereon falling to the Exchequer, My Lords would desire to be more clearly informed as to the financial details of the present proposal. As the prospect of marketing the cotton at any early date is thought to be small. They understand that the buying prices in the various localities will not be based upon current market prices but upon estimated costs of cultivation etc. There appears no good reason why the buying prices should exceed those given for last year's crop or those current before the war, whichever are less, since these prices have hitherto proved sufficient to secure continued production. If the cost of cultivation has risen appreciably, a small advance might indeed be warranted, but My Lords would not be able to

approve a scheme which involved purchase at prices of which the justification rested upon the prevailing high Liverpool rates. It is impossible to forecast the state of the market when the cotton comes to be disposed of, and prices must accordingly be kept to the minimum which will prevent any larger area being diverted to other crops.

5. To the expenditure on purchase will fall to be added the brokerage of the Cotton Growing Association or other body, interest charges, the cost of storage for a possibly protracted period, insurance and ultimately freight charges. My Lords note that the capital expenditure on purchase is estimated at £1,250,000 as an outside figure; and I am to request that the Board will furnish an estimate upon the same basis of the total expenditure, on the assumptions that the cotton will require to be stored for (a) one and (b) two years, and will indicate the approximate selling prices which would be required after those intervals to enable the scheme to be carried through without loss.

6. 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.

To go to B. D. for concurrence

Downing Street,

September, 1917.

See how B. D. is
4/2/17

Sir,

I am directed by Mr. Secretary

DRAFT.

Long to acknowledge the receipt of your letter, No. 25893, of the 3rd of September, forwarding for his observations a copy of the letter sent to the Board of Trade on the same date regarding the proposals for financing the next cotton crop in British Africa. He thinks that the views of the Board, who are in close communication with the British Cotton Growing Association on this subject, will be more generally useful to the Lords Commissioners of the Treasury than any observations which he can offer, but there are a few points on which some remarks appear to be necessary.

2. With regard to paragraph 3 of the

Secretary,

TREASURY.

MINUTE.

Mr. Bostwick 7-9-17

Mr. Butler 7

Mr. Grindle.

Mr. Lambert.

Mr. Read.

Mr G. Fiddes.

Mr A. Steel-Maitland.

Mr Long.

faciana

24/17

the letter to the Board of Trade, Mr. Long considers that, while the British Cotton Growing Association could very properly be appointed to represent the Government in a scheme for buying cotton which could not be shipped, it would not be possible to confine to them the alternative arrangement of Government advances which their Lordships suggest. The advances would have to be offered to all the Association's commercial competitors both in Uganda and Nyasaland, but he does not think that there would be any serious difficulty in such an arrangement.

3. Under either scheme provision would have to be made for a fair price to be paid to the grower. On this point, Mr. Long is anxious that the buying price should not be unduly high, as he wishes to avoid setting up a standard which it may be impossible to maintain when normal conditions are restored. He thinks, however,

that

the letter to the Board of Trade, Mr.

Long considers that, while the British Cotton Growing Association could very properly be appointed to represent the Government in a scheme for buying cotton which could not be shipped, it would not be possible to confine to them the alternative arrangement of Government advances which their Lordships suggest. The advances would have to be offered to all the Association's commercial competitors both in Uganda and Nyasaland, but he does not think that there would be any serious difficulty in such an arrangement.

3. Under either scheme provision would have to be made for a fair price to be paid to the grower. On this point, Mr. Long is anxious that the buying price should not be unduly high, as he wishes to avoid setting up a standard which it may be impossible to maintain when normal conditions are restored. He thinks, however,

that

that the basis suggested in paragraph 4 of your letter to the Board of Trade may require qualification, as circumstances may so change that a price accepted by the grower in one year may not be sufficient in the following year to ensure continued cultivation. He would propose that the point should be left open pending the completion of the telegraphic correspondence now proceeding with the ~~two Protectorate Governments.~~

(Set)

4. Mr. Long would be glad to receive a fuller expression of Their Lordships' views on the point raised in the last paragraph of the ^{he would enquire} letter, and in particular whether they would be prepared to issue the necessary advances from Imperial funds, the Protectorate Governments being used merely as the channel for distribution. If their view is that the advances should be made by the Protectorates on their own responsibility, he presumes that Their

Lordships would be willing to indemnify
the Protectorate Governments against any
loss on the transaction. The risk of
loss appears to be slight, but the amounts
involved are greater than the Protectorates
could bear on their own finances, and,
in view of the fact that the supply of
cotton and the difficulty in shipping it
are matters of Imperial concern, he
considers that the Imperial Government
^{might}
~~may~~ properly be expected to make good
any loss which ^{might} ~~may~~ be sustained.

I am, etc.

44037 West Africa

Sept. 1917

Sir,

With ref. to the letter from this Dept. of the 6th of Sept., I am ve. to the request by you to inf. the Board of Trade that the L.C. of the Treasury have furnished him, for his obours, with a copy of the letter to the Board of Trade of the 3rd of Sept. on the subject of the financing of the West Cotton crop in West Africa.

I am to enclose for the Board's consideration a draft of the letter that it is proposed to send to the Treasury.

42735 Uganda

DRAFT.

The Asst. Secretary
Commercial Dept.
Board of Trade
MINUTE.

- Mr. Bostwick 7.9.17
- Mr. Butler 7
- Mr.
- Mr. Grindall
- Mr. Lambert
- Mr. Read
- Mr. G. Fiddes
- Mr. Steel-Maitland
- Mr. Long

for caution

Mr. Letter to Treasury
(diff. here with)