

1931.

Kenya

No. 17182.

SUBJECT

C0533/411

Board of Agriculture.

Previous

16091/30.

Subsequent

18029/32.

1 Nov. 29/28 \_\_\_\_\_ 16<sup>th</sup> April 2  
Enclose memorandum by Secretary of Board on its  
activities and copies of memoranda issued to illustrate  
its work; comments on work of Board and need for  
separate Board or Committee for native agriculture  
has prolonged life of Board until May 1931.

A note by Mr. Joyce is attached.

The Gov. is going to consider  
on Mr. Stimpson's return to the Colony  
whether the Board should continue  
to exist or not. Meanwhile it  
is not much use discussing  
whether if it does continue  
there should be a sub. Com. dealing  
with native agriculture.

Mr. Director of Agriculture  
suggests the institution of a  
"Native Development Board" which  
should not be concerned solely with  
Agriculture. There may be  
something in this but ~~then~~ it  
seems the sort of idea which  
should not be acted on till  
the Joint Com. has reported.

Subject to Mr. Stockdale's

Thus, I wd suggest ack<sup>9</sup>  
to suggest the SFS has real  
will interest the record of  
the large amount of work  
done (the Board, ~~the~~  
~~agencies~~ ~~concerned~~ ~~in~~ ~~the~~ ~~past~~ ~~few~~ ~~years~~  
that he will assist a  
further step in due course  
regarding the future of the Board,  
the question of public culture of native districts  
~~the~~ ~~agencies~~ ~~concerned~~ ~~in~~ ~~the~~ ~~past~~ ~~few~~ ~~years~~  
I think pending a decision on  
this point the SFS does not  
hope to pursue the question  
of the institution of a special  
Board of native agriculture]

G. Eastwood  
18.5.31.

To - the start of the  
work on the  
as above [I think we can have also  
the question of "public culture"  
which is mixed up with the  
question of land holding & native  
interests in the reserves & some of individual  
land tenure within the reserves  
(some of which have been taken up  
already)]

3  
It is decided that something in  
the form of an act is what is required  
then has the proposal been do - but  
what we want first are the proposals  
first.

J.P. Allen  
18/5/31

He is paid an  
allowance of £5 a  
day plus  
travelling expenses  
J.P.

The Board of Agriculture in Kenya has become  
what may be described as the fifth wheel of the  
agricultural coach, and has provided a whole time  
job for its Chairman, who has drawn over £1,500  
during the 8 1/2 months in 1930 for duties in  
connexion with it. Mr. Harper has occupied  
himself in investigations of the cost of production  
of cereals, sisal, coffee, etc., and has prepared  
memoranda on these questions for the Board and  
proposals in regard to the marketing of dairy  
produce, the financing of the coffee industry,  
credit facilities etc. Whilst these investigations  
have been carefully and conscientiously carried  
out, the Government found it necessary to appoint  
special Committees to consider the positions of the  
sisal, coffee, and sisal industries when the  
question of financial assistance became a live  
issue in the Colony. These Committees did not  
accept the figures of the Board of Agriculture  
regarding average costs of production and had to  
work out costs for themselves. The Department  
of Agriculture has still retained its Advisory  
Committees, but has rendered the Board of  
Agriculture, through its senior officers, every  
assistance possible. The Board, as stated, has  
confined its activities almost entirely to

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 the large amount of work  
 done (the Board, the  
 agencies ~~of the Board~~ ~~and~~  
 that he will assist a  
 further step in due course  
 regarding the future of the Board  
 & the question of public culture of native agriculture  
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 of the institution of a special  
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G. Eastwood  
 18.5.31.

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 members in the  
 as above

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J. V. Allen  
 18/5/31

He is present  
 about 1.15 a  
 day plus  
 travelling expenses  
 JVP

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 work out costs for themselves. The Department  
 of Agriculture has still retained its Advisory  
 Committee, but has rendered the Board of  
 Agriculture, through its senior officers, every  
 assistance possible. The Board, as stated, has  
 confined its activities almost entirely to

enquiries affecting European agriculture and has carried out investigations which would normally be a <sup>function</sup> of a Department of Agriculture. It has initiated investigations of its own and these investigations have, in some cases, not been <sup>an</sup> associated with political ~~questions~~ issues.

The whole subject of the Board of Agriculture was discussed with Sir Joseph Byrne and he desired that it should be made purely advisory in character with the Director of Agriculture as Chairman. I am in agreement with this view. He subsequently directed that the legislation constituting the Board of Agriculture in Ceylon and elsewhere should be secured and considered in connexion with proposals for a properly constituted body for Kenya. This is what he wishes to give consideration to, and all that need be done at present is to acknowledge receipt of despatch and state that his considered views will be swayed on the question of making the Board more advisory in character and making provision <sup>Nation + Dominion</sup> for adequate consideration of agricultural development ~~to the native reserves~~ by the Board or otherwise.

F. A. Stokdale

22.5.31.

The European has given to the work  
The Board is a discrediting factor  
& largely justifies the doubt  
minally injures the native  
interests and thus properly bound for

It also evokes some grave reflections of a  
more general character.

5  
I think I was right in saying  
to the proposed that the Govt  
regard such provision as essential  
& considers it a matter for regret that  
the Board has hitherto devoted its  
attention so <sup>predominantly</sup> to matters  
affecting European agriculture to the  
almost complete  
exclusion of the interests of native  
Kenyan agriculture.

W. H. C.

26/6/31

As it is to? It will strengthen  
the Government's hand.

26.5.31.

Recd of plate

(through D. Phillips)  
36

I agree.

S. H. C.

29.5.31.

Let us "strengthen the Government's  
hand" as suggested. (At the Joint  
Comm. Mr. Harpur claimed that the Board  
had considered the native interest in  
recommending a Meat Factory)

P. 25/6

Cont

3 Copy of resolution of Conference of Directors of Agriculture, July 1931, re Functions of Local Advisory Agricultural Bodies.

In Reply

legitimized for record, is  
reconcile with your minute of 21/10/31/30  
? Put by

Thomas  
21/11/31

10/11/31

21/11

above

(NW)

In para 16 of his report on the Estimates for 1932 (as well as 1931) the Gov. says that the future of the Board & the remuneration of the Chairman are still under consideration. The provision in the Bill for 1932 is only £1,000 as compared with £3,000 in 1931. ? wait

63

~~35~~

RESOLUTION OF CONFERENCE OF DIRECTORS OF AGRICULTURE,  
JULY, 1931.

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VII. Functions of Local Advisory Agricultural Bodies.

The Conference has noted the position in the various Dependencies regarding officially appointed Consultative Boards and Committees. It desires to support the creation of such Boards or Committees wherever it is practicable, and recommends that such Boards or Committees should be advisory to the Government through the Department of Agriculture and should not have executive or administrative functions. When District Agricultural Committees are formed these should likewise be advisory to the appropriate authority through the agricultural officer of the District.

It is considered that central advisory bodies function to the greatest advantage to the agricultural interests if they are under the chairmanship of the Director of Agriculture and if the secretarial work is discharged within the Department of Agriculture.

It is further considered desirable that the numbers of the members of Consultative Boards or Committees should be kept reasonably small, and that the Director of Agriculture should, on all occasions, express his individual opinions to the Government when forwarding the recommendations of such Boards or Committees.

Copy 6 - For. Conf. (1004/12) 14 MAR 1932

O.O.

X171821 m k 27

Mr. Cantor 24/6

Mr. Allen 24/6

Mr. Parkinson 24/6

Sir C. Bottomley.

Sir J. Shuckburgh.

Sir G. Grindie.

Permt. U.S. of S.

Party. U.S. of S.

Secretary of State.

O. D.	
R	25 JUN
D	19 June 1921

Sir,

I have to thank the rest of you

(1) Ref: 20 208 of the 16 April <sup>in</sup> which you have reported on the work ~~subject of the functions~~

contribution of the Board of Agric<sup>n</sup> & development

DRAFT.

Keay

for 453

No.

Six

~~2 I have read with~~

~~interest the record of the large amount of work done by the~~

~~Board in the past & I shall~~

~~await a further report from you on the questions <sup>of making</sup> ~~which~~ the Board, should ~~submit~~ <sup>if it is to be assigned,</sup> ~~submit~~ in future~~

be more advisory in character, & also the proposals for making ~~provision~~ <sup>provision</sup> should

be made for adequate coin of native & Indian agricult<sup>n</sup>

development, either by the Board itself or by some other means.

I regard such provision as



as essential & consider it a  
matter for regret that the  
Board ~~has~~ <sup>has</sup> hitherto devoted  
its attention <sup>preferentially</sup> ~~preferentially~~  
to matters affecting European  
agriculture & the almost  
complete exclusion of the  
interests of the native & Indian  
people

(Signed) PASSFIELD

8

The Gov<sup>r</sup> des<sup>r</sup> a personal ST  
the Report of the B. of A. seems  
to indicate clearly that so far,  
the hopes founded by the Gov<sup>r</sup>  
as to inauguration have  
not materialised in so far  
as such hopes were concerned  
with native & Indian  
agriculture. The D. of A.  
does not recommend a  
separate board for non-  
European agriculture nor  
a division of the existing  
board for that purpose &  
the Governor supports this  
view. But the D. of A. over  
comes the delicate position  
in which he is placed by  
suggesting the formation  
of an 'Advisory Commission'  
for non-European agriculture,  
distinct from the Board.  
This Commission would be  
composed of administrative  
& technical officers.

No doubt this suggestion  
of the D. of A. would overcome  
the complications arising  
<sup>in various questions concerning</sup>  
out of non-European agriculture  
by the Board itself, or any

division of the board which might be set up to deal with such matters & it may be that such is the reason for the D & R proposal to form a separate Committee.

The Governor does not altogether appreciate the D & R's suggestion & solves the matter by proposing to defer further action until Mr. Sturper's return from the Joint Commission.

The Advisory body proposed by the D & R seems rather cumbersome & it is likely that such a body would deal extensively with 'general principles' about getting anything definite done. Its composition is so loaded with experts.

The formation of a committee of the Board to deal with questions concerning native agriculture still appears to be the best solution. Moreover it would give the natives the confidence which comes from the knowledge that their agricultural affairs are

being handled by one competent body dealing with such matters - instead of being 'side tracked' by a 'special committee' or Advisory Commission.

10/51

KENYA.

No. 208



GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

RECEIVED  
7 MAY 1931  
COL. OFFICE

16<sup>th</sup> April, 1931.

My Lord,

NO. 10 16091/30

I have the honour to acknowledge the receipt of Your Lordship's despatch No. 27 of the 14th January, 1931, on the subject of the composition and functions of the Board of Agriculture and Development, and with regret that a reply to Your Lordship's original despatch No. 439 of the 7th June, 1930, has not been forwarded before.

1561  
M.M.S.  
8.11.31

2. The reason for this delay is not that the matter has escaped attention; on the contrary the activities of the Board and the lines of its development have been continuously engaging the consideration of this Government, but until some experience had been gained of the lines on which it was functioning it was deemed premature to record any opinion as to how far the interests of native agriculture had been sufficiently provided for in its constitution. The Board was appointed in the first instance for one year only and since its appointment has been almost exclusively occupied in exhaustive surveys of the cereal, sisal, coffee and dairying industries.

I enclose for Your Lordship's information, a report prepared by the Secretary of the Board on its activities, and copies of some of the more important memoranda issued by the Board, which illustrate the nature of the

work . . . .

THE RIGHT HONOURABLE LORD PASSFIELD, P.C.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,

LONDON. S.W.1.

work which the Board has attempted to undertake. The agricultural conditions during the last year were abnormal owing to the world-wide drop in prices and it was therefore only to be expected that the Board's attention should have been primarily directed to the dangers besetting European industry. It does not, therefore, follow that in a normal year the Board's attention would have been so entirely devoted to work of this character to the exclusion of agricultural development in the Native Reserves. It must, however, be frankly admitted that such has been the principal character of its work and the Chief Native Commissioner in consequence has recorded his preference for a separate Board to deal with native agriculture. While it is undoubtedly the case, as already pointed out by Your Lordship, that the needs of European agriculture differ materially from those of native agriculture, I consider the objections to the formation of a separate Board to which Your Lordship has referred in paragraph 4 of the despatch of 7th June carry great weight. The alternative suggested that committees of the Board should be formed to deal with European and native agriculture respectively presents the practical objection that the committee on native agriculture would necessarily involve the attendance of senior officers of the Administration and of the Agricultural and possibly Education Departments whose time could, in my opinion, be better employed on work in the field, and unless the methods adopted by the Board during the past year are to be radically altered I should be loath to make further calls upon the time of these officers in this way.

3. Early after my arrival in this Colony the question of the reappointment of the Board for 1931 came under review and I had the advantage of Mr. Stockdale's presence in Nairobi to discuss the whole matter fully with him and the Director of Agriculture. As a result I have decided as a temporary measure to prolong the life of the existing Board until the 1st May, 1931, on which date the Chairman, Mr. J. F. H. Harper, will leave the Colony as one of the Delegation to the Joint Committee, and I have informed him that during his absence the present activities of the Board will be held in abeyance until his return.

4. My own view is that if the Board is to resume its functions on Mr. Harper's return it must be on the understanding that they are of a more advisory nature than members of the Board have appeared to regard them in the past and that careful enquiries should be made as to whether much of the preliminary work of technical investigation could not be more profitably and economically done by technical officers of the Department of Agriculture itself rather than by Mr. Harper and his fellow members.

5. As regards the question of petite culture by natives and Indians raised by Sir Daniel Hall and the question of the development of native agriculture generally, I enclose for Your Lordship's information a copy of a memorandum by the Director of Agriculture dated the 7th November, 1930. For the reasons already explained, the Director of Agriculture's suggestion for an advisory Board contained in that memorandum has not been proceeded with.

6. I hope to be in a position to forward more considered views to Your Lordship on this subject after the .....

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the .....

the return of Mr. Harper, by which time I shall have had more opportunity of obtaining first-hand knowledge of this difficult and controversial question.

I have the honour to be,

My Lord,

Your Lordship's most obedient, humble servant,

OFFICE OF THE GENERAL GOVERNOR

Mr. [unclear]  
[unclear]  
[unclear]  
[unclear]  
[unclear]

RECORDED  
INDEXED  
[unclear]



14

BOARD OF AGRICULTURE.

SUMMARY OF THE ACTIVITIES OF THE BOARD OF AGRICULTURE  
DURING 1930.

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The Board of Agriculture sat on 43 days between its appointment - April 19th. 1930 - and the end of that year. In addition Sub-Committees of the Board sat on 44 days.

2. The following gentlemen served on the Board:-  
Chairman. J.F.H. Harper, Esq., Appointed 19th. April, attended 43 days Mtgs.

E. Powys Cobb, Esq.,	"	19th.	"	"	35	"	"
The Hon. Chief Native Commissioner,	"	19th.	"	"	7	"	"
The Provincial Commissioner Ukamba,	"	19th.	"	"	10	"	"
The Rt. Hon. Lord Delamere,	"	19th.	"	"	27	"	"
Comdr. S.L.K. Lawford, R.N.	"	19th.	"	"	33	"	"
W.G. Lillywhite, Esq.,	"	19th.	"	"	11	"	"
Capt. W. Tyson,	"	19th.	"	"	12	"	"
Mr. Abdul Wahid,	"	3th.	"	"	16	"	"
J.E.A. Wolryche Whitmore, Esq.,	"	5th.	May,	"	23	"	"
H.B. Hamilton, Esq.,	"	25th.	August,	"	1	"	"
G. Colville, Esq.,	"	11th.	October,	"	7	"	"
E. Saswell Long, Esq.,	"	11th.	October,	"	4	"	"

3. The following Deputations appeared before the Board:-

Deputation from Kiambu Nzola, Messrs Dempster, Thompson, Kirke and Manley.

Deputation of Bankers, Messrs McKendrick, J.C. Shaw, Patterson, and Holden.

Deputation from Thompson's Falls, Major White, Capt. Sykes.

4. Mr. Campbell (Shipping Conference), The Ag. General Manager, Kenya & Uganda Railways & Harbours, Mr. Browning, K.U.R. & H. The Port Manager, The Secretary to the High Commissioner for Transport, The Ag. Director of Public Works, The Executive Engineer Nairobi, The General Manager, Kenya Farmers' Association,

Mr. Barnley, Mr. La Fontaine, Col. Kirkwood, Mr. Geoffrey Hunter, Capt. Hearle, Mr. A.A. Bursell, Col. Tucker, Messrs Mervyn Ray, Rayner, Geo. Tyson, C.K. Archer, Major Milligan, C.C. Monckton, Mr. King, The Director of Medical & Sanitary Services., appeared personally to give evidence before the Board on one or more occasions.

5. The total cost of the Board for the 9½ months from appointment until the end of the year was £ 2,079.10.77. expended as follows:-

Salaries Chairman.....	Shs.	22,600
" Members.....		6,880
Travelling Chairman.....		3,743
" Members.....		4,802.20
Clerks Salary.....		2,512.92
Equipment, Typewriter etc.....		1,052.65

6. Correspondence amounted to 236 inwards and 519 outwards letters and telegrams, 141 answers to questionnaires were received.

7. The major subjects discussed by the Board during the year were:-

- (1) The provision of Credit Facilities for Agriculturalists Apr. 19.21.22. May 9, Dec.18.19.20. Memoranda were submitted to Government, the matter was also discussed with a Sub-Committee of Executive Council.
- (2) Discussion of Government's draft despatch to the Secretary of State on the subject of a Meat Factory to dispose of surplus native livestock. May. 6.7.8.12.14. Sept.11th. Memoranda were submitted to Government.
- (3) Programme of investigations proposed by the Board May 15th. The programme decided on was published in the Press.
- (4) Cost of Production of Cereals, Sisal and Coffee

and means for alleviation of the position created by the fall in commodity prices. Reduction of Rail and Shipping freights, Grading and Conditioning Charges, Railway and Public Works Labour costs. Agricultural Credit Schemes. June, 2,4,5,6,11,12,13,14,23,24,26. Aug. 8,12, 13,22. Sept. 30. Oct. 29,30.

(5) Organization of marketing of Dairy Produce. Aug. 11,22. Oct. 28. Dec. 18. Memoranda submitted.

(6) Schemes for financing Coffee Industry. Sept. 8,11,30. Oct. 28,29,30. Nov. 30. Dec. 19. Memoranda submitted.

(7) Coffee Growing by Natives in Meru. Sept. 30. Oct. 28. Memorandum submitted.

(8) Squatter Schemes. June 5. Aug. 9. Oct. 28.

8. Subjects of secondary importance occupied the attention of the Board were:-

May 8th. 1. Representation of Kenya at the International Veterinary Congress. A recommendation was made to Government.

2. Appointment of Deputy Director Plant Industry.  
3. Moisture content of wet Maize.  
4. Appoint of Coast Advisory Committee.

May 8th. 5. Locust position. Recommendation made.  
6. Nominations to Board.  
7. Holding of Stockowners Conference.

8. Nomination of Advisory Committee to Rowett Research Institute in connection with Government Farm Mvavasha.

May 13th. 9. Messrs Libby McNeill & Libby's application for land for pineapple growing.

10. Maize position in Trans Nzoia.  
11. Procedure of Board.

- May 14th. 12. Crop dryers for use with wet maize. A Deputation from the Trans Nzoia who had come to Nairobi to interview the Director of Agriculture were interviewed by the Board also Mr. Barnley of Thika.
- June 2nd. 13. Payment of Members of the Board.
- 14. Wheat Pool.
- 15. Remission of Rents.
- June 5th. 16. Grading and Conditioning fees.
- 17. Dr. Cowdry's and Dr. Lewis' work.
- 18. Coffee and Sisal Boards. Memorandum submitted.
- 19. Representation of Kenya at Agricultural Shows in South Africa.
- 20. Experimental Farm, Trans Nzoia.
- June 6th. 21. Relationships with other Boards and Committees.
- 22. Secretarial arrangements.
- 23. Inclusion of non-pedigree stock in the Empire marketing Boards' assisted passage scheme.
- August 9th. 24. Cost of Electric Power to Sisal Factories.
- 25. Position as regards Railway trucks for moving Trans Nzoia Maize.
- 26. Allowances for Official Members of the Board.
- 27. Resolutions from Coffee Planters' Union as regards Manures and Fertilizers.
- 28. Resolutions from Trans Nzoia Farmers' Association re Power Fuel.
- August 14th. 29. Sale of Wheat Bill.
- Sept. 2nd. 30. Secretarial arrangements of Board and publications of Reports etc.,
- Sept. 22th. 31. Sugar Growing by Natives.
- Oct. 1st. 32. Change of date of Agricultural Census.
- Oct. 28th. 33. Cereal Subsidy.

PUBLIC RECORD OFFICE, LONDON  
 333 / 911

Oct. 28th.

- 34. Geological Survey.
- 35. Elevator at Kilindini.
- 36. Export of Potatoes.
- 37. Agricultural Census: proposal of transfer to Statistician to Governors' Conference. Memorandum submitted.

Nov 13th.

- 38. Conditioning Plant at Kitale Sugar Growing by Natives.

Dec. 18th.

- 39. Coffee Manuring.
- 40. Human Nutrition : relation to Agricultural Economy.

Dec. 19th.

- 41. Amendment to Diseases of Animals Ordinance.
- 42. Stock Routes and Outspans.
- 43. Power Alcohol: local production.
- 44. Reimportation of Sugar.
- 45. Application to Colonial Development Fund in respect of a Creamery at Thompsons' Falls. A Deputation was interviewed and a Memorandum submitted.

9. In addition to the above a number of minor matters were referred to and dealt with by the Board. A number of the above investigations were incomplete at the end of the year and these and others matters arising will it is hoped receive further attention at an early date.

*J. H. Hunt*  
 SECRETARY.

DLS/HSD.

Nairobi,  
2.4.31.

Oct. 28th.

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SECRETARY.

DLB/RSD.

Nairobi,

24.31.

Nairobi,

14th. November, 1950.

To -

The Hon. H.M.M. More, C.J.O.,  
acting Governor and Commander-in-Chief.

Your Excellency,

I have the honour to submit a Report of the Board of Agriculture and Development on the financial situation of the Agricultural Industry, embracing proposals for Your Excellency's consideration as to how it may be met.

It will be seen that the situation has been viewed from two aspects. Firstly, as a crisis resulting from the world-wide financial depression and demanding exceptional measures of an emergency character; and secondly, as a normal problem demanding some permanent solution in the shape of a stable system of agricultural finance based on principles which have become established practice elsewhere.

In both cases the Board has confined itself to outline and awaits Your Excellency's instructions as to whether it is required to report on the subject in greater detail.

The Board is of opinion that, save in the special case of the maize industry, the immediate adoption of an adequate permanent scheme would dispense with the need for interim measures. But it is evident that no permanent scheme can be established in time to meet the emergency which threatens in the new year when existing credit agreements fall in and new arrangements will have to be made.

3. The evidence is clear that, in the absence of some extraneous assistance, which, in the opinion of the Board,

can only be provided or procured by Government, a large area of the arable land of the Colony will go out of production. in 1931.

4. In this connection, I am directed to draw Your Excellency's attention particularly to the state of the maize and sisal industries. The facts set out in the Report sufficiently emphasise the gravity of the former. In regard to the latter the immediate problem is the smaller estates. the few large undertakings with a heavy output can survive the crisis during 1931- to the extent that they can pay their way without damage to the asset.

The smaller estates can only continue as going concerns by producing at a serious loss. Consequently many of them will shut down and be abandoned unless some assistance is forthcoming. Alternatively, the expedient adopted will be "cutting out". In other words operations will be confined to stripping the fields of leaf whether mature or immature without replacing the areas cut out or otherwise maintaining the plantations. Such a "lopping of the tree to take the fruit" will be disastrous to the Colony, since, to the extent to which it is adopted, the productive area of sisal will be permanently lost so soon as all leaf is out.

In conclusion I am directed to submit the urgent request of the Board that Your Excellency will give serious considerations to the principles outlined in Part II. of the Report and to the following submissions.

The experience of every other agricultural country proves that some permanent credit system in which the State participates is a necessary foundation to an agricultural industry.

Interim measures to meet recurrent emergencies

*Summary  
Appendix  
20/1/31  
Appendix  
Credit System*



are uneconomic and inspire no lasting confidence in the industry itself.

The credit facilities applicable to commerce are unsuited to agriculture. They are unduly restricted or unduly inflated by transient circumstances such as fluctuating prices or seasons which give artificial and unstable values to land.

On the other hand systematised credit facilities, of which the scope is defined by law, tend to stabilise land values according to its productivity and encourage scientific farming, since the farmer knows once for all that his credit will be limited to his capacity to produce and by nothing else.

I have the honour to be  
Your Excellency's humble and obedient  
servant,

(Sgd.) J.F.H. Harper,

CHAIRMAN.  
BOARD OF AGRICULTURE.

/HMD.

SECOND SCHEDULE.

Table of Prescribed Half-yearly Installments for every One Hundred Pounds of the Loan.

Half-year	Prescribed half-yearly installment			Apportioned thus			Balance of principal owing		
	s.	d.	0	On account of interest at five per cent.	On account of principal		s.	d.	0
1st	0	0	0	10	0	0	99	10	0
2nd	0	0	0	9	10	0	98	19	9
3rd	0	0	0	9	10	0	98	9	3
4th	0	0	0	9	10	0	97	18	3
5th	0	0	0	9	11	0	97	7	6
6th	0	0	0	8	11	4	96	13	2
7th	0	0	0	8	11	7	93	4	7
8th	0	0	0	8	11	4	95	12	9
9th	0	0	0	7	12	2	95	0	3
10th	0	0	0	7	12	6	94	8	0
11th	0	0	0	7	12	10	95	15	2
12th	0	0	0	6	13	1	93	2	1
13th	0	0	0	6	13	5	92	8	8
14th	0	0	0	5	13	9	91	14	11
15th	0	0	0	5	14	2	91	0	9
16th	0	0	0	5	14	6	90	6	3
17th	0	0	0	4	14	10	89	11	5
18th	0	0	0	4	15	7	88	16	2
19th	0	0	0	4	15	0	88	0	7
20th	0	0	0	4	16	5	87	4	2
21st	0	0	0	3	16	10	86	8	4
22nd	0	0	0	3	17	3	85	11	1
23rd	0	0	0	3	17	6	84	14	1
24th	0	0	0	3	17	11	83	16	5
25th	0	0	0	1	18	1	82	18	4
26th	0	0	0	1	18	5	81	19	10
27th	0	0	0	1	19	0	81	0	10
28th	0	0	0	0	19	3	80	1	4
29th	0	0	0	0	19	6	79	1	4
30th	0	0	0	0	19	10	78	0	10
31st	0	0	0	19	1	6	76	19	10
32nd	0	0	0	18	1	0	75	18	4
33rd	0	0	0	18	1	3	74	16	9
34th	0	0	0	17	1	7	73	13	4
35th	0	0	0	16	1	10	72	10	7
36th	0	0	0	15	1	13	71	6	10
37th	0	0	0	15	1	16	70	2	9
38th	0	0	0	14	1	17	68	17	9
39th	0	0	0	13	1	18	67	12	0
40th	0	0	0	12	1	19	65	5	10
41st	0	0	0	11	1	20	64	19	0
42nd	0	0	0	11	1	21	63	12	3
43rd	0	0	0	11	1	22	62	6	4
44th	0	0	0	11	1	23	59	14	8
45th	0	0	0	10	1	24	57	14	3
46th	0	0	0	9	1	25	56	11	3
47th	0	0	0	8	1	26	54	11	8
48th	0	0	0	7	1	27	52	18	5
49th	0	0	0						

Table of Prescribed Half-yearly Installments for every One Hundred Pounds of the Loan.

Half-year	Prescribed half-yearly installment			Apportioned thus						Balance of principal owing		
	s.	d.		On account of interest at five per cent.			On account of principal			s.	d.	
1st	0	0	0	0	10	0	0	0	0	99	10	0
2nd	0	0	0	0	9	9	0	0	0	98	19	9
3rd	0	0	0	0	9	9	0	0	0	98	9	3
4th	0	0	0	0	9	9	0	0	0	97	18	3
5th	0	0	0	0	9	9	0	0	0	97	7	6
6th	0	0	0	0	8	8	0	0	0	96	13	2
7th	0	0	0	0	8	8	0	0	0	96	4	7
8th	0	0	0	0	8	8	0	0	0	95	12	9
9th	0	0	0	0	7	7	10	0	0	95	0	3
10th	0	0	0	0	7	7	0	0	0	94	8	0
11th	0	0	0	0	7	7	0	0	0	95	15	2
12th	0	0	0	0	6	6	11	0	0	93	2	1
13th	0	0	0	0	6	6	0	0	0	92	8	8
14th	0	0	0	0	5	5	11	0	0	91	14	11
15th	0	0	0	0	5	5	0	0	0	91	0	9
16th	0	0	0	0	4	4	0	0	0	90	6	3
17th	0	0	0	0	4	4	0	0	0	89	11	5
18th	0	0	0	0	4	4	0	0	0	88	16	2
19th	0	0	0	0	4	4	0	0	0	88	0	7
20th	0	0	0	0	3	3	0	0	0	87	4	7
21st	0	0	0	0	3	3	0	0	0	86	8	2
22nd	0	0	0	0	3	3	0	0	0	85	11	4
23rd	0	0	0	0	2	2	10	0	0	84	14	1
24th	0	0	0	0	2	2	0	0	0	83	16	5
25th	0	0	0	0	2	2	0	0	0	82	18	4
26th	0	0	0	0	1	1	11	0	0	81	19	10
27th	0	0	0	0	1	1	0	0	0	81	0	4
28th	0	0	0	0	0	0	0	0	0	80	1	4
29th	0	0	0	0	0	0	0	0	0	79	1	4
30th	0	0	0	0	0	0	0	0	0	78	0	10
31st	0	0	0	0	0	0	0	0	0	78	19	10
32nd	0	0	0	0	0	0	0	0	0	75	18	4
33rd	0	0	0	0	0	0	0	0	0	74	16	4
34th	0	0	0	0	0	0	0	0	0	75	13	7
35th	0	0	0	0	0	0	0	0	0	72	10	9
36th	0	0	0	0	0	0	0	0	0	71	6	10
37th	0	0	0	0	0	0	0	0	0	70	2	8
38th	0	0	0	0	0	0	0	0	0	68	17	9
39th	0	0	0	0	0	0	0	0	0	67	12	0
40th	0	0	0	0	0	0	0	0	0	65	5	10
41st	0	0	0	0	0	0	0	0	0	64	19	0
42nd	0	0	0	0	0	0	0	0	0	63	11	3
43rd	0	0	0	0	0	0	0	0	0	62	9	4
44th	0	0	0	0	0	0	0	0	0	60	14	8
45th	0	0	0	0	0	0	0	0	0	59	4	8
46th	0	0	0	0	0	0	0	0	0	57	14	5
47th	0	0	0	0	0	0	0	0	0	56	3	1
48th	0	0	0	0	0	0	0	0	0	54	11	2
49th	0	0	0	0	0	0	0	0	0	52	18	5

Half-year	Prescribed half-yearly instalment			Apportioned thus			Balance of principal owing	
	£	s.	d.	On account of interest at five per cent.				
50th	3	0	0	1	6	8	51	11
51st	3	0	0	1	5	9	49	7
52nd	3	0	0	1	4	9	47	4
53rd	3	0	0	1	3	11	45	3
54th	3	0	0	1	3	0	44	3
55th	3	0	0	1	2	1	43	3
56th	3	0	0	1	1	1	42	3
57th	3	0	0	1	0	2	41	3
58th	3	0	0	1	0	2	40	3
59th	3	0	0	1	0	1	39	3
60th	3	0	0	1	0	0	38	3
61st	3	0	0	1	0	0	37	3
62nd	3	0	0	1	0	0	36	3
63rd	3	0	0	1	0	0	35	3
64th	3	0	0	1	0	0	34	3
65th	3	0	0	1	0	0	33	3
66th	3	0	0	1	0	0	32	3
67th	3	0	0	1	0	0	31	3
68th	3	0	0	1	0	0	30	3
69th	3	0	0	1	0	0	29	3
70th	3	0	0	1	0	0	28	3
71st	3	0	0	1	0	0	27	3
72nd	3	0	0	1	0	0	26	3
73rd	1	15	10	-	-	-	25	3

25  
● **Colony and Protectorate of Kenya**

**BOARD OF AGRICULTURE**

**Memorandum on  
Credit Facilities  
for Agriculture.**

*November, 1930.*

**COLONY AND PROTECTORATE OF KENYA.  
BOARD OF AGRICULTURE.**

**Memorandum on Credit Facilities  
for Agriculture.**

**BOARD OF AGRICULTURE.**

Department of Agriculture,  
P.O. Box 323,  
NAIROBI.

To,  
His Excellency,  
The Hon. H. M.M. Moore, C.M.G.,  
Acting Governor and  
Commander-in-Chief,  
Kenya Colony,

Your Excellency,

On the appointment of the Board in April last, Your Excellency's predecessor instructed it immediately to conduct an investigation with a view to devising some scheme for the provision of additional Credit Facilities to Agriculture on a safe and economic basis. In a Report presented on the 26th April the Board stated that it had confined its recommendations to an interim scheme suitable for immediate introduction and pending provision for credit through a Land Bank. It was then expected that the Land Bank, which was under consideration by a Select Committee, would be in operation at no distant date. Pending the Report of that Committee the Board deferred further consideration of the question of Agricultural Credits.

At the request of the Elected Members of Legislative Council and of several of the branches of the industry, and in view of the urgency of the position which threatens in the New Year, the Board has conducted a further enquiry into the matter of devising additional Credit Facilities to Agriculture and has the honour to report as follows—

The Report proceeds on the assumption that Government is aware that a crisis of greater or less degree faces the agricultural industry in the coming few months, it has therefore considered it unnecessary to take evidence as to the exact extent of this crisis but if the time available would that be possible.

Consequently the evidence which the Board has taken related rather to the means of meeting a situation admitted to exist than with a view to establishing its existence.

In brief it may be said that as regards all grain the market price is at present below the cost at which they can be produced in any but very exceptional circumstances.

As regards Maize the price has fallen from £40 per ton for the period 1924-25 to £21-10-0. Its average cost of production for a 672 ton yield is £24-5-0 c.i.f. including 25 replacements and

£3-12-0 depreciation but exclusive of interest on Capital.

As regards the Dairy Industry, the export price of butter at the Creamery is at present 65 cents per pound, having fallen from 97 cents in the past three months. Of the total production of 1,866,000 lbs. for the year, 545,000 lbs. were exported and the ratio of export to local consumption is steadily increasing. The Pool price in fact received by the combined Creameries is now about 90 cents.

As regards Coffee, the recent partial recovery of markets while it has strengthened the position of the industry to some extent, cannot altogether counteract the effects of the recent collapse, following as it did in many areas, a period of adverse conditions extending over several years. During the past season the price of Coffee fell about £50 per ton below the price for the previous season.

As a result of these and other factors which it is unnecessary to enumerate, the Coffee Industry is heavily committed to the Merchant Banking Houses in respect of seasonal crop advances, while at the same time its Long Term Credit facilities have been exhausted.

In some cases the proceeds of the current crop will be inadequate to liquidate these advances. In a large number of cases they will provide little or no margin after liquidating previous advances for financing the plantations over the coming year.

In such cases some provision outside the usual private sources of credit must be made to enable the 1931 crop to be harvested since the Merchant Bankers houses propose to discontinue the system of anticipatory advances as a general rule and save in special cases.

The Board desires to premise its conclusions by the statement

that no satisfactory stable solution of the financial problems facing the Agricultural Industry is possible without the establishment of some institution in the nature of a Land and Agricultural Bank with a capital proportionate to the investment the industry represents and constituted on lines analogous to those which exist in most or all of the agricultural countries of the world.

Such an institution would eventually absorb the great body of the credit systems in operation in the Colony whether long term or short term under one main organisation which alone can possess the machinery and technical knowledge necessary for the proper supervision of the administration of loans to agriculture.

To quote the Report of the Agricultural Commission 1929, Chapter III, Page 19—

“Agriculture is disregarded from all other industries by the very large proportion which the Capital employed upon a farm bears to the turn-over and again by the comparatively long lag between production and realisation. The Farmer has no access to the usual source of Capital.”

“In nearly all countries therefore it has been found necessary to establish some means other than the ordinary channels by which industry and Commerce are financed to furnish the farmer with a portion of the Capital he requires, with cheapness and security. In Great Britain it has been found necessary to set up means of obtaining credit through the intervention of the State.”

The long run of high commodity prices which has prevailed since the end of the post-war slump has deterred consideration both by Government and Public of a scientific credit system for the Colony, but the fall of the world's markets, culminating in the collapse of the current year, has made it imperative, if the industry is to be saved, to set up a means of obtaining credit through intervention of the State.

It is assumed that no comprehensive Credit System which alone can be made applicable to the needs of all the sections of the Agricultural Industry can be established in time to meet the immediate situation, and that some method must be found in the meantime whereby production can be maintained. The best methods for this purpose would be such as are susceptible of merger in a comprehensive system or at least do not conflict with it.

With regard to a comprehensive system the Board has endeavoured, in part II, of this Report to outline a scheme embodying such principles of Agricultural Credit systems in successful operation elsewhere as may be adaptable to conditions in Kenya.

If some such system could be put into operation in time it might dispense with the necessity for any ad hoc measures, but on the assumption that it cannot, the Board has thought fit to suggest some means of meeting the emergency in the meantime.

## Part I.

### INTERIM MEASURES

Several suggestions of an interim nature for the relief of the urgent needs of the various sec-

tions of the industry have been made by the Board since its inception in April.

On the 25th of April, a Report was presented embracing a scheme on which the Agricultural Advances Ordinance was founded.

This measure, while it has filled an urgent need, is not designed in its present form to meet the situation which threatens during the coming months; although it may be the best means of supplying the immediate needs of the industry, namely Coffee. Moreover its operation is confined to the present year and the Board is unaware of any decision to extend it.

The Board would urge upon Your Excellency the importance of extending the operation of this Ordinance over 1931 and increasing the fund available in view of the serious credit position in the Colony.

In July the position of the grain industry came under review and a Grain Industry Committee was appointed by Government which reported on the 28th of that month. As a result a measure of temporary relief was afforded in the shape of refunds to farmers of Railway and Port charges.

In August a proposal in the nature of a loan free of interest secured on the collective Credit of the Industry was presented to Government for the temporary relief of the Sisal Industry.

This was followed in September by a Memorandum on similar lines relating to the Coffee Industry.

In October a Report on the state of the export Butter Industry was presented embracing

a scheme for the equalisation of export and non-export prices. At that time the adoption of this scheme would, in the opinion of the industry have enabled production to be maintained without further assistance.

With the exception of the last all these measures were of an emergency nature and in no way designed to meet the substantial need of the agricultural industry on a sound permanent basis.

On the evidence available the Board is of opinion that whatever difference may exist as to the exact degree of urgency in each particular case there is certain danger to the agricultural industry of the Colony over the coming year if some form of State intervention in the financing of its various sections is any longer postponed.

The four main sections of the Agricultural Industry most seriously affected by the present crisis are—

- 1 Grain
- 2 Dairying
- 3 Sugar
- 4 Coffee

1 In regard to grain, the crisis in the 1930 harvest was averted by the measure of temporary relief referred to in the shape of what has been described as the 'Subsidies'. But the 1931 harvest is threatened with a crisis of still greater magnitude and unless some alternative form of relief can be devised a revival of the 'Subsidies' will be necessary to avert it.

The following figures will demonstrate the gravity of the crisis. The evidence on which it is based is recorded from books of the Kenya Farmers Association, Ltd. and its General Managers. The market price of maize in

November was Shs. 16/- per quarter. This is equivalent to the pool price to the farmer F.O.R. Kenya Station including bag of Shs. 2/69 per bag.

The costs from ripe corn to F.O.R. amount to Shs. 2/15 per bag for a farm 8 miles from station. Made up as follows—

-.780 cents harvesting cost  
-.75 cents price of bag  
-.76 cents cost of road transport

2/15 Shs.

Consequently at Shs. 16/- per quarter the value of standing ripe corn is Shs. 2/69 less Shs. 2/15 or .54 cents per bag or for an 8 bag crop Shs. 4/32 per acre. (The estimated yield for the Colony according to the latest Crops Report is 5.20 bags per acre).

If the November price should continue to rule no practicable means of State intervention except in the form of a direct subsidy can save the industry, since under the most primitive conditions and eliminating every external charge including living expenses—maize cannot be produced at less than twice this cost save in circumstances so exceptional that they may be discounted.

The reduced price, however, is governed by conditions which are unlikely to prevail, or the world's production will cease. It would appear as justifiable to calculate upon a minimum pool price of less than Shs. 2/- per quarter for the current season crop.

At Shs. 20/- per quarter, The Kenya Farmers Association pool will pay Shs. 4/42 per bag F.O.R. or Shs. 2/36 per acre for a yield of 8 bags.

If the Railway and Port charges were remitted as in the case of the last harvest, this figure would be increased to Shs. 5/42.

It is further hoped that the present Conference Shipping rate from Kilindini to British ports may be reduced from Shs. 20/- per ton to Shs. 16/- per ton—particularly if Government collaborates with the Kenya Farmers' Association's administration in negotiations with the Shipping Conference for this purpose.

It is suggested that any concessions which Government may secure or make in other respects shall be used as an argument with the Shipping Conference in such negotiations.

Such a reduction would enable the pool to pay a further .86 cents per bag, or a total of Shs. 5/78, including bag, representing a net payment to the farmer of Shs. 4/38 per 200 lbs. of grain on the farm (Shs. 1/76 being the cost of bag and road transport). Or for a crop of 8 bags, Shs. 35/04 per acre. This price would enable the farmer to meet out-of-pocket expenses of growing and harvesting his crop and provide a bare subsistence for himself (that is with no allowance for depression).

With regard to wheat the present export price represents a payment to the farmer of about Shs. 6/80 per bag of 200 lbs. f.o.r. bag included for grade 1.

The Board is assured by the General Manager of the Kenya Farmers Association, that if the provisions of the Sale of Wheat Ordinance 1929 are put into operation the pool will definitely pay Shs. 10/- per bag for grade 1, wheat and an average of about Shs. 8/75 for all grades, in any normal season.

This figure is very near the border line but will enable the bulk of farmers on genuine wheat land to meet the bare expenses

of growing, reaping and subsistence provided crops are normal.

Consequently with regard to wheat the Board has no further recommendations to make at present than that the Sale of Wheat Ordinance should be immediately put into operation. Since substantial agreement has been reached between the parties effected the Board urgently requests Your Excellency to take this step.

It is evident that in the circumstances set out above, no margin remains for the payment of interest on overdrafts or mortgages.

In regard to Dairying, the equalisation scheme referred to may or may not provide the means of carrying the industry over the present crisis, according as to whether the market price of butter remains where it is or experiences a further fall.

At the time it was drafted the export price of Butter at Creamery door was .87 cents per pound and the pool price Shs. 1/03. The export price has since fallen to .65 cents and the pool price to .89 to .90 cents. But the ratio of export to home consumption is increasing and even if there is no further fall in the export price the pool price of .90 cents is not likely to be maintained.

These bare facts are set out for Your Excellency's consideration. No recommendations in the matter of further interim credit facilities for the dairying industry can be made pending Government's decision in regard to the equalisation scheme and the effect of its operation on the industry if adopted.

The present situation in the fiscal industry again, presents problems which make it difficult to suggest any stable measure of



'State intervention which can be adopted immediately.

The following considerations are set out for the attention of Government:—

The present price of Sisal is £21.10.0 per ton on the London market, and the present average cost for the Colony of placing a ton of Sisal on the London market is about £24 the lowest cost disclosed by the figures examined by the Board being £20.10.0.

The Board is of opinion on the evidence before it, both verbal and documentary, that the present costs of production of Sisal are disproportionate to the market value of the commodity and that some form of rationalisation of this industry is an essential prerequisite to any permanent form of State intervention in its finance. A recent analysis by the Board of the state of the industry disclosed, (1) that Sisal can be produced commercially at outputs of upwards of 1,000 tons per annum pre-supposing a systematic revision of costs; (2) that few estates are producing such an output, and (3) that the average production is in the neighbourhood of 500 tons. Increase of production on a large scale is dependent on increasing the unit and consequently it would appear that the question of amalgamation must receive the attention of the industry.

The process of rationalisation will require financial provision in which the State may reasonably be called upon to participate and in the meantime some temporary assistance would appear to be necessary to carry the industry over the present crisis. It is understood that some adaptation of a previous recommendation of the Board for such temporary assistance in the shape of a loan free of interest to be distributed in the form of a rebate on Sisal shipped

is receiving the consideration of Government, and of the Sisal Growers' Association. If some such form of relief is found practicable its application may properly be made conditional on a measure of rationalisation. The recommendation is attached to this Report in the form of an appendix.

Pending instructions from Government—at the request of the industry or otherwise—no detailed recommendations are made at the present stage as to the lines which rationalisation should pursue. Moreover the immediate need is urgent, and the process must take a considerable time.

In regard to the Coffee Industry, the issue would appear to be clearer than in the case of the others.

The general observations upon the need for cheap and stable long term credits apply equally to Coffee with every other industry, but the particular requirement of Coffee in the present emergency is for an extension of the available short-term credit facilities upon an economic basis.

The Board is of opinion that no extensions of these facilities is possible in the absence of some form of state participation.

Short-term credits, i.e. the accommodation required to finance the annual expenditure of the farm pending the realisation of the crop is, in the case of Coffee, largely provided in the form of crop advances by the Merchant Banking Houses through which the coffee is shipped. Normally the policy of these houses is to advance on assignment at a percentage of the probable market value of the commodity—the loans being automatically liquidated in full at the close of each season on realisation of the crop. But a system of anticipatory advances has grown up. Nominally this system is confined to advances based on an

estimate of the crop to be harvested, but in consequence of circumstances peculiar to the industry which need not be enumerated here this system has been extended beyond these confines and in practice cases exist of overdrafts with the Merchant Bankers which cannot be liquidated out of the proceeds of the current crop.

At the best of times such overdrafts are necessarily precarious and credit of this kind is too sensitive to financial influences which may have no reference to the ultimate soundness of an industry to be a satisfactory system of agricultural credit.

To quote the Report of the Agricultural Commission Chapter III, p. 20:—'Merchant's credit may become dangerous in that it is controlled from London and the source of supply is therefore liable to influences which have no connection with the Colony.'

The position in this respect has changed materially during the past few weeks. The market price of coffee has risen by nearly £20. per ton in two months and a reaction in the attitude of Merchant Bankers has ensued. The evidence is conflicting as to the extent of this reaction.

On the one hand the Board was informed from an authoritative source that no drastic change of policy from that which prevailed last season is contemplated. From the same source it learned that a different view was taken in March and that a different view may be taken next March. On the other hand evidence was received from an equally authoritative source that the practice of giving anticipatory advances as from January 1st against crop to be harvested in September to December will be discontinued in 1931; and there appears to be little doubt that in general neither Joint Stock Bankers nor the Merchant Banking Houses

are prepared to finance the 1931 crop, save in special cases.

The definite conclusion to which the evidence appears to lead is that the present short-term credit facilities in the coffee industry are insecure in times of financial depression and that policy vacillates with vacillating prices.

The ultimate solution should be provided under some such system as set out in part 2 of this Report. In the meantime some form of emergency State intervention may be necessary in present circumstances.

The Board is of opinion that the machinery of the Agricultural Advances Ordinance could be made to provide the simplest solution of the problem if adequate funds were available. Failing this the only suggestions the Board can offer are the following alternatives.

1. A loan free of interest to be repaid by a cess when prices revive along the lines of the Board's previous proposals for the Sisal Industry. (App. III).

2. A scheme in the nature of a Loan Company, . . . . . along the lines indicated in Appendix II.

The preceding paragraphs relate to measures capable of rapid application to an emergency. Those which follow are concerned with a comprehensive permanent system of agricultural finance applicable both to long and short term credit requirements of the industry at large.

## Part II.

### PERMANENT SCHEME.

For the purposes of the Report a distinction must be drawn between two main classes of Agricultural Credit Systems of which the principle differs according to the object in view.

The one class designed for the promotion of increased settlement, either by stimulating immigration or by encouraging the landless to become farmers. The Land and Agricultural Bank Ordinance 1928 belongs to this class of legislation, and the systems in force in Rhodesia, Australia, and New Zealand are primarily concerned with the same object.

The other class, to which belongs the Agricultural Credit Act (1928) of the United Kingdom, the Irish Agricultural Credit Act and the Credit Association of Denmark, is designed to meet the needs of an established agricultural population by providing credit facilities for the maintenance of a developed industry. The urgent need of the Colony is for facilities of the latter kind, consequently the scheme under review is based upon this class of Credit system.

The scheme of which the rough outline is set out in diagrammatic form (see below) is designed for ultimate adaptation to the principle of the Land Bank. It conforms strictly to established Land Agricultural Banking practice (including the provisions of the Agricultural Credit Act 1928 of the United Kingdom) and arranges the functions of the three main divisions of the system to suit the special features of the Agricultural Industry of the Colony, and full advantage has been taken of the comparatively small area of the territory to be covered to introduce simplification.

The following is the outline of the scheme proposed—

(1) Agricultural finance should be derived from and be administered by a single central institution, the Land Bank, and the diagrammatic synopsis of the system (published below) proceeds upon that premise.

The Board, however, is of opinion that a system of Agricultural Credits along the lines indicated in that synopsis can be instituted independently of the Land Bank as at present constituted and that, at least in the initial stages, this may be desirable. What form expediency may suggest that the machinery for administering the funds may take is a matter for Government to determine in the light of political or other considerations outside the scope of this Board's enquiry. It is tentatively suggested that the organisation created by the Agricultural Advances Ordinance might be adopted for the purpose. For convenience this machinery whatever form it may take is hereafter referred to as the Bank.

The Bank to be constituted with a permanent reserve of £250,000 to be invested in Trustee securities (e.g. Kenya Colony Loans).

(Note: No special virtue is attached to this figure. It is however necessary to fix upon some amount and £250,000 is taken as a token figure.)

The Board is not a competent body to make positive recommendations as to the sources from which this sum is to be obtained. The tentative suggestion is offered that it might be provided by means of some re-allocation of the Schedule of the Specific Loan Ordinance 1930 under the proviso in Section 5.

In this connection it could refer Your Excellency to Your Excellency's speech as Colonial Secretary on April 16th last on page 317 et seq. of Hansard Vol. Un-corrected proofs April 11th—17th.

(2) The Bank should be authorised to make an issue of Debenture Bonds, bearing interest at 5 per cent per annum, and issued and transferred free of stamp duty

against the security of its permanent reserve, and the securities which are the subject of its loans. It is suggested that in this matter Kenya should follow in essential features the model of the Danish Credit Association. (Vide Appendix L). The essential features of the Danish System are that the Government guarantees the interest of the Bonds, that loans do not exceed 60 per cent of the value of the security bonded, that repayment of the principal sum is spread over a period of 40 to 60 years.

It is suggested that the issue of Bonds to the value of £1,000,000 would on the following figures be covered by a sound margin—

Liabilities	
Bonds in circulation	£1,000,000
Balance, equal to 86.5 per cent of the total	865,000
Liabilities	1,865,000
	£2,250,000

Assets	
Permanent Reserve	£250,000
Securities—	

- (a) 60 per cent of their value against which loans have been made ..... 1,200,000
  - (b) 40 per cent margin of value against which no loans have been made ..... 800,000
- £2,250,000

It is proposed that in addition to annual interest on loans, borrowers should pay an annual instalment towards their redemption. To avoid over-burdening the borrower in the early years of the life of the loan while the purposes for which the loan was raised have not had time to reach a remunerative stage and until the effects of the present world depression have begun to

wear off, it is suggested that contributions towards amortisation should not be enforced during the early years.

(4) For the purposes of this Report the interest on loans may be taken as being 5 per cent per annum payable half yearly. If the borrower pays 6 per cent, that rate will provide for amortisation of his debt and will extinguish it in 75 half yearly payments, i.e., in 30½ years as may be seen from the attached schedule, (Appendix IV, taken from the New Zealand Advances to Settlers Act of 1908).

Allowing for a period of indulgence at the beginning of the currency of the loan, during which interest only at 5 per cent would be payable, amortisation would be completed within the stipulated period. The Board is therefore of opinion that a combined interest and amortisation rate of 6 per cent should be agreed at the outset.

Attaching the total principal standing at £1,250,000, we set out below the normal contribution to amortisation, which is 10 per cent, the 10½ per cent, and the 6½ per cent, in the 72nd half year, and it is suggested may be treated in one of the following two ways. Either it may be added to the reserve and made to earn interest, or it may be utilised, as in Denmark, in redeeming at par Bonds drawn at six monthly or yearly drawings. The first method would have the effect of increasing the Bank's Reserve, and the second would reduce the Bank's Liabilities.

(5) Following the Danish precedent it is suggested that the borrower should make an annual contribution to cover administrative expenses as a payment separate and distinct from interest and amortisation payments. In Denmark the contribution amounts to about 1.5 per cent, and in other

The one class designed for the promotion of increased settlement; either by stimulating immigration or by encouraging the landless to become farmers. The Land and Agricultural Bank Ordinance 1928 belongs to this class of legislation, and the systems in force in Rhodesia, Australia, and New Zealand are primarily concerned with the same object.

The other class, of which belongs the Agricultural Credit Act (1928) of the United Kingdom, the Irish Agricultural Credit Acts and the Credit Associations of Denmark, is designed to meet the needs of an established agricultural population by providing credit facilities for the maintenance of a developed industry. The urgent need of the Colony is for facilities of the latter kind, consequently the scheme under review is based upon this class of Credit system.

The scheme of which the rough outline is set out in diagrammatic form (see below) is designed for ultimate adaptation to the principle of the Land Bank. It conforms strictly to established Land Agricultural Banking practice (including the provisions of the Agricultural Credits Act 1928 of the United Kingdom) and arranges the foundation of the three main divisions of the system to suit the special features of the Agricultural Industry of the Colony, and full advantage has been taken of the comparatively small area of the territory to be covered to introduce simplification.

The following is the outline of the scheme proposed—

(1) Agricultural finance should be derived from and be administered by a single central institution, the Land Bank, and the diagrammatic synopsis of the system (published below) proceeds upon that premise.

The Board, however, is of opinion that a system of Agricultural Credits along the lines indicated in that synopsis can be instituted independently of the Land Bank as at present constituted, and that at least in the initial stages, this may be desirable. What form expediency may suggest, that the machinery for administering the funds may take is a matter for Government to determine in the light of political or other considerations outside the scope of this Board's enquiry. It is tentatively suggested that the organisation created by the Agricultural Advances Ordinance might be adopted for the purpose. For convenience this machinery whatever form it may take is hereafter referred to as the Bank.

The Bank to be constituted with a permanent reserve of £250,000 to be invested in Trustee securities (e.g. Kenya Colony Loans).

(Note: No special virtue is attached to this figure. It is however necessary to fix upon some amount and £250,000 is taken as a token figure.)

The Board is not a competent body to make positive recommendations as to the source from which this sum is to be obtained. The tentative suggestion is offered that it might be provided by means of some re-allocation of the Schedule of the Spanish Loan Ordinance 1930 under the proviso in Section 3.

In this connection it could refer Your Excellency to Your Excellency's speech as Colonial Secretary on April 16th last on page 317 et seq. of Hansard Vol. Uncorrected proofs April 14th-17th.

(2) The Bank should be authorised to make an issue of Bank Bonds, bearing interest at 5 per cent per annum, and handed and transferred free of stamp duty

against the security of its permanent reserve, and the securities which are the subject of its loans. It is suggested that in this matter Kenya should follow in essential features the model of the Danish Credit Association (vide Appendix I). The essential features of the Danish System are that the Government guarantees the interest of the Bonds, that loans do not exceed 60 per cent of the value of the security bonded, that repayment of the principal sum is spread over a period of 40 to 60 years.

It is suggested that the issue of Bonds to the value of £1,200,000 would on the following figures be covered by a sound margin—

Liabilities	
Bonds in circulation	£1,200,000
Balance, equal to 66.6 per cent of the total liabilities	1,995,000
	<hr/> £2,295,000
Assets	
Permanent Reserve	£250,000
Securities—	
(a) 60 per cent of their value against which loans have been made	1,200,000
(b) 40 per cent margin of value against which no loans have been made	800,000
	<hr/> £2,250,000

It is proposed that in addition to annual interest on loans, borrowers should pay an annual instalment towards their redemption. To avoid over-burdening the borrower in the early years of the 1/10 of the loan while the purpose for which the loan was raised have not had time to reach a remunerative stage and until the effects of the present world depression have begun to

wear off, it is suggested that contributions towards amortisation should not be enforced during the early years.

(4) For the purposes of this Report the interest on loans may be taken as being 5 per cent per annum payable half yearly. If the borrower pays 6 per cent, this rate will provide for amortisation of his debt and will extinguish it in 78 half yearly payments, i.e. in 39 years as may be seen from the attached schedule. (Appendix IV taken from the New Zealand Advances to Settlers Act of 1903.)

Allowing for a period of indolence at the beginning of the currency of the loan, during which interest only at 5 per cent would be payable, amortisation would be completed within the stipulated period. The Board is therefore of opinion that a combined interest and amortisation rate of 6 net per cent should be aimed at.

Assuming the total issue of £1,200,000, as yet out above the annual contribution to amortisation would rise to £10,700 per cent of the £250,000 half year to £217.8 per cent in the 72nd half year, and it is suggested that to protect in one of the following two ways. Either it may be added to the reserve and made to earn interest, or it may be utilised, as in Denmark, in redeeming at par Bonds drawn at six months to yearly drawings. The first method would have the effect of increasing the Bank's Reserve, and the second would reduce the Bank's liabilities.

(5) Following the Danish precedent it is suggested that the borrower should make an annual contribution to cover administrative expenses at a payment separate and distinct from interest and amortisation payments. In Denmark the contribution amounts to about 1/8 per cent, and in other

countries administrative expenses seem to vary between  $\frac{1}{2}$  per cent. and  $\frac{3}{4}$  per cent. Offsetting the small amount of the initial capital of the Kenya Bank against the simplicity of the suggested system, it may be conjectured that the contribution will not exceed  $\frac{1}{2}$  per cent. It seems desirable that this should be treated separately in order that the Bank may be free to vary it in the light of experience.

The scheme is based on the Industry taking certain prior steps towards rationalisation, before being entitled to any benefits under it.

There are —

(a) Each section of the industry to form itself into a Co-operative Society in the strict sense of the term which includes joint and several liability against the members a limitation of their liability by law by means of setting a limit on the commitments into which the Society may enter, the creation of a Reserve Fund and the prohibition of the distribution of the profits of the Society which may be placed in reserve; with the result that in the course of time the Reserve Fund becomes the capital of the Society.

The formation of a series of Co-operative Societies need not be a lengthy process. In each section of the Industry there are sufficient farmers to whom the benefits of the scheme will appeal; they will form themselves into a Society and will be entitled to the benefits of the scheme when those who have not become members will not so benefit; the result may be expected that the membership of the Society will steadily increase.

It is proposed to issue as a supplement to this Report a Memorandum describing more fully the nature and objects of these co-operative Societies and the effects of their operation in cases countries where they are established.

(b) The Control Board of the Bank may if it has reason to think that any section of the industry is being conducted on lines which lack efficiency, for example by excessive individualism or a failure to take advantage of collective action, call together the leaders of that section and request them to frame a scheme of rationalisation. If the scheme meets with the approval of the Control Board, the benefits of the scheme may be used to assist its finance. This practice is being adopted at least in two European countries.

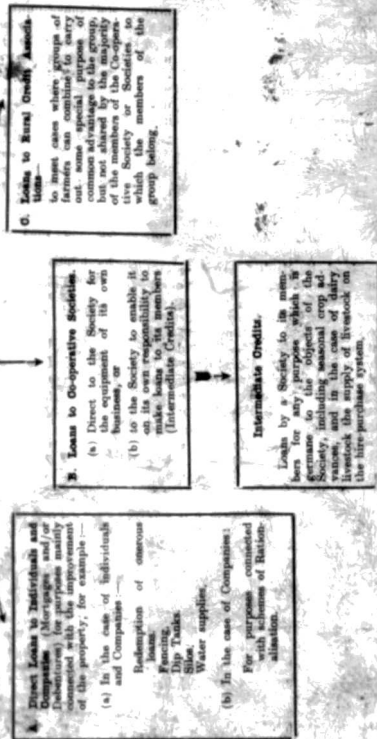
As an illustration of (1) above, the Coffee Industry at present lacks any co-operative organisation. There is evidence that collective bargaining could procure a saving of £10,000 annually to the industry.

As an illustration of (2) above, economy in production cost might be effected by a grouping of syndicates of farms of uneconomic area with a view to the reduction of tinsley and overhead charges.

And a further illustration of (2) afforded by the Sesi Industry. There is evidence to show that production costs vary in inverse ratio to output; the small plantations can only produce at a loss at present price levels, the medium sized may pay expenses, whereas large appears to be ground for believing that the very large plantation is producing at a profit even at present prices.

The Board is of the opinion that the great bulk of farms in the Colony can be placed on an economically sound basis if their business is organised on sound lines. The great benefits which have accrued to the Members of the Co-operative Creameries and of the Kenya Farmers' Association justify the belief that co-operation is suitable to Kenya conditions, and will produce results similar to those achieved by it in other countries.

## Land & Agricultural Bank.



In addition to the obvious advantages such as collective bargaining, reduction in marketing costs and the placing of the conduct of business outside the farm in the hands of men of special training and aptitude, co-operation brings other less tangible but none the less valuable benefits. Mr. T. B. Herrold, late Managing Director of the Land and Agricultural Bank of South Africa in an official circular writes of them thus—

"Assistance through credit societies would not only help the small farmer by giving him a better chance to make headway, but it would also indirectly help the well-to-do farmer, the landowner, because obviously it is not the land itself, but what is produced from the land, that constitutes wealth. If a big landowner farms in a district where general production is low that farmer is not as well off as he should be. The value of land in a district is not judged by what one or two farmers produce but by the average production of all the farmers in that district.

"If the quality and quantity of a district's production are increased, that is if real wealth is increased, it is certain as a result follows that land values will also increase.

"The big landowner is just as much interested as the small farmer in seeing that every trustworthy farmer of good character, who has the knowledge of and capacity for farm work, is given a fair chance to produce.

"The Bank believes that farmers, as a community are tired of being told by the townsmen that they are continually running to the Government for assistance, that they are unable or unwilling to help themselves and generally that they look for doles and expect to be spoon-fed.

"This Act in its successful working, will give every farmer, who is considered honest and trustworthy by his fellow farmers, the opportunity of sowing and reaping a crop without going hat in hand to the Government, or to the storekeeper or to others for assistance.

The credit machinery to be established under the Act will be managed and controlled by the farmers themselves, and the Land Banks feels confident that farmers will whole-heartedly seize the opportunity presented by this Act to put the question of agricultural banking on a sound footing and thus advance not only their individual interests but also the interests of agriculture as an industry and the interests of the Union as a whole."

In this connection attention is drawn to the Report of the Control Board of the Land and Agricultural Bank of South Africa 1929, page 36, paras 417 to 424.

Upon the acceptance by Government of the principle of State-finance of the Agricultural Industry on the basis of co-operative credit the next step will be the formation within the industries of Credit Corporations. It is proposed to proceed to further consideration of this subject in a subsequent memorandum. In the meantime attention is drawn to a minor defect which requires remedy. The Colony does not possess co-operative legislation, such as that existing in the United Kingdom, Ireland, South Africa, and elsewhere. The Board, however, understands that the Attorney-General has already given some thought to this matter.

In two industries, Grain and Dairying, the co-operative principle has already been adopted for other purposes. On the information before the Board little difficulty would be experienced at the

present time in forming a Credit Corporation within the Coffee Industry for the purpose of both long term and short term borrowing. No doubt the conception would develop gradually as in other countries and in the early stages the bond issue would fall appreciably short of the specified sum of £1,200,000. The history of co-operative borrowing elsewhere, however, indicates that the system would eventually embrace the whole agricultural industry.

The question will arise as to the reception which is likely to be accorded by the public to the proposed Land Bank Bonds. Presumably they will be granted a quotation on the Stock Exchange as in the case of other Kenya Colonial issues. It is suggested that the Government guarantee of interest at a fair rate, with or without a system of redemption at par by periodical drawings, will place them on an attractive footing; that both in Kenya and elsewhere they will be a convenient and high yielding medium for short, as well as long term investments, and that in Kenya they will offer an attraction to the small investor—the wage or salary earner.

These considerations raise the question as to what denomination the Bonds should bear. It would seem that they should be fixed at a figure which will not be inconveniently high for the small investor, nor inconveniently low for the larger investor.

Attention has already been directed to the closeness with which this suggested system follows that of Denmark which has stood the test of eighty years, and has survived the violent economic disturbances which compelled the re-orientation of the industry on two occasions, and inflicted crippling losses upon it. Where the proposed system differs from that of Denmark it does so in the direction of additional caution and

security. For example the Danish plan does not provide any permanent liquid reserve, such as the £240,000 fund under these proposals.

It is plain that the foundation of this Banking System is the soundness of the valuation of the securities on which the loans are made, and the thoroughness of the methods adopted to ensure that loan money is spent on the purpose for which it was lent. All Land Banking Systems have been built on this foundation, and their success is evidence of its strength.

Division A. of the diagram, (Direct loan to Individuals and Companies) is intended to illustrate that part of the Land Bank's activities which deal with loans to individuals or Companies for purposes connected with the development of their farms and secured by mortgages or debentures. It is suggested that the redemption of existing onerous loans may be effected by applying the principles of the Wyndham Irish Land Act. Mortgages would receive an appropriate amount of Land Bank Bonds in exchange for their existing mortgages, due allowance being made on the one hand for increased security and on the other for a lower rate of interest.

Division B. of the diagram (Loans to Co-operative Societies and Intermediate Credits) is a variation to suit Kenya conditions of the Irish Free State, South Africa and New Zealand systems of Intermediate Credits. Under it the Co-operative Societies, each representing a section of the Industry, act as buffers between the Bank and the individual member. The theory is that the Co-operative Societies constitute responsible and organised bodies possessed of considerable assets with whom it is satisfactory for the Bank to deal, the Societies, being in close touch with their members, are in

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"The Bank believes that farmers, as a community are tired of being told by the townsmen that they are continually running to the Government for assistance, that they are unable or unwilling to help themselves and generally that they look for doles and expect to be spoon-fed.

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In two Industries, Grain and Dairying, the co-operative principle has already been adopted for other purposes. On the information before the Board little difficulty would be experienced at the

present time in forming a Credit Corporation within the Coffee Industry for the purpose of both long term and short term borrowing. No doubt the conception would develop gradually as in other countries and in the early stages the bond issue would fall appreciably short of the specified sum of £1,200,000. The history of co-operative borrowing elsewhere, however, indicates that the system would eventually embrace the whole agricultural industry.

The question will arise as to the reception which is likely to be accorded by the public to the proposed Land Bank Bonds. Presumably they will be granted a quotation on the Stock Exchange as in the case of other Kenya Colonial issues. It is suggested that the Government guarantee of interest at a fair rate, with or without a system of redemption in par by periodical drawings, will place them on an attractive footing; that both in Kenya and elsewhere they will be a convenient and high yielding medium for short, as well as long term investments, and that in Kenya they will offer an attraction to the small investor such as the wage or salary earner.

These considerations raise the question as to whether the denomination of the Bonds would bear. It would seem that this should be fixed at a figure which will not be inconveniently high for the small investor, nor inconveniently low for the larger investor.

Attention has already been directed to the closeness with which this suggested system follows that of Denmark which has stood the test of eighty years, and has survived the violent economic disturbances which compelled the re-orientation of the industry on two occasions, and inflicted crippling losses upon it. Where the proposed system differs from that of Denmark, it does so in the direction of additional caution and

security. For example the Danish plan does not provide any permanent liquid reserve, such as the £240,000 fund under these proposals.

It is plain that the foundation of this Banking System is the soundness of the valuation of the securities on which the loans are made, and the thoroughness of the methods adopted to ensure that loan money is spent on the purposes for which it was lent. All Land Banking Systems have been built on this foundation, and their success is evidence of its strength.

Division A. of the diagram, (Direct loan to Individuals and Companies) is intended to illustrate that part of the Land Bank's activities which deal with loans to individuals or Companies for purposes connected with the development of their farms and secured by mortgages or debentures. It is suggested that the redemption of existing onerous loans may be effected by applying the principles of the Wyndham Irish Land Act. Mortgages would receive an appropriate amount of Land Bank Bonds in exchange for their existing mortgages, due allowance being made on the one hand for increased security and on the other for a lower rate of interest.

Division B. of the diagram (Loans to Co-operative Societies and Intermediate Credits) is a variation to suit Kenya conditions of the Irish Free State, South African and New Zealand systems of Intermediate Credits. Under it the Co-operative Societies, each representing a section of the Industry, act as buffers between the Bank and the individual member. The theory is that the Co-operative Societies constitute responsible and organised bodies possessed of considerable assets with whom it is satisfactory for the Bank to deal, the Societies, being in close touch with their members, are in

a position to assess accurately the soundness of applications made by them.

The main features of the constitutions of Co-operative Societies have already been dealt with; it now remains to point out that the existence of a joint and several liability, limited by law among the members will compel the Board of Directors to scrutinise individual applications with care; that the constitution of such Society will provide for an entrance subscription for all members, and for an annual vote on produce handled; that there will be placed a 5 per cent. Reserve Fund; and that any profits earned will be similarly allocated. In this connection it should be pointed that a Society should not aim at profit making, but rather seek to pass on to its members all advantages accruing to its operations.

The Societies will borrow from the Bank by applying for Bonds, and will lend to its members against an agreed basis of deductions from the produce sent to by the members, or by some other method specially applicable to the type of business carried on by a particular Society. Provision is made in the constitution of the Society that members must send the whole of the marketable surplus of their produce to the Society before to do so entailing heavy penalties.

Division C. of the Diagram (Lending to Rural Credit Associations) deals with cases which may arise from time to time when a group of farmers desire to combine to carry on some purpose of benefit to each of them, but not of benefit to the general body of members of the Society or Societies of which the farmers forming the group are members. However, since the benefits which the execution of the purpose will confer will be shared by all the farmers forming the

group, the participants will be justified in accepting a joint and several liability for the loan raised.

The application for the loan will be made to the Bank, and, if granted, will be met by an issue of Bonds.

An illustration would be a group of farmers, occupying the bank of a river which only flows through their land in rainy seasons, but in its upper reaches was permanent. It would be an advantage to each of the group to conserve the water of this river at some point high up on its course, and to convey the water so stored by pipe or furrow to their farms. The cost of such work would be beyond the resources of any one of them.

Outside the actual Bank operation, the preparation and enactment of Co-operative legislation, the formation of co-operative societies for each of the main sections of the agricultural industry, and the formation of rationalisation schemes by such sections, are matters which will not permit of delay in their execution.

The Board believes that with energy and goodwill the system set on foot in working order in a comparatively short time, but it fears that the very law proposals will be critical for the industry, requiring the extension of existing emergency measures to cover them.

Should these proposals materialise, the Board expresses the hope that all emergency measures may be so designed that they may be easily incorporated into the permanent system of the Land Bank.

It is considered that the Board would be glad to call attention to the several points of importance which it is believed will be of value to the public in the preparation of the Bill.

ent and stable system of Agricultural Credits to enable the industries of the Colony to sustain competition with other agricultural countries which possess such systems.

In particular the Board would emphasise the stimulus financial depressions give to farmers towards co-operation and rationalisation, which is lacking in times of prosperity, and the unusual facilities they provide for cheap and abundant money for anything in the shape of Government securities.

The Board understands that a Bill incorporating the principle of a Land Bank was brought in during the current session of Legislative Council.

The machinery of the Agricultural Credits Ordinance with the experience and information it has acquired, forms a valuable nucleus on which to found a Land Bank Board.

Co-operative Societies or Companies have formed the Kenya Farmers' Association and the United Credit Societies, and their experience should be made the basis of proposals for the process of co-operation.

Two Bills are in draft form relating respectively to the Coffee and Fruit Industries, which provide control machinery upon which co-operative organisation might be based.

In all these circumstances the Board is of opinion that serious consideration should be given by Government to the possibility of formulating a comprehensive system of Agricultural Credits for the Colony at the earliest possible moment, and secondary that such system should follow the general outline of the system sketched in this Report.

(Sd.) J. F. H. HARPER,  
Chairman.

## CREDIT ASSOCIATIONS OF DENMARK.

### Basis Used for the Kenya Proposal.

#### LENDING TERMS.

Co-operation in Denmark is very general among the farming community and the basis of its financial structure is the "Credit Associations" (Kredit Forening), a financing institution lending money on first mortgage of real estate. These Credit Associations were brought into existence by an Act of 1894, and it is worthy of comment that the scheme inaugurated by the Act has only once been varied on the matter of principle—by an Act of 1961.

A Credit Association is a voluntary organisation of owners of real estate desirous of raising money on the security of their land, who pool their holdings for the purpose of giving security to the lender. Each borrower, together with his estate is a member, and joins with all the other members of the Association in all decisions which are made to the Association for his section of the Association.

The Act provides that each individual loan must at no time exceed 80 per cent. of the value of the estate mortgaged and that, besides repayment of the proscribed interest, an annual payment of the loan must be made.

The payments in excess of interest are—

(a) A payment in the first year to a reserve fund of 2 per cent. of the amount of the loan. (This could be spread over a series of years).

(b) A part payment of the principal sum lent, the payment being spread over a period of from 10 to 60 years, and

a position to assess accurately the soundness of applications made by them.

The main features of the constitution of Co-operative Societies have already been dealt with, it may be convenient to point out that the existence of a joint and several liability, limited by law among the members will compel the Board of Directors to scrutinise individual applications with care; that the constitution of such Society will provide for an entrance subscription for all members, and for an annual cess on produce handled; that there will be placed to a Reserve Fund; and that any profits earned will be similarly allocated. In this connection it should be noted that a Society should not aim at profit making, but rather seek to pass on to its members all advantages accruing to its operations.

The Societies will borrow from the Bank by applying for Bonds, and will lend to its members against an agreed scale of deductions from the produce sent in by the members, or by some other method specially applicable to the type of business carried on by a particular Society. Provision is made in the constitution of the Society that members must send the whole of the marketable surplus of their produce to the Society, which is to do so entailing heavy charges.

Division C. of the diagram (Loan to Rural Credit Association) deals with cases which may arise from time to time when a group of farmers desire to contribute to carry on some purpose of benefit to each of them, but not of benefit to the general body of members of the Society or Community of which the farmers forming the group are members. However, since the benefits which the execution of the purpose will confer will be shared by all the farmers forming the

group, the participants will be justified in accepting a joint and several liability for the loan raised.

The application for the loan will be made to the Bank, and, if granted, will be met by an issue of Bonds.

An illustration would be a group of farmers, occupying the lower reaches of a river which only flowed through their land in rainy seasons, but in its upper reaches was permanent. It would be an advantage to each of the group to conserve the water of the river at some point high up on its course, and to convey the water so stored by pipe or furrow to their farms. Yet the cost of such work would be beyond the resources of any one of them.

Outside the actual Bank organisation, the preparation and enactment of Co-operative legislation, the formation of co-operative societies for each of the main sections of the agricultural industry, and the formation of rationalisation schemes by some sections, are matters which will not permit of delay in their execution.

The Board believes that with energy and goodwill the system can be put into working order in a comparatively short time, but it is clear that the very few months will be critical for the industry, requiring the extension of existing emergency measures to cover them.

Should these meetings materialise, the Board expresses the hope that all emergency measures may be so designed that they may be easily incorporated into the permanent system of the Land Bank.

In conclusion, the Board would refer to the fact that the present period of depression has an opportunity which is a unique and precious one for the Government to introduce some measure

of a sound and stable system of Agricultural Credit to enable the industries of the Colony to sustain competition with other agricultural countries which possess such systems.

In particular the Board would emphasise the stimulus financial depressions give to farmers towards co-operation and rationalisation, which is lacking in times of prosperity, and the unusual facilities they provide for cheap and abundant money for anything in the shape of Government Securities.

The Board understands that a Bill incorporating the principle of a Land Bank was brought in during the current session of the Legislative Council.

The machinery of the Agricultural Credits Ordinance, with the experience and information it has acquired, forms a valuable nucleus on which to found a Land Bank Board.

Co-operative Societies or Companies have, so far, in the Kenya Farmers' Association and the United Creameries, and their experience should be made the basis of the process of co-operation.

Two Bills are in draft form relating respectively to the Coffee and Fruit Industries, which provide credit facilities upon which co-operative organisation might be based.

In all these circumstances the Board is of opinion that serious consideration should be given by Government to the possibility of formulating a comprehensive system of Agricultural Credits for the Colony at the earliest possible moment; and secondary that such system should follow the general outline of the system sketched in this Report.

(84.) J. F. H. HARPER,  
Chairman.

## CREDIT ASSOCIATIONS OF DENMARK.

### Basic Used for the Kenya Proposals.

#### LENDING TERMS.

Co-operation in Denmark is very general among the farming community and the basis of its financial structure is the "Credit Associations" (Kredit Forening). A financing institution lending money on first mortgage of real estate. These Credit Associations were brought into existence by an Act of 1854, and it is worthy of comment that the scheme inaugurated by the Act has only once been varied on any matter of principle—by an Act of 1861.

A Credit Association is a voluntary organisation of owners of real estate desirous of raising money on the security of their land, who pool their holdings for the purpose of giving security to the lender. Each borrower, together with his estate is a member, and joins with all the other members of the association (or his section of it) to guarantee for the whole of the loan made to the Association (or to his section of the Association).

The Act provides that each individual loan must at no time exceed 80 per cent. of the value of the estate mortgaged and that, besides payment of the proscribed interest, an annual payment of the loan must be made.

The payments in excess of interest are—

(a) A payment in the first year to a reserve fund of 2 per cent. of the amount of the loan. (This could be spread over a series of years).

(b) A part payment of the principal sum lent, the payment being spread over a period of from 40 to 60 years, and



(c) a contribution to *adver* administration expenses. These are believed to amount to about 1/8 per cent. in the case of a well run Association.

The Act prescribes that the amount of Credit Association bonds in circulation at any one time must not exceed the total amount of the mortgage secured on the land.

The Act empowers Associations to issue Bearer Bonds which are issued and transferred free of stamp duty.

The interest is guaranteed by the Danish Government. Bonds so guaranteed are by law authorised for the investment of trust funds.

The procedure on negotiating a loan with a Credit Association is as follows:—

A land owner desirous of becoming a member of the Association in order to borrow money, applies to the Association for a loan. The Association has his estate valued and agrees to advance him a certain sum on the basis of such valuation. The landowner then mortgages his estate to the Association and in exchange receives from the Credit Association Cash Bonds of a total face value equivalent to the amount of the advance secured by the mortgage. These Bonds are in the case of the Danish Associations readily sold for cash, as the Bonds of all the Associations are quoted on the Copenhagen exchange, indeed on most European Exchanges.

The Act of 1850 amended in 1861 to admit of the Credit Associations dividing their loans and bonds into series. This was to remedy the unfair operation of the original scheme under which all borrowers without exception were jointly liable for all the loans of the Associations. Under the Amending Act a series comprised only the loans made in the course of a certain period, and the joint liability was limited to members of the

series in question. An added attraction to the investor is that drawings are made every six months for redemption of a number of bonds at par.

There are to-day twelve Credit Associations in Denmark of which a list is appended.

1. The Credit Association of Landed Estate Owners in Jutland.
2. The Credit Association of Property Owners on the Danish Island.
3. The Credit Association of Property Owners on the Island of Puenen.
4. The West and South Jutland Credit Association.
5. The Credit Office for Landed Estates on the Islands.
6. The Credit Association for Jutland Towns.
7. The Credit Association of Proprietors of small Landed Estates in Jutland.
8. The Credit Association of Land-Lords in Copenhagen and Environs.
9. The Credit Association of Proprietors of small Landed Estates on the Islands.
10. The Credit Association of Proprietor Owners in Jutland.
11. The Credit Association for Industrial Property.
12. The South Jutland Credit Association.

(1) A Company to be formed with a capital which will be subscribed by Government as to £100,000 in preferred Ordinary Shares, and say £100,000 in Ordinary Shares to be subscribed for by Planters payable as to 20 per cent. on application and the remaining 80 per cent. by the deduction of Shs. 5/- per bag from

the sale price until the Shares are fully paid.

Note: The claim for Government aid in this matter is based upon the value of the Industry to the Colony as a whole, for apart from the importance to Europeans, an enormous sum is paid to the native yearly, in wages, by the Industry.

(2) The Subscribed Capital will be invested in Gilt-edged Stocks.

(3) The Company will be entitled to borrow  $\frac{3}{4}$  times its paid-up capital on Seasonal Credits at a rate of interest which will in all total 5.2 per cent. made up as follows:—

Discount Rate	... 5% per annum
Acceptance Commission	..... 2% per annum
London Bill Stamp	..... 1% per draft
	..... 2% per annum
	..... 5.2% p. a.

(4) Immediately any portion of the crop is received, it will be shipped to a Merchant House in London nominated by the producer for sale and a Bill will be drawn for the amount which is authorised, and repayment of the anticipatory advance will be made.

(5) The advantages of the scheme are as follows:—

(a) The cost of the primary producer at the present time of collecting and forwarding the crop is 1 per cent. which is represented by the bonification of the 1 per cent. commission made by the London Merchant House to their Local Agent. Assuming that the value of the crop is £1,000,000, the cost is £10,000. This operation could, in my judgment, be performed for a total cost of £5,000.

(b) Few, if any, advances at the present time are made at a rate lower than 6 per cent. and as the Seasonal Crop Advance which could be arranged would be

at the rate of 5.2 per cent. further savings could be effected here.

(c) It is fair to assume that if sufficient inducement was offered to one of the Forwarding Coastal Agencies, a saving of at least six-pence per bag could be effected on the handling.

(d) It is possible that economy could be effected in the cost of Bank Exchange.

In all, I consider that a saving of not less than £10,000 per annum could be effected.

(6) The procedure would be, when the organisation was set up, that the Planters wishing to take advantage of the facilities which were offered would apply to the Company for Shares, in the manner described below:—

"A" wishes to borrow £2,000 to finance his crop during the season and he will be required to take up 800 shares each of £1. on which he will pay Shs. 4/- per Share. By deduction, he contributes Shs. 5/- per bag every year until his Shares are fully paid, and the whole of his crop will be consigned for sale through the organisation.

(7) The charges made to the clients of the Company will be the same as at present, whilst the savings that are effected will be put into a Reserve Fund, which in turn will be invested in gilt-edged Stocks.

(8) The Company will not take over doubtful accounts from local interests, but will collaborate with them in getting such items on to a sound basis.

(9) In conclusion, this suggested scheme negatives the suggestions previously submitted, that a fixed loan should be obtained on the London market to take care of this business for a time, the main reason being that the cost of raising the loan would be high and loss of interest might

(c) a contribution to cover administration expenses. These are believed to amount to about 1/8 per cent. in the case of a well run Association.

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series in question. An added attraction to the investor is that drawings are made every six months for redemption of a number of bonds at par.

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the sale price until the Shares are fully paid.

Note: The claim for Government aid in this matter is based upon the value of the Industry to the Colony as a whole, for apart from the importance to Europeans, an enormous sum is paid to the native yearly, in wages, by the industry.

(2) The Subscribed Capital will be invested in Gilt-edged Stocks.

(3) The Company will be entitled to borrow  $2\frac{1}{2}$  times its paid-up capital on Seasonal Credits at a rate of interest which will in all total 5.2 per cent. made up as follows:—

Discount Rate ...	3% per annum
Acceptance Commission .....	2% per annum
London Bill Stamp	4% per draft
	2% per annum
	5.2% p. a.

(4) Immediately any portion of the crop is received, it will be shipped to a Merchant House in London nominated by the producer for sale and a Bill will be drawn for the amount which is authorised and repayment of the anticipatory advance will be made.

(5) The advantages of the scheme are as follows:—

(a) The cost of the primary producer at the present time of collecting and forwarding the crop is 1 per cent. which is represented by the notification of the 1 per cent. commission made by the London Merchant House to their Local Agent. Assuming that the value of the crop is £1,000,000, the cost is £10,000. This operation could, in my judgment, be performed for a total cost of £5,000.

(b) Few, if any, advances at the present time are made at a rate lower than 8 per cent. and as the Seasonal Crop Advance which could be arranged would be

at the rate of 5.2 per cent. further savings could be effected here.

(c) It is fair to assume that if sufficient inducement was offered to one of the Forwarding Coastal Agencies, a saving of at least sixpence per bag could be effected on the handling.

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In all, I consider that a saving of not less than £10,000 per annum could be effected.

(6) The procedure would be, when the organisation was set up, that the Planters wishing to take advantage of the facilities which were offered would apply to the Company for Shares, in the manner described below:—

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(7) The charges made to the clients of the Company will be the same as at present, whilst the savings that are effected will be put into a Reserve Fund, which in turn will be invested in gilt-edged Stocks.

(8) The Company will not take over doubtful accounts from local interests, but will collaborate with them in getting such items on to a sound basis.

(9) In conclusion, this suggested scheme negates the suggestions previously submitted, that a fixed loan should be obtained on the London market to take care of this business for a time, the main reason being that the cost of raising the loan would be high and loss of interest might

enue by reason of the fact that the amount required by the Planters varies from month to month.

#### Notes on Capt. W. Tyson's Memorandum on Coffee Finance.

The Board desires to place on record its appreciation of the work which Capt. Tyson carried out on behalf of the Coffee and Sisal Sections of the Industry during his recent visit to England, not only in regard to the negotiations which have made it possible for him to submit the memorandum which is the subject of these notes, but also for the valuable information which he has brought back concerning the marketing arrangements of both Coffee and Sisal which are at present in vogue in England.

Turning to the Memorandum itself, it will be observed that the Board has adopted in its Land Bank proposals the two main ideas which Capt. Tyson has put forward, namely a system of emphyteusis based on a Reserve Fund composed in part of a sum contributed by Government and in part by contributions found by the farmers themselves, thereby embracing the idea of self and mutual help by them. The Board has extended the application of Capt. Tyson's ideas to the whole Agricultural Industry and has placed them on a co-operative footing.

The Board inclines to the view that the Memorandum imposes too heavy an initial charge on farmers desirous of making use of the facilities of the proposed Corporation. (Vide Paras 1-6).

And the Board, believing that the co-operative system should be adopted throughout, does not agree that clients of the corporation should not immediately benefit by the savings to be effected by the operations of the Corporation in collecting and forwarding the crop, financing it at a lower rate of

interest and possibly in Bank exchanges. Capt. Tyson calculates that under these headings a saving of not less than £10,000 per annum could be effected.

(Vide Paras 5-7).

It has been brought to the notice of the Board that the Sisal Industry of the Colony is in a precarious situation, owing to the sudden and heavy fall in commodity prices which has been very marked in the case of Sisal.

The average selling price from 1925-1929 was £40 a ton. It is now in the neighbourhood of £22/10/0, or a drop of £17/10/0 a ton, or 43 per cent.

In so far as such speculations are of value, the opinion has been expressed that a drop of 30 per cent. may be expected on the present prices when market values themselves again to normal. If so, Sisal may be expected to sell at £28 a ton.

The average cost of producing sisal, according to the figures collected by the Board and collated in a previous report, have been affected which have reduced this cost by between £3 and £4. The present cost may be taken at £28.

Sisal is at present quoted on average at £22/7/6 per ton, representing a loss of £5/7/6 per ton.

The total area under sisal at 31st July, 1929, was 109,875 acres. In 1925 the area was 91,900 (in both cases excluding areas where cutting has been completed), representing an increase of 17,975 acres. The Board is informed that this increase is more than maintained during the past year. Assuming the increase to be constant, the present area under sisal is 127,841 acres.

The capital investment (at £15 per acre being the average capital value per acre of sisal as a going concern) represented by this figure is £1,917,615.

Roughly 16,000 tons of sisal were exported in 1928-29, of which the value was £388,164. It is estimated that the export for 1930 will be 20,000 tons odd.

Taking 30/- plus 16/- Port charges, as the average Railway and Harbour rates on all sisal shipped, or a total of Shs. 46/- a ton, the total payable to the Railway in rates on the export of 16,000 tons in 1929 was £36,800. (With the exception of the Voi-Kiwesi section, where the Railway rates are from Shs. 8/5/- Shs. 16/38, no sisal is sailed from any station short of Nairobi, where the rate is Shs. 26/-). Very little sisal, however, is sailed from any station short of Ruiri where the rate is Shs. 27/50 and the great bulk is, in fact, sailed from beyond Thika where the rates extend from Shs. 27/50 at Ruiri to Shs. 40/- at Hwy's Bridge. Since all consignors who do not load at a station pay Shs. 8/- per 18 ton truck as a siding charge, this figure of Shs. 30/- is probably conservative. The actual Port Charges are Shs. 8/- per shipping ton of 40 cubic feet. As sisal bales are not less than 80 cubic feet to the ton on average, the rate on a ton weight is at least Shs. 16/-).

The Board is informed that by August 31st in one district only, namely Thika-Fort Hall, 20,000 acres of growing Sisal will have gone out of production in consequence of the drop in prices in most cases temporarily.

The Board is informed that very large areas have already suspended production in consequence of the fall in prices. The actual figures have been submitted to the Board, but the grand total must be accepted with reserve, since it includes areas which are not economically productive in any case, many estates having adopted the policy of cutting immature

leaf in order to maintain their finances in face of the slump. It is evident, however, that cutting has been suspended on some thousands of acres of mature leaf.

This is of minor importance compared with the very serious situation created by the fact that practically the whole of the Thika district has ceased development and even cultivation of their present acreages.

This means that in three to four years' time when the development of 1930 should be in the productive stage, the industry will be arrested to the extent of its normal development until such time as renewed development comes into production. When the existing leaf is cut out—i.e. in three to four years' time, no leaf at all will be available for the period of time during which suspension of development continues.

This suspension of activity has already involved the discharge from employment of 14 Europeans and 3,900 natives.

The significance of the state of things to the Colonial and Railway revenues may be roughly gauged by the losses which will directly result from it and by an approximation of the indirect losses resulting from the reduced spending power which will follow.

As the Board regards the situation as urgent, it has not delayed to collect the latter figures in detail. For the time being it has confined itself to an estimate calculated from a few returns received from four representative estates where the statistics were immediately available. A further analysis is in process of being made.

Assuming the acreage under review to be representative averages of the Sisal Industry, and representing as it does one-sixth of the total area under Sisal in the Colony

ence by reason of the fact that the amount required by the Planters varies from month to month.

**Notes on Capt. W. Tyson's Memorandum on Coffee Finance.**

The Board desires to place on record its appreciation of the work which Capt. Tyson carried out on behalf of the Coffee and Sial Sections of the industry during his recent visit to England, not only in regard to the negotiations which have made it possible for him to submit the memorandum which is the subject of these notes, but also for the valuable information which he has brought back concerning the marketing arrangements of both Coffee and Sial which are at present in vogue in England.

Turning to the Memorandum itself, it will be observed that the Board has adopted in the Land Bank proposals the two main ideas which Capt. Tyson has put forward, namely a system of cross-finance, based on a Reserve Fund, composed in part of a sum contributed by Government and in part by contributions found by the farmers themselves, thereby embracing the idea of self and mutual help by them. The Board has extended the application of Capt. Tyson's ideas to the whole Agricultural Industry and has agreed them on a co-operative footing.

The Board inclines to the view that the Memorandum imposes too heavy an initial charge on farmers desirous of making use of the facilities of the proposed Corporation. (Vide Paras 1-6).

And the Board, believing that the co-operative system should be adopted throughout, does not agree that clients of the Corporation should not immediately benefit by the savings to be effected by the operations of the Corporation in collecting and forwarding the crop, in financing it at a lower rate of

interest and possibly in Bank exchanges. Capt. Tyson calculates that under three headings—a saving of not less than £10,000 per annum could be effected. (Vide Paras 5-7).

It has been brought to the notice of the Board that the Sial Industry of the Colony is in a precarious situation, owing to the sudden and heavy fall in commodity prices which has been very marked in the case of Sial.

The average selling price from 1925-1929 was 240 a ton. It is now in the neighbourhood of 222/10/0, or a drop of 217/10/0 a ton, or 42 per cent.

In so far as such speculations are of value, the opinion has been expressed that a drop of 20 per cent. may be expected on the present prices when market level themselves again to normal. If so, Sial may be expected to sell at £32 a ton.

The average cost of producing sial, according to the figures collected by the Board and collated in a previous report, have been affected which have reduced this cost by between £3 and £4. The present cost may be taken at £28.

Sial is at present quoted on average at £22/7/6 per ton, representing a loss of 45/7/6 per ton.

The total area under sial at 31st July, 1929, was 109,875 acres. In 1928 the area was 91,900 (in both cases excluding areas where cutting has been completed), representing an increase of 18,466 acres. The Board is informed that this increase is more than maintained during the past year. Assuming the increase to be constant, the present area under sial is 127,841 acres.

The capital investment (at £15 per acre being the average capital value per acre of sial as a going concern) represented by this figure is £1,917,615.

Roughly 16,000 tons of sial were exported in 1928-29, of which the value was £388,164. It is estimated that the export for 1930 will be 20,000 tons odd.

Taking 30/- plus 16/- Port charges, as the average Railway and Harbour rates on all sial shipped, or a total of Shs. 46/- a ton, the total payable to the Railway in rates on the export of 16,000 tons in 1929 was £36,800.

(With the exception of the Voi-Kibwezi section, where the Railway rates are from Shs. 8/5/- Shs. 16/3/8, no sial is sailed from any station short of Nairobi, where the rate is Shs. 26/-). Very little sial, however, is sailed from any station short of Nairobi where the rate is Shs. 27/50 and the great bulk is, in fact, sailed from beyond Thika where the rates extend from Shs. 27/50 at Ruiru to Shs. 46/- at Hoey's Bridge. Since all consignors who do not load at a station pay Shs. 8/- per 18 ton truck as a siding charge this figure of Shs. 80/- is probably conservative. The actual Port Charges are Shs. 8/- per shipping ton of 40 cubic feet. As sial bales are not less than 80 cubic feet, to the ton on average, the rate on a ton weight is at least Shs. 16/-).

The Board is informed that by August 31st in one district only, namely Thika-Fort Hall, 20,600 acres of growing Sial will have gone out of production in consequence of the drop in prices in most cases temporarily.

The Board is informed that very large areas have already suspended production in consequence of the fall in prices. The actual figures have been submitted to the Board, but the grand total must be accepted with reserve, since it includes areas which are not economically productive in any case, many estates having adopted the policy of cutting immature

leaf in order to maintain their finances in face of the slump. It is evident, however, that cutting has been suspended on some thousands of acres of mature leaf.

This is of minor importance compared with the very serious situation created by the fact that practically the whole of the Thika district has ceased development and even cultivation of their present acreages.

This means that in three to four years' time when the development of 1930 should be in the productive stage, the industry will be arrested to the extent of its normal development until such time as renewed development comes into production. When the existing leaf is cut out—i.e. in three to four years' time, no leaf at all will be available for the period of time during which suspension of development continues.

This suspension of activity has already involved the discharge from employment of 14 Europeans and 3,300 natives.

The significance of the state of things to the Colonial and Railway revenues may be roughly gauged by the losses which will directly result from it and by an approximation of the indirect losses resulting from the reduced spending power which will follow.

As the Board regards the situation as urgent, it has not delayed to collect the latest figures in detail. For the time being it has confined itself to an estimate calculated from a few returns received from four representative estates where the statistics were immediately available. A further analysis is in process of being made.

Assuming the acreage under review to be representative averages of the Sial Industry, and representing as it does one-sixth of the total area under Sial in the Colony

In 1929, the value of the industry to the Railway and Colonial revenues is calculated as follows:—

Europeans employed 200: Paid in salaries £80,000 of which 60 per cent. is spent directly and indirectly on imported goods. These figures are calculated from the Customs returns numerically allocated *pro rata* to sisal employees.

Native labour employed 16,800: Paid in wages of £174,000 of which £91,800 is spent on imported goods. These figures are calculated from actual purchases made by employees from *dukas* on Estates, and allow nothing for purchases made out of wages accumulated either by employees or their wives and children after leaving the estates.

Actual Payments to K. U. S. and H. in freights and charges:—

16,000 tons at 46/- per ton	£36,800
Carrriage of imported goods contained by estates (Machinery, tools, etc.)	21,600
Passenger fares on—	
British labour	15,150
Native labour	178,500

\*These figures are based on a month payment of Shs. 6/- per man per journey. This charge is incurred on 4/11 days by an insignificant minority of labour employed in sisal.

Estimated indirect payments in respect of return traffic re-estimated:—

Spent by native labour employed on imported goods	91,800
Spent by European staffs on imported goods (a <i>pro rata</i> cost of £84,000)	48,000
	£139,800

Approximately 25 per cent. of this is paid in Customs duties	= £48,000
Approximately 10 per cent. in Railway Rates	= £14,000
	£62,000

It will be seen that the gross value of the Sisal Industry to the Colonial and Railway revenues on these figures is *probably* £935,500.

From the evidence before the Board as to the financial position of the industry it appears that unless active temporary assistance be forthcoming many of the smaller estates will not survive the present year in the present state of the markets and thus if that state should continue for a further year during which development will be suspended, the industry, for all intents and purposes, will cease to exist as such as the leaf now growing has been cut.

The majority of the estates are under-capitalised and the bulk of the profits on the year's working during the favourable markets have been absorbed into development. To take an illustration, in the case of one large estate upwards of £80,000 stands in the books as profit carried forward to development.

A large majority of the smaller estates were originally capitalised on the basis that a production of 500 tons per annum was an economic unit. Experience has proved that at any level of market price which may reasonably be expected in the future 750—1,000 tons must be regarded as a minimum economic unit. Readjustment to this basis was proceeding when the slump set in. It is confidently expected that it will continue with a return to normal prices and eventually the industry as a whole will find its own feet. It may survive the present crisis. But as the

process has absorbed any margin of reserve there might otherwise have been, the financial resources of these estates are inadequate to meet the prevailing depression unassisted.

The Board is therefore of opinion that the following considerations justify Government in extending temporary relief to the Sisal Industry.

If the industry collapses:—

Some 200 Europeans and 17,000 natives will be thrown out of employment, and their consequent spending power of £294,000 lost to Colonial and Railway revenues.

£78,000 a year will be directly lost to the Railway.

The exports of the Colony will be diminished by a sum in the neighbourhood of £383,000 (the fall in the price per ton of say, 20 per cent. is compensated by an estimated increase in output of 25—30 per cent. *vide* Agricultural Census for 1929).

It recommends that the industry be assisted to the extent of a sum sufficient to make up the approximate difference between the

average cost of production and the selling price at the material time—say £5 a ton on say 20,000 tons, or £100,000. And that this assistance should take the form of a loan, free of interest, repayable by means of a *cess* on export of Shs. 6/- a ton so long as the price of sisal exceeds £30 a ton, or alternatively on a sliding scale of:—

1. Shs. 6/- when the export price is above £30 and not above £32.
  2. 50 per cent. of the excess over £32 when the export price is above £32.
- in addition to 1.

The Board has added the following note:—

Since the above recommendation was made the position has altered to some extent in that production costs have been materially reduced—largely by means of cuts in salaries and wages. The Board would suggest that if the principle of the recommendation be accepted the amount of the rebate, and consequently of the *cess*, be determined in consultation with the Sisal Growers' Association.

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Europeans employed 200: Paid in salaries £80,000 of which 60 per cent. is spent directly and indirectly on imported goods. These figures are calculated from the Customs returns numerically allocated *pro rata* to sisal employees.

Native labour employed 16,800: Paid in wages of £174,000 of which £91,800 is spent on imported goods. These figures are calculated from actual purchases made by employees from *dukas* on Estates, and allow nothing for purchases made out of wages accumulated either by employees or their wives and children after leaving the estates.

Actual Payments to K. U. M. and I. in freights and charges:—

£	
10,000 tons at 4s. per ton	£6,500
Carriage of imported goods	
Consumed by estates	
(Machinery, bales, etc.)	21,000
*Passenger fares on indentured labour	15,100
	£78,500

\*This figure is based on a month payment of 5s. 6s. per month per journey. This charge is incurred, on the whole, by an insignificant minority of labour employed in sisal.

Estimated indirect payments in respect of return traffic represented:—

£	
Spent by native labour employed on imported goods	91,800
Spent by European staff of Estates on imported goods	85,000
	£176,800

Approximately 25 per cent. of this is paid in Customs duties	= £48,000
Approximately 10 per cent. in Railway Rates	= £14,000
	£62,000

It will be seen that the gross value of the Sisal Industry to the Colonial and Railway revenues on these figures is roughly £135,550.

From the evidence before the Board as to the financial position of the industry it appears that unless some temporary assistance is forthcoming many of the smaller estates will not survive the present year in the present state of the markets, and thus if this state should continue for a further year during which development will be retarded, the industry for all intents and purposes will cease to exist as such as the last now growing has been cut.

The majority of the estates are under-capitalised and the bulk of the profits on the year's working during the favourable markets have been absorbed into development. To take an illustration, in the case of one large estate upwards of £80,000 stands in the books as profit carried forward to development.

A large majority of the smaller estates were originally capitalised on the basis that a production of 500 tons per annum was an economic unit. Experience has proved that at any level of market price which may reasonably be expected in the future 750—1,000 tons must be regarded as a minimum economic unit. Readjustment to this basis was proceeding when the slump set in. It is confidently expected that it will continue with a return to normal prices and eventually the industry as a whole will find its own feet if it does survive the present crisis. But as the

process has absorbed any margin of reserve there might otherwise have been, the financial resources of these estates are inadequate to meet the prevailing depression unassisted.

The Board is therefore of opinion that the following considerations justify Government in extending temporary relief to the Sisal Industry.

If the industry collapses:—

Some 200 Europeans and 17,000 natives will be thrown out of employment, and their consequent spending power of £224,000 lost to Colonial and Railway revenues.

£78,000 a year will be directly lost to the Railway.

The exports of the Colony will be diminished by a sum in the neighbourhood of £382,000 (the fall in the price per ton of say 20 per cent. is compensated by an estimated increase in output of 25—30 per cent. *vide* Agricultural Census for 1929).

It recommends that the industry be assisted to the extent of a sum sufficient to make up the approximate difference between the

average cost of production and the selling price of the material time—say £5 a ton on, say 20,000 tons, or £100,000. And that this assistance should take the form of a loan, free of interest, repayable by means of a cess on export of 5s. 6s. a ton so soon as the price of sisal exceeds £30 a ton, or alternatively on a sliding scale of:—

1. 5s. 6s. when the export price is above £30 and not above £32.

2. 50 per cent. of the excess over £32 when the export price is above £32.

In addition to 1.

The Board has added the following note:—

Since the above recommendation was made the position has altered to some extent in that production costs have been materially reduced—largely by means of cuts in salaries and wages. The Board would suggest that if the principle of the recommendation be accepted the amount of the rebate, and consequently of the cess, be determined in consultation with the Sisal Growers' Association.

BOARD OF AGRICULTURE.

The Following facts relating to the Coffee and Sisal industries are taken from various Memoranda of the Board, the figures being compiled either from official sources such as Agricultural and Census Reports, the Kenya & Uganda Railways' & Harbours Reports or Tariff Books, Customs Returns etc., or from figures collected from plantations or from the Sisal Growers' Association.

COFFEE.

There are 96,042 acres under Coffee: in the hands of 931 occupiers, which represents 44.4% of the total occupiers in the Colony.

This acreage yielded 11,202 tons of clean coffee in 1929/30 valued at £1,202,137 equal to an average production per acre of 4.03 cwt. (In 1928 there were 5,500 acres producing 273 tons valued at £16,339).

The highest peak was reached in 1927-28 with a production of 12,984 tons valued at £1,415,537.

The current crop is estimated at 13,000 tons valued at say 1,000,000. The number of Europeans employed in the industry apart from the occupiers themselves is calculated from the Census Returns at 257. Making a total of Europeans dependent on the industry of about 1200. The number of natives employed in the coffee industry is 60,816.

The acreage of the typical Coffee Plantation may be taken to be 160 acres of bearing Coffee with an output of 40 tons: although the range extends from a few acres to 1000 acres.

The following are extracts from a Report of the Board on the coffee situation presented to Government on September 1st. of last year and corrected to present day conditions.

In 1928, 259,689 cwt. or 12,989 tons were exported at a value of..... £1,415,537

-2-

in 1929 the export had fallen to

145,380 cwts. or 7,269 tons,

valued at.....£ 765,171

a yield of slightly over 3 cwts. per acre.

This fall is accounted for by transient conditions partly seasonal, partly the Mealy Bug infestation.

The 1930 crop was estimated a few months ago at 16,000 tons, but owing to contemplated losses from chlorosis this estimate is now reduced to 13,000 tons. At a conservative estimate, adjusted to the reduced prices prevailing, the exportable value of this crop will probably not be less than £1,000,000.

Coffee pays the highest rate on the Railway of any of the principal exports of the Colony, and the Board has been informed by the Acting General Manager that it is the only export rate which is intrinsically profitable. It is not carried at a flat rate, the charges varying between Shs. 71/19 at Muhoroni and Shs. 50/39 at Nairobi, including Port Charges. No calculable, if any, quantity of coffee is to be exported from any station short of Nairobi. The mean rate for all coffee exported is about Shs. 62/- per ton, including Port charges.

The following estimate of the value of the industry to Colonial and Railway revenues is compiled from returns examined by the Board from a total of some 3,000 acres of representative Coffee plantations, in relation to the total figures as shown by the Agricultural Census. This acreage is a necessarily small proportion of the total area under Coffee, owing to the difficulty of obtaining reliable figures of this kind from a large number of planters. It is submitted, however, that the estimates are approximately accurate and that they may be broadly checked by the general statistical relationship between population and Customs and Railway receipts.



Europeans employed	...	...	...	...	...	1200
Paid in salaries	...	...	...	...	...	£350,000
of which 50% is spent directly and indirectly						
				on imported goods	...	£175,000
Native labour employed	60,616.					
Paid in wages at an average for all labour						
employed, skilled and unskilled, of slightly						
over 13/-	...	...	...	...	...	£400,000
of which about 30% is spent directly or indirectly						
				on imported goods	...	£120,000
Actual payments to K.U.R. & H.				Spent by native labour employed,		
<u>in freights and charges.</u>				on imported goods.		£120,000
15,000 tons at Shs.62/-	£40,300			Spent by European		
Passenger fares on				staff on imported		
indentured labour.	£10,000			goods.		£175,000
						£295,000
Carriage of country				Approximately 10% of		
produce consumed by				this is paid in		
estate.	£ 8,000			Railway Rates.		£ 29,500
	<u>£58,300</u>					<u>£105,500</u>
From 25-30% of the labour employed						
in Coffee is indentured, or say						
15,000 head.						

No account has been taken of the large sums expended by the Estate on imported goods in respect of repairs and renewals, farm implements and tools, fertilisers, oils and oil fuel, etc., etc., since no reliable figures could be collected by the Board in the time available.

The amount so expended is certainly not smaller, and probably larger, than in the case of the Sisal Industry, namely £21,000.

The total sum paid directly by the industry to the Railway is therefore not less than £79,000 per annum, and its gross value to the Railway and Colonial revenues is in the neighbourhood of £183,000 or over 10% of its potential export value at a conservative estimate.

The Board is informed that the credit facilities

enjoyed by the industry have already been restricted to a minimum, even where they have not been altogether stopped and that, in consequence, the ordinary programme of soil renovation necessary to the success of any form of agriculture and particularly, in the case of coffee, has in a large majority of cases been suspended and a bare maintenance programme is being pursued. This circumstance will inevitably reflect on the output of the future if continued for any length of time.

The Coffee Industry has been largely built up by the small man with a small capital who, as soon as his plantation has reached the producing stage, has found it necessary to borrow capital to meet incalculable expenditures.

Coffee is more susceptible to pests and disease than any other plant industry in the Colony, and the ravages and treatment of these has entailed losses beyond any anticipation and out of proportion to those sustained by any other industry. (The Mealy Bug infestation in the past few years alone was estimated to cost the industry between £200,000 and £500,000 ).

Moreover, weather conditions have affected the Coffee planter more seriously than other industries since plantation expenses are as high, or higher, in adverse conditions.

Consequently, a large percentage of Coffee plantations are heavily mortgaged and the commitments extended are such that the margin between cost and present selling price is inadequate to meet them.

The average cost of producing a ton of Coffee on to the London Market on a basis of 5.4 cwts. to the acre for all geographical conditions in the Colony is in the neighbourhood of £88, including depreciation, made up as follows:-

Plantation Costs	...	...	...	...	£39. 2. 0
Curing, bagging, ralling	...	...	...	...	...
Shipping, and Marketing	...	...	...	...	£18. 4. 0

This figure represents a reduction of about 24% on the costs prevailing previously to the Board's Memorandum on Costs of Production published in June last: the evidence available indicating that in general such a reduction has resulted.

Itemised allocations of these costs appear in Appendices I. and II.

If depreciation @ £4.12. 0 be deducted the figure is £52.14. 0.

No allowance is included for interest on overdrafts or crop advances.

The variation in cost ranges between £48, per ton and £81, per ton in individual cases.

If the average price of coffee in London be taken to be £65, per ton average for all grades (it is at present appreciably higher than this figure) there remains to the planter after sale of his crop £65. 0. 0. minus £52.14. 0 or £12. 8. 0 per ton. This is an average estimate. Some planters will receive more; others, at a distance from the Railway, or whose conditions are otherwise unfavourable, will receive less.

For an output of say 25 tons, in which category it is probable that the bulk of planters' requiring temporary assistance will be found, this will yield, on realisation of the crop at the end of the year, a margin of revenue over expenditure of £312.10. 0 to meet interest charges.

It is evident therefore that the industry as a whole is producing at a margin of profit at a market price of £65. 0. 0 per ton, which is lower than at any period during the past seven years, except during a few weeks in 1935.

#### SISAL.

There are 138,012 acres under Sisal divided into 63 Estates of which 42 may be said to be producing.

15,800 tons of fibre were produced in 1929/30 valued at £504,494 (In 1914 the production was 600 tons valued at about... £ 19,800)

The peak production was reached as in the case of Coffee in 1928/29 with a production of 17,450 tons valued at £583,184.

The current year has yielded 17,321 tons. This yield has realized about £300,000 (?) or about £280,000 less than approximately the same yield in 1928/29.

The average production for all the producing Estates in the Colony is about 700 tons per annum: the range being between about 240 and 2,000 tons.

The following extracts are taken from a Report of the Board on the condition of the Sisal Industry presented to Government in August of last year. The figures are corrected where necessary to present day conditions.

The Board is informed that very large areas have already suspended production in consequence of the fall in prices. The actual figures have been submitted to the Board, but the grand total must be accepted with reserve, since it includes areas which are not economically productive in any case, many estates having adopted the policy of cutting immature leaf in order to maintain their finances in face of the slump. It is evident, however, that cutting has been suspended on some thousands of acres of mature leaf.

This is of minor importance compared with the very serious situation created by the fact that practically the whole of the Taha District has ceased development and even cultivation of their present groves.

This means that in three to four years' time when the development of 1930 should be in the productive stage, the industry will be arrested to the extent of its normal development until such time as renewed development comes into production. When the existing leaf is cut out, i.e. in 3 to 4 years' time, no leaf at

all will be available for the period of time during which this suspension of development continues.

The significance of the state of things to the Colonial and Railway revenues may be roughly gauged by the losses which will directly result from it and by an approximation of the indirect losses resulting from the reduced spending power which will follow. The value of the Industry to the Colony may be estimated from the following facts which appeared in evidence.

Europeans employed 200; paid in salaries £80,000 of which 60% is spent directly and indirectly on imported goods.

Native labour employed, 18,550 paid in wages £174,000 of which £91,800 is spent on imported goods.

These figures are calculated from the Customs Returns numerically adjusted pro rata to Sisal employees.

These figures are calculated from actual purchases made by employees from dukas on Estates, and allow nothing for purchases made out of wages accumulated either by employees or their wives and children after leaving the estates.

Actual Payments to K.U.E. & H. in freights and charges.

17,000 tons @ 14/- per ton.	£39,100
Carriage of imported goods consumed by estate, (Machinery, sales, etc.)	£21,000
Passenger fares on imported labour.	£15,150
	<u>£75,250</u>

Estimated indirect payments in respect of return traffic represented.

Spent by native labour employed on imported goods	£ 91,800
Spent by European staffs on imported goods, 60% of £80,000	£ 48,000
	<u>£139,800</u>

This figure is based on a mean payment of Shs. 6/- per man per journey. This charge is incurred on all save an insignificant minority of labour employed in Sisal.

Approximately 25% of this is paid in Customs duties. = £ 48,000

Approximately 10% in Railway Rates. = £ 14,000  
£ 62,000

It will be seen that the gross value of the Sisal Industry to the Colonial and Railway revenues on these figures

is roughly £137,850.

The majority of the estates are under-capitalised and the bulk of the profits on the years' working during the favourable markets have been absorbed into development. To take an illustration, in the case of one large estate upwards of £80,000 stands in the books as profit carried forward to development.

A large majority of the smaller estates were originally capitalised on the basis that a production of 500 tons per annum was an economic unit. Experience has proved that at any level of market price which may reasonably be expected in the future 750-1000 tons must be regarded as a minimum economic unit. Road adjustment to this basis was proceeding when the slump set in. It is confidently expected that it will continue with a return to normal prices and eventually the industry as a whole will find its own feet it can survive the present crisis. But as the process has absorbed any margin of reserve there might otherwise have been, the financial resources of these estates are inadequate to meet the prevailing depression unassisted.

The average cost of producing a ton of Sisal on to the London market on the basis of a 672 ton production is about £ 24. 10. 0 including depreciation and development i.e. redemption of est areas. Made up as follows:-

Plantation Costs.....	£16. 10. 0
Railing, Shipping and Marketing.....	7. 10. 0
	<u>£24. 0. 0.</u>

This represents a reduction of about £4. per ton on the costs since October when the Board's Memorandum was published.

Itemised allocations of these costs appear in Appendices III. IV.

If depreciation of £2. 0. 0. be deducted the cost including development is £22. 0. 0.

The average price of Sisal on the London market from 1924-1929 was £40, per ton. It has dropped during the weeks to

£16..

At the present figure therefore there is a nett loss per ton of £8, or, deducting depreciation from cost, £ 5.10. 0.

On a basis of 18,000 tons export this represents a loss to the industry over nett out of pocket expenditure of £99,000.

22nd. January, 1931.

BOARD OF AGRICULTURE.

EXPLANATION CHARGES ON COFFEE

AT PER TON.

	<u>Shs. Cts.</u>
Cartage to Station 7 miles @ Shs.1/- per ton mile.	7. 00
Curing Charges...	65. 00
Extra Drying (average)...	5. 00
Bags 26 @ 72 cents...	18. 72
Railage to Coast Mainline Nairobi District...	48. 39
Port and Handling Charges...	16. 00
Bill of lading fee (average)...	1. 50
Marine insurance 12/6% to 14/3% on say £100 say	13. 00
Fire insurance after landing (average)	2. 00

Note:-1. Goods are over-valued for insurance purposes. 2. Fire insurance varies in amount according to time Coffee remains unsold.

Ocean freight...	65. 00
London wharf charges... (including port dues customs entry etc.,)	44. 00
Interest on freight paid and Sale Expenses...	5. 00
Brokerage 1% on say £80...	16. 00
Del credere and Commission 2½% on say £80,	40. 00
Buyers discount 1% " " "	<u>16. 00</u>

Shs. 365. 61

£ 18 2. 6.

For Consignments from Punda Milla District add	4.
" " " Kitale " "	15.
" " " Nyeri " "	5.

to railage charge.



APPENDIX II.

BOARD OF AGRICULTURE.  
PLANTATION COSTS ON COFFEE  
AT PER TON.

Management....	Shs. 120. 00	
Cultivation Pruning and Factory...	280. 00	
Picking...	130. 00	
Transport on farm...	25. 00	
Repairs...	30. 00	
Overheads and Sundries...	25. 00	
Manure...	<u>80. 00</u>	
Total less depreciation...	590. 00	= £34. 10. 0.
Depreciation...	<u>92. 00</u>	
Total...	Shs. <u>782. 00</u>	£39. 2. 0.

The previous Plantation costs obtained by the Board were:-

£51. 0. 0. in June.

£45. 7. 6. in October.

including depreciation.

JFHH/HMD.

23/1/31.

APPENDIX III.

PLANTATION COSTS ON SIBAL

AT PER TON.

Overheads.....	Shs. 40/-
Managment.....	55/-
Depreciation.....	40/-
Factory and haulage including rail maintenance...	60/-
Cutting and Clanning.....	70/-
Development.....	50/-
Sundry Expenditure.....	15/-
	Shs. <u>350/-</u> = £16.10.0

APPENDIX IV.EX PLANTATION COSTS ON SISAL  
AT PER TON.

Cartage	
Railway.....	Shs. 30/-
Port Charges including handling .....	16/-
London Charges.....	17/-
Insurance.....	2/80
Ocean Freight.....	63/-
Exchange and petites.....	4/50
Commission 2% on say £20.....	8/-
Brokerage 1%.....	4/-
	<u>145/30</u>
	<u>£ 7. 5. 30</u>

Note:- Where Sisal is sold on contract C.I.F. as distinct from on consignment the item Shs.17/- London charges is deducted.

2. It will be seen that the costs total Shs.4/70 less than the standard figure of £ 7.10. 0 which has been assumed as the ex-plantation cost of Sisal production. This is accounted for by the fall in price which reduces commission wharfage and insurance charges.

51

BOARD OF AGRICULTURE.

No. B/13/4

MEMORANDUM OF THE PROBLEM OF THE REGULATION AND  
CONTROL OF THE DAIRY INDUSTRY, WITH SPECIAL  
REFERENCE TO THE STABILISATION OF THE PRICE OF BUTTER.

---

A rapid increase has taken place in the production of butter in the Colony during the past few years, resulting from the co-operative organisation of the industry.

As a consequence, an export trade on a substantial and steadily increasing scale has been developed which has given rise to a problem which in one form or another has called for solution in other parts of the world. This problem may be briefly explained as follows:-

In the early stages of the life of the dairy industry the consumption of butter was confined to the local market and the ordinary laws of supply and demand, operating in conjunction with the protective tariffs, controlled - with violent fluctuations - the price both to the consumer and the producer.

As the market approached the point of saturation it became necessary in the ordinary course to find an outlet for the surplus overseas.

The special conditions attaching to the export of a highly perishable commodity such as butter, however, necessitate an organisation of a more elaborate nature than that applicable to the marketing of the other primary products of the Colony.

For instance, since the product must be subjected to special treatment in manufacture, requiring expensive machinery, it can only be produced in bulk.

Further, it can only be transported in large consignments, since the transporting agencies require a bulk consign-

commitment to warrant the use of their cold storage apparatus. Consequently, supplies must be stored in Refrigerators until the necessary quantity is accumulated.

Special export boxes are required for the market of which the material must be imported. This can only be done on an economic basis at wholesale rates.

Such an organisation is, in Kenya, beyond the reach of the individual, since no dairymen exist on a scale large enough to produce the requisite quantities. In consequence, a stimulus was given to the co-operative movement and in 1929 three co-operative creameries amalgamated to form a Marketing Committee for the purpose of organising the marketing of their produce with special reference to the exportable surplus.

In the absence of some such movement the alternative would have been a flooding of the local market and the restriction of the dairying industry within the confines of that market.

In these circumstances the probability is that the organised bodies handling a large lumped production would have survived and the small individualist would have been driven from the market.

The Marketing Committee of the Creameries, however, controls only 75% of the butter produced in Kenya, but, as it is the only organisation capable of doing so, it controls the whole export which amounts to roughly 43% of its supplies and 65% of the total production of the Colony.

NOTE: The estimated production of Kenya butter for 1930

is.....	1,600,000 lbs.
of which the non-co-operatives produced.....	400,000 lbs.
and the Co-operative Creameries.....	1,200,000 lbs.
of this last figure about.....	1,000,000 lbs.

exported.

-3-

This export relieves the pressure on the local market to that extent with the result that it is free to receive the remaining 37% of the total production.

Of this, 56  $\frac{2}{3}$  % is farm butter,  
and 33  $\frac{1}{3}$  % is creamery butter.

The consequence is that the co-operative suppliers have enabled the non-co-operators to enjoy the advantage for the whole of their production of the higher price obtained on the local market, while the co-operators bear the whole burden of the Colony's export which amounts to 83% of their total production.

The figures from which these results are obtained are the latest available. The Agricultural Census for 1930 has not yet been compiled. It is still increasing and the Board is informed that by 1931 the production will be materially greater than the present estimates for 1930.

Butter has fluctuated considerably in price in the past, but since the establishment of the co-operative creameries, has tended to level to a local price of about Shs.1/50 to Shs. 2/- for best farm butter, according to season. It is at present Shs.1/50. The average price received by the Marketing Committee for its export butter since its inception has been -/94 cents and has been so low as -/64 cents.

It therefore follows that while the non-co-operator, whose market is nursed by the action of the Creameries, receives Shs.1/50 - Shs.2/- for best farm butter, and about Shs.1/30 - Shs.1/40 for inferior butter, the co-operative supplier receives, on a basis of -/94 cents export, only Shs.1/03 for his produce, or -/47 cents below the local market price of butter of the same quality.

legislation to legalise a pool is unnecessary since all payments out of the fund are made to creameries in proportion to their export and distributed by them to the farmer.

This scheme is therefore not applicable to Kenya where there is a large production outside the creameries, nor does it appear that an similar system in force in New Zealand would solve the problem.

In the Union of South Africa conditions were nearly approximate to those in Kenya, and the recommendations of the Board are therefore based on the system recently inaugurated in South Africa by means of an Act to control the Dairy Industry.

Some doubt was expressed by the witnesses for the non-co-operators that the scheme might be used or might operate to force recalcitrants into the Creameries.

The witnesses were satisfied by the Board that the scheme proposed, if properly administered, would have no such result.

It was agreed that the natural tendency of the scheme would be to bring into the Creameries the manufacturer of farm butter of roughly the same quality as the creamery product. Under present conditions it is to the interest of such to remain outside since with a margin of  $\frac{1}{47}$  cents he can undersell the creamery product while, in fact, receiving more than the creamery supplier, i.e., to say a creamery supplier selling at Shs. 1/50 receives only Shs. 1/03 from the pool. Whereas a farm butter manufacturer selling at any Shs. 1/35 receives Shs. 1/35 less his marketing charges.

All parties were agreed that no injustice would result from the forcing of such a producer into a Creamery if he were not precluded from joining one by any other cause outside his control.

But it was pointed out that there were, broadly speaking, two classes of farm producer outside this category.

The producer of butter of a superior quality to

the creamery product who can compete successfully with the Creameries at the same price. It was pointed out and accepted that his position in relation to the Creameries would not be affected by the payment of a levy equal in amount to that borne by the Creamery product and that the scheme would have no tendency to force him into the Creameries.

2. The producer of butter of roughly the same quality as the Creamery product, whose farm is so situated that he cannot economically supply cream to the Creameries.

Admittedly the tendency of the scheme proposed will be to equalise the position of all producers in the local market and the individual, unless otherwise favourably situated, could not hope to compete on equal terms with a Co-operative Society whose overheads are spread over a large output and whose facilities for organising its market are so superior.

The effect of an equalising process will therefore be to force the latter class of producer into a Creamery, or out of production.

It is recommended that the Central Board proposed below be vested with such powers as will enable them to deal with all cases of hardship. In the case last mentioned, facilities must be provided which will remove the objections of the farmer to joining his nearest creamery, e.g., by the organisation of collecting services in inaccessible districts.

There appears to be general agreement among both co-operators and non-co-operators

1. That the non-co-operator may justly be called upon to bear his share of the burden of export.

2. That since, unlike Australia where all butter is manufactured and marketed by Creameries who could and did voluntarily combine, 35% of the butter produced in Kenya is farm butter, some compulsory system is necessary for this purpose.

3. That the control of the machinery for effecting the purpose should be in the hands of a body representative of



all interests concerned.

The Board is of opinion that the best method of redressing the balance between the exporter and the non-exporter is the imposition of a levy on butter produced, the proceeds of which to be distributed among the exporting agencies, the amount of the levy to be revised at periods of six months.

If the whole proceeds of the levy are distributed intact to the suppliers, the simplest method would be a stamped wrapper enclosing every pound sold in the local market.

Alternatively, if any portion is applied to any other purpose, such as services in connection with the fund, the levy might more properly be imposed on all butter produced by means of a stamp on locally sold butter and a direct payment to the fund by the Creameries on all butter exported.

Clearly, the interests of the consumer must be consulted in any proposals adopted since butter is a necessary article of food. Prima facie, it would appear that the effect of the imposition of a levy in the form of a stamp on every pound of butter sold locally will be to raise the price to the consumer by that amount.

If the system should operate unduly to penalise the consumer, a remedy must be applied either by means of price fixation, reduction of the import tariff or otherwise, but the available evidence indicates that competition for the local market will secure that the levy is not passed on to the consumer and that the stimulus given to production and rationalisation by some such system as that proposed will ultimately have the opposite result.

In Australia the 'Patterson Scheme' has been in operation some years. Under it a levy of 1s per pound is imposed on all butter produced. From a report of an investigation conducted by the Board of Trade and Industries of the Union of South Africa, it appears that while this scheme met with considerable opposition in its early stages, it is now favourably received and is working satisfactorily throughout the Commonwealth.

It is improbable that this would be the case if its effect had been to penalise the consumer.

A similar scheme has been incorporated in a recent Act of the Union of South Africa, whereby a Central Board is empowered to impose a levy on all butter manufactured.

The Board is unaware of any complaints against this Act on the part of the consuming public in the Union.

In Kenya the history of the development of co-operation with its resultant increase of efficiency and economy in the processes of manufacture and distribution, has been the history of a progressive reduction in the price of the commodities affected.

For example, up to January 1926, i.e., before the Co-operative movement in the wheat industry began, the wholesale price of superfine flour was Shs. 56/- to Shs. 58/- per bag. In 1927 when the movement started it had fallen to Shs. 48/- per bag. In October 1928 it had fallen to ... .. Shs. 40/- per bag. It is now ... .. Shs. 32/-

1. It may be remarked that the Kenya Farmers Association has offered to guarantee that if a compulsory wheat pool is introduced the price of flour will not be raised above this figure. There has been a similar steady decline in the price of butter concurrently with the development of co-operation in that industry.

The effect of imposing a levy on production for the benefit of export will necessarily be to stimulate co-operation since, in the conditions of Kenya, the co-operative organisations are the sole exporters.

The outcome should logically be, in the first place, a proportional reduction of the costs of manufacture and distribution with the result that the commodity can be traded profitably at a lower price, and secondly, any danger of exploitation will be removed by the increased production which will follow with its natural tendency to reduced prices.

As to the amount of the levy required, it is evident that the sum of 1½d. per lb. imposed by the present system would be inadequate for the purpose for which it is designed.

In Australia the ratio of local sales to export is 2 to 1. In Kenya the position is nearly reversed.

The Board is of opinion that the levy should be fixed initially on the basis of the prices likely to prevail over the next six months.

The export price for purposes of the calculations made above has been taken at -/94 cents, this being the average price received by the Creameries since their inception.

It is actually -/87 cents at present and is expected to rise to -/90 cents, at which figure the creamery pool will receive Shs.1/- per lb. for its produce.

Prevailing conditions will change such as the ratio of export to local consumption; the export price, costs of production and consequently the relative prices of the exported and locally consumed commodity. It should be a function of the Central Board to adjust the amount of the levy accordingly.

But in present conditions and on the reasoning above, taking -/90 cents to be the export price and Shs.1/50 the home market price, the amount of the levy necessary roughly to equalize the burden of export as between exporter and non-exporter should be -/25 cents.

The Board therefore recommends:-

1. The establishment of a Central Dairy Industry Control Board to be nominated by the Governor for one year and containing

- 2 members representing the Marketing Committee of the D. Creameries;
- 1 member representing the manufacturers of farm butter;
- 1 member representing the retail trade;
- and if Government so advised 1 member representing Government.

The composition to be subject to revision in the light of experience and changing conditions.

2. The Board to be a body corporate with the rights

and obligations inherent therein.

3. The powers of the Board to include:-

- (a) The employment of such persons as may be necessary for the fulfilment of its functions.
- (b) The imposition of a levy in the form of a stamp or otherwise of an amount not exceeding -/35 cents on all butter sold locally; to operate until cancelled by notice in the Gazette. 6 months thereafter, revision of the amount of the levy if and as circumstances dictate and a similar revision at every ensuing period of 6 months.

Note If it should be found necessary in the light of experience to impose the levy on all butter produced the Board should be empowered accordingly.

- (c) The payment out of the resultant fund to the Marketing Committee of the Creameries or any other body or person representing the exporting agencies which may be appointed for the purpose, the whole balance remaining after the costs of administration and other sums spent in the execution of their powers by the Board have been deducted; to be paid by the Marketing Committee into their pool or otherwise distributed among the exporting agencies in proportion to the amount of butter they export.
- (d) The imposition on the Creameries of any regulations as to the conduct of their business in relation to non-members of the Creameries as may seem just to it.
- (e) Any other functions with which it may be considered expedient from time to time invest it.

In its initial stages it is suggested that the powers of the Board should be restricted to a minimum consistent with the promotion of the object aimed at. At a later stage and in the light of experience it may be expedient to invest it with wider powers of control and regulations of the Dairy Industry as a whole so as to absorb some or all of the functions

of the existing co-operative bodies.

This Memorandum deals solely with the problem as it affects the butter industry. The production of cheese closely affects this industry and its problems, in so far as they are bound up with the operation of the schemes proposed may have to be considered at a later stage. But the Board is of opinion that these problems can only be defined and solved after the scheme proposed has come into operation and its effect on the co-operative movement in the Dairy Industry ascertained.

61

BOARD OF AGRICULTURE.

24th June, 1930.

NOTES FOR THE CONSIDERATION OF THE EAST  
AFRICAN SHIPPING CONFERENCE.

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It is conceded willingly that the Steamship Companies serving East African Ports have led all other agencies interested in the East African Export Trade in the movement to adjust the charges incurred by that trade to meet the price levels to which export commodities have slumped.

It is also recognised that shipping itself is severely hit by the world-wide depression.

The question, nevertheless, arises whether the Steamship Companies may not think it wise to go further in the endeavour to save a situation which threatens to diminish a trade in the prosperity of which Shipping Companies are interested, as well as the farmer.

The point has been made in the covering memorandum that the farmer needs time to adjust his business to a sudden change of market conditions. He can work in two directions - he can aim at a direct reduction in costs of production by direct economies such as wage reductions, and he can achieve more lasting and larger economies by increasing his yield per acre. The former can be carried out comparatively quickly and is, in fact, being done, but it is strictly limited in extent, while the latter is a slow process and may require years to accomplish.

The following two considerations are put before the Steamship Companies, an interim measure and one of greater permanence:-

- (1) Any assistance in freight reductions which they may find possible as a temporary measure. The 1930-31 crops, it is feared, will be marketed under slump conditions similar, if not actually worse than those existing to-day, while the cost of their production can be but little influenced by the economies mentioned above. If the coming crop incurs a loss, the East African Export

Trade will sustain a set back from which it will not recover for many years. In this connection, the Board puts forward the tentative suggestion that the temporary rates proposed might take the form of a sliding scale based on an agreed ratio between the value of the commodity c.i.f. U.K./C. Ports. If this is found to be a success it might be discussed as a permanent measure.

(2) It has been pointed that loss is incurred by the Steamship Companies through north bound ships leaving Mombasa with empty space, and in consequence the questions arise how can this difficulty be overcome, and, if it were overcome, would a reduction in freight rates result ?

The Board would appreciate any suggestions which the Steamship Companies can make on this subject, and in particular as to whether, in their opinion, it would be possible by any system of organising the various sections of the agricultural industry to ensure a more even flow of exports to the Port, and thereby minimise <sup>the</sup> present unsatisfactory state of affairs by which ships leave port with unfilled space.

The Board would also appreciate any other suggestions which the Steamship Companies may care to make, calculated, in their opinion, to alleviate the present state of the export trade.

The Board would appreciate an opportunity of meeting representatives of the Shipping Conference in Mombasa some time during July, farther to discuss the matters raised in this memorandum.

63  
24th June, 1930.

NOTE TO THE ADMINISTRATION OF THE K.U.R. & H.

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Railway rates on the principal agricultural exports as compared with 1923 have increased in the case of butter, cheese and wool, have remained unchanged in the case of maize and coffee, and have been reduced in the case of sisal, wheat, barley, oats, beans, etc.

Port rates have been increased on butter, cheese, wool, coffee and wheat, have remained unchanged on maize, barley, oats, bran, etc., and have been reduced in the case of sisal.

2. In the meantime Railway charges, largely on Imports, have been reduced in the last three years, that is since the beginning of 1927, by amounts which show an estimated annual loss of Revenue to the Railway of £286,000. In addition, certain further reductions were made during the years 1924-1926. Consequently the total cumulative reduction in Railway revenue reaches the figure of £803,000.

3. The present time is a critical one for the export trade of Kenya, and therefore raises in an acute form the desirability of reviewing Railway Rates and Port charges with the object of redressing the balance of rate reductions in favour of Exports. The Board therefore suggests material reductions in rates on the principal products of Kenya, at least as a temporary measure while the present depression in commodity markets continues.

4. The Board approaches the subject from the standpoint that it is in the interests of all parties concerned in the maintenance of production, whether producer, merchant or transport agency and whether importer or exporter, that every reasonable means should be adopted to enable Kenya exports to compete in their markets on equal terms with corresponding



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products from elsewhere, since the alternative is that Kenya production must cease or diminish.

During the present depression in commodity markets, the principal Exports are being produced at a loss or on the border-line of profit and loss, and one of the factors in this loss is the cost of handling and transportation.

5. In the case of the only Export, namely Grains, in respect of which comparative figures for analogous conditions are available, the Kenya product is heavily handicapped in competition with the corresponding product from South Africa. The following figures indicate the extent to which this applies to Railway and Port Charges :-

MAIZE AND OTHER CEREALS, charges incurred in exporting from Kenya compared with those of South Africa.

MAIZE.	KENYA.	SOUTH AFRICA.
	p. long ton.	p. long ton.
Railage from Main Line Stations.	11/20	
Railage from any Station to the Ships' slings including elevator, grading and cleaning charges ...		16/80
Port Charges ... ..	5/00	4/28
Grading Charges ... ..	15/55	NIL
	16/75	17/08
Branch Line Rates ... ..	2/75	NIL
	19/50	17/08
Cost of 11 Bags @ 90 Cts.	9/90	
Loss allowance for bags U.K. }	2/33	
	7/57	NIL
	27/07	17/08

Kenya Maize reaches the Ships' slings with a handling of Shs. 9/99 per long ton compared with South African Maize.

WHEAT, BARLEY AND OATS:

Railage from Main Line Stations 13/50  
 Railage from any Station to Ships Slings including elevator, grading and cleaning charges ... ..  
 Port Charges ... ..  
 Trading charges ... ..  
 Branch Line Rates calculated on a Mileage basis in Kenya, including Mero Mero as a typical grain-shipping Station.

Cost of 11 Bags @ 90 Cts. 9/90  
 Less allowance for Bags }  
 U.K. } 2/33  
 7/57  
 Cost of 12 Bags @ 90 Cts. 10/80  
 Less allowance for Bags }  
 U.K. } 2/52  
 8/28  
 Cost of 15 Bags @ 90 Cts. 13/50  
 Less allowance for Bags }  
 U.K. } 3/15  
 10/35

KENYA.			SOUTH AFRICA.
p. lon. ton.			p. lon. t.
Wheat.	Barley.	Oats.	Wheat. Barley. Oats.
13/50	13/50	13/50	16/80
5/20	5/00	5/00	4/26 1/2
7/66	Un-graded.	Un-graded.	NIL
19/36	18/50	18/50	17/08
12/10	12/10	12/10	NIL
31/46	30/60	30/60	17/08
	8/28		
		10/35	
39/03	38/83	40/95	17/08

NOTE: So far it has not been possible to ascertain if any wheat, barley or oats have been exported from South Africa, or if these grains are permitted to use the elevator. If they are exported in Bags, the figures including Bags would be :-

<u>WHEAT.</u>	<u>BARLEY.</u>	<u>OATS.</u>
19/43	19/64	21/67

X. NOTE: The Wharfrage charge is  $\frac{1}{2}$  ad valorem, which on a quarter worth Sh. 24/00 is  $\frac{1}{28}$  cents per long ton; but obviously varies with prices, thus Wheat at Sh. 38/00 pays  $\frac{1}{66}$  cents, barley at Sh. 14/00 pays  $\frac{1}{16}$  cents, and Oats at Sh. 10/00 pays 12 cents per long ton.

6. In addition to this handicap in the matter of transportation and handling charges, the following table shows the comparison between Kenya and South Africa in the matter of Storage charges :-

PORT STORAGE CHARGES incurred by Cereals exported from Kenya compared with those of South Africa.

STORAGE PERIOD.	KENYA.		SOUTH AFRICA.	
	Wheat, Barley, Oats.	Maize.	All Cereals. Jul-Dec.	All Cereals. Jan-June.
	Sh. c.	Sh. c.	Sh. c.	Sh. c.
30 Days per long ton ...	16/58	12/10	1/96	$\frac{1}{98}$
40 Days per long ton ...	25/53	21/06	1/96	$\frac{1}{98}$

Two periods have been taken, namely 30 days and 40 days; the former is the more favourable to Kenya and the latter is the more favourable to the South African system.

The South African system treat all grains alike, gives 10 days free storage and thereafter charges 16.6 cents (2d.) per 200 lbs. per month in the busy season, and 8.5 cents (1d.) per 200 lbs. per month in the slack season.

In view of the lesser number of ships calling at Mombasa as compared with a South African Port, and the mishaps which are liable to overtake inland transport in Kenya, the Mombasa Port Storage Charges inflict hardships on shippers altogether beyond their control.

7. In the case of Coffee no comparative figures are available but on the facts which are available the Board recommends a reduction

tion in the transportation and handling charges on this commodity. The market price of coffee has experienced a greater relative fall than that of any other Export from Kenya and Uganda: it is now on a general average producing at a loss and many estates in Kenya are in danger of closing down. The consequences of closing down a coffee plantation are more serious than in the case of any other industry since constant attention to disease and culture is necessary to preserve the health of the trees, and a comparatively short period of neglect may produce permanent injury - with the resulting danger to neighbouring plantations.

Hitherto coffee has paid and is still paying the Railway a heavier gross profit than any other Export. - Moreover, rate reductions in this case will operate to benefit both Colonies served by the Railway.

8. The percentage of the K.U.R. & H. charges to the C.I.F. United Kingdom values of these two commodities as levied from Main Line Stations appears from the following tables :-

	<u>C.I.F. U.K. Value.</u>	<u>K.U.R. &amp; H. Charges.</u>	<u>Percentage.</u>
Maize	24/- per qr.	16/75 per ton.	15%
Wheat	58/- do-	18/70 do-	9%
Barley	14/- nominal per qr.	18/50 do-	26½%
Oats	10/- per qr.	18/50 do-	33%

COFFEE:

Coffee is not carried at a flat rate, but is subject to the terms of special Tariff No. 9 and to a Branch Line rate.

Taking Thika as a typical point of origin, the position of Coffee is :-

<u>C.I.F. U.K. Value per ton.</u>	<u>K.U.R. &amp; H. Charges.</u>	<u>Percentage.</u>
£71. 0. 0	£5. 0. 59	4½%

These charges show an increase of Sh. 5/00 per ton as compared with those in force in 1923.

9. The Board has confined its recommendations in regard to rate reductions to these two Exports for the time being. It considers

68

that the Sisal industry calls for serious consideration in the matter, but has not yet completed its investigations into the circumstances of this industry. It therefore proposes to submit recommendations on the subject at a later date.

10. In view of the above figures and the depressed state of Trade, the Board feels sure that the Railway Administration will, after due consideration, see its way to taking up its share of the burden which low prices have thrown on the Export Trade.

This request has a precedent in the reduction given to Uganda Cotton in 1929, and a reduction amounting to about 25% of the rate and totalling £35,000 on the season's crop.

Further, the Board has already suggested that a saving is possible in the payments made by the Railway in respect of unskilled and semi-skilled labour; that a saving of 1/- per month per man amounts to £10,280; and that, if the Railway could adopt the standard scales now in force on Sisal Plantations, a saving of £75,000 per annum would result, which is equal to Sh. 7/9½ per ton on the total agricultural exports of Kenya and Uganda for 1929.

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THE BOARD RECOMMENDS for the consideration of the Railway Council that -

WITH REGARD TO GRAINS. Firstly that the South African system be adopted on the K.U.R. & H., namely that all grains be treated on a basis of equality, and secondly that the nett charges on same, including Railway and Port, be reduced to Sh. 11/20 per long ton to Ships' slings.

WITH REGARD TO COFFEE. A flat reduction of Sh. 20/- per long ton on Coffee railed from any Station short of Thika or Kikuyu, and Sh. 25/- on coffee railed from any Stations beyond Thika or Kikuyu. In both cases that Branch Line rates be revised.

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To  
 His Excellency,  
 Lt. Col. Sir Edward Gigg, K.C.M.G., K.C.V.O., D.S.O., M.C., etc.  
 Governor and Commander-in-Chief,  
 Colony & Protectorate of Kenya,  
 Through The Hon'ble The Colonial Secretary, Nairobi.

Your Excellency,

1. The Board of Agriculture, in compliance with Your Excellency's instructions, has examined the various documents placed before it in connection with the Meat Factory proposed to be established for the purpose of disposing of surplus stock in the Uasinai and Masai Reserves, and has the honour to submit the following comments and recommendations.

2. The Board understands that Government is fully informed as to the facts leading up to the present proposals, and its observations are therefore confined to those proposals as contained in the papers which have been put before it.

3. The Board's recommendations proceed on the following fundamental assumptions -

- A. That the undertaking must be regarded as a service for the improvement of the social conditions of the natives of the Colony, intended to show them a way out of the serious predicament into which their rigid adherence to out of date and uneconomic methods has led them.
- B. That the objective of this service is to set native animal husbandry on a sound economic basis, and to achieve this end the service should be run on business lines, profits and losses being credited or debited, as the case may be, to the Native Trust Fund.
- C. That the first step towards this end is the reduction of the numbers of native cattle to the carrying capacity of the reserves and the elimination of unmarketable animals.
- D. That the 2nd. step is the reconditioning of the reserves which have been reduced by varying degrees of overstocking to conditions which in the worst cases verge on desert.
- E. That the 3rd. step is the introduction of better stock and better methods of management, with the ultimate view of fostering a mixed farming industry.

4. The 1929 Agricultural Census estimates the native-owned livestock of the Colony as :-

Cattle	5,490,122
Sheep	2,882,154
Goats	3,940,075

We are, however, informed by the Chief Veterinary Officer that this figure is a serious underestimate and that the probable number of native cattle in the Colony is not far short of 6,000,000.

The Masai and Ukamba Provinces are estimated to contain -

Cattle	1,170,000	} Conjectural.
Sheep	811,000	
Goats	1,285,000	

The Maschakos Reserve of the Ukamba Province has been the subject of a special stock survey; its present carrying capacity is estimated at 60,000 head of cattle, but it actually contains 250,000 head of cattle, 50,000 sheep and 250,000 goats, and in consequence "a desert has already been created where grazing formerly was good".

The case of this Reserve is cited as typical of the worst results of overstocking, but, unfortunately, it is not unique.

Although the Masai Reserve has not suffered so seriously from erosion it is greatly overstocked and its Provincial Commissioner reports that it must export very largely in order to keep its cattle numbers within reasonable limits. The Census estimate of Masai cattle is 605,000 head.

The total area of the Ukamba and Masai Reserves thus threatened by the menace of overstocking is some 15,000,000 acres.

5. In consequence of the attitude of the native towards their livestock, any material reduction can only be effected by means of some system of compulsory culling.

6. It is evident that if a system of compulsory culling be adopted some new market must be found to dispose of the results and consequently it is proposed to establish a Factory to purchase the culls and convert them into



marketable products for sale locally or for export.

7. The Board understands from the Chief Native Commissioner that the powers vested in Government under the Crop Production and Livestock Ordinance are adequate for this purpose, that those powers will be put into execution so as to ensure a daily culling of 100 head of cattle, and that the principle is accepted that the prices paid for cattle must be at economic rates in order that the Factory business may be conducted on proper commercial lines.

8. The Board has had before it a memorandum by Mr. Eustace Montgomery summarizing the conclusions arrived at by a meeting held at the Secretariat on February 18th, 1950. It assumes that the figures therein set out are accepted by Government as the basis of their calculation for balancing the revenue and expenditure of the proposed Factory.

On that assumption the economic working of the factory is dependent on the adoption of the definition of a head of cattle as a unit of the average weight of 300 lbs. of dressed meat.

In other words, in order to support the conclusions of the memo. the factory must receive an average of 30,000 lbs. of meat daily throughout the year, or 10,950,000 lbs. per annum.

9. The Board, while accepting this figure of 30,000 lbs. of meat daily as a reasonable initial basis on which to inaugurate the principle of compulsory culling submits, on the figures given in para. 5 of the Memorandum, that this rate of culling (namely about 36,500 head annually) will scarcely keep pace with the natural increase of the Maschakos herds alone and consequently will not effect any appreciable reduction in their numbers. But even a factory of the proposed capacity will serve two useful purposes in that it will gradually accustom the native to the principle of compulsory culling and furnish valuable data as to factory

design and machinery and the commercial conduct of such an undertaking.

Should the proposed factory give indications of achieving the objects set out in para. 5 above, then the Board is of opinion that the system of meat factories should be extended to meet the needs of all the stock-owning tribes. Such extension may take the following lines. (i) The increase of the capacity of the proposed factory so as to enable it to deal with the surplus stock of the Wakamba, Wanyika, Masai, Southern Kavirondo, Setik, Lushua and Duret Reserves. And (ii) the establishment of a second factory to deal with the surplus stock of the Kikuyu, Suk, Kamasia, Turkana, Mandi and Northern Kavirondo.

10. The Board's comments and recommendations on the proposals of the Memorandum are confined to three main heads, namely -

- A. The proposed system of management of the Factory.
- B. The proposals with regard to the site of the Factory and the cattle reconditioning station.
- C. The financial proposals.

With regard to A. The Board is of opinion that the method suggested for the working and management of the proposed Meat Factory is open to serious objection on political grounds. It is felt that any suspicion, whether well-founded or not, that a private trading company has a commercial interest - even to the extent of the small commission on sales suggested, which no doubt would amount to little more than a bare remuneration for services rendered - in an undertaking which depends for its supplies on a system of compulsory reduction of native stock would be likely to lead to adverse criticism.

11. Further, the suggested provisos in the event of the sale of the Factory by Government are open to the same objection.

- 12. It is therefore proposed that the Factory be constituted as a Limited Liability Company and that the management (including erection) be invested in a Board of Directors composed of business men who shall be remunerated by fees in the ordinary way and one or two officers of the native administration acting as the agents of the Trustees of the Native Trust Fund.
- 13. Such Board of Directors should engage and discharge all the employees of the Factory and be entirely responsible for its executive policy. All dividends derivable from the undertaking should be paid to the Native Trust Fund, primarily to the use of the service of the loan proposed to be raised for the purpose and thereafter for the purposes set out in Sections D and E in para. 5 above.
- 14. The managing director should, if such can be found, be a man of some residence in the Colony and with some experience of similar undertakings. The Board strongly recommends that the services of Mr. Montgomery should be secured for this post if they are available. Alternatively, it is suggested that Meat Rations Ltd. be approached in this connection in the hope that they may be able to recommend some appropriate person.
- 15. With regard to B. Many objections exist to a site in the neighbourhood of the Capital, such as the concentration of large numbers of cattle on the outskirts of the town; the locking up of 10,000 acres of valuable suburban land to hold 10 days' supply of cattle (para. 7 in Mr. Montgomery's memo.) and the expense involved in the use of Municipal water and incidentally the danger of shortage in the Municipal supplies. The Board recommends that the question of site be left over to subsequent enquiry pending the approval of the scheme in principle.

Several alternative sites suggest themselves and

require investigation.

16. With regard to C. The Board considers, for reasons which will appear in the following paras., that the financial proposals in the memo. do not embrace all the material factors.

In the first place the figure of 5% allowed for interest on capital in para. 11 should be cut out since the capital expenditure is proposed to be met out of a free grant.

On the other hand, no provision is made for depreciation. The Board accordingly recommends that in calculating the cost per 500 lbs. of dressed meat, allowance should be made for depreciation at the rate of 7½% on £57,000 (the figure for Capital Expenditure in the attached document).

It should be noted that the figure of Sh. 58/65 in the 3rd. line of the second para. on page 6 of Mr. Montgomery's Memorandum is a typographical error. This should read Sh. 56/98. On the amended calculation recommended this figure should, in fact, read Sh. 57/19:- see note which follows.

Explanation:

<u>Costs.</u>	<u>On 56,500 cattle (500 lbs. each).</u>	<u>Sh. On each 500 lb. beast.</u>
7½% on Capital Cost £57,000.	£2775	
Salaries	5600	
Labour, etc.	2500	
Cattle		24/-
Buyers and Assistants.	1500	
Sundries, Directors Fees, etc.	925	
Incidental expenses, purchase, transport and delivery.		2/-
Incidental expenses, operating expenses, Engineers Stores, etc.		5/-
Totals.	£11,500.	51/-
£11,500 over 56,500 head of cattle - per head		<u>6/19</u>
	Total,	<u>Sh. 57/19.</u>

Mr. Montgomery's estimate of the value of the yield of 500 lbs. of beef in fair to good condition is not less

than Sh. 57/98.

17. The Board further recommends -

(1) That an application be made to the Colonial Development Fund for a Free Grant of £60,000 to cover the capital expenditure involved in establishing the Factory. This figure is made up in the two totals in para. 2 of the attached enquiry to the questionnaire of the Colonial Development Fund. The Board is of opinion that the working expenditure during the first four months should be treated as capital expenditure, since, during this period, and until its products are marketed, no income will be earned by the Factory. The money expended in operating costs will be in fact largely employed in evolving organizing methods and adjusting defects inherent in the initial stages of a new enterprise. The money expended on the purchase of four months' supply of cattle can only be regarded as a permanent lock-up since with the bulk of the purchases this period will be occupied in the transit of cattle from the point of purchase to the reconditioning station and in reconditioning debilitated cattle at the station.

(ii). That an application be made to the Colonial Development Fund for a loan free of interest for 10 years of £40,000 to cover the working expenditure for the remaining 8 months of the first year.

This figure is made up as follows :-

Working Expenses, including operating costs, Salaries, etc. (taken from figures set out in the document attached).	£22,000
Cost of purchasing cattle to replace those drawn from the reconditioning area during the period (estimated at 4 months) between the slaughter of a given mob of cattle and the marketing of the products.	£15,000
Contingencies.	£ 4,000

18. The Board agrees that a reconditioning area may be a necessary adjunct to the Factory, but recommends that the locality and the conditions to apply to the acquisition be left over until the site of the Factory is decided on. The Board is strongly of opinion that the proposal for a reconditioning area situated at a distance of a hundred miles from the Factory and involving 100 square miles of road of access through a dry area is impracticable.

19. In the absence of material for investigating them the Board has no specific recommendations to make upon the detailed figures in Mr. Montgomery's memo. relating to the operating costs and to the relative figures of the economic

value to the factory of the animals purchased, etc., except as above. These questions should all be left for detailed examination by the Board of Directors of the Factory.

It would, however, again emphasize that the Factory must be conducted on commercial lines and that the purchase price paid for cattle must bear such a ratio to operating costs as to show at least no loss on the annual balance sheet including reasonable provision for sinking fund and interest charges on the loan of £20,000 recommended.

In conclusion, the Board would emphasize that the problem of overstocking in the Native Reserves will never be adequately met until some means can be found of disposing of surplus small stock (sheep and goats). At the same time, it recognizes that no economic method of treating small stock in a Meat Factory has yet been applied in Africa and that, therefore, no data are available on which to found anything more than an experiment. It, however, desires to direct the attention of Government to the question and to express the hope that some solution may be found. It recommends that Mr. Montgomery's suggestion be adopted that provision be made in the proposed factory for experiment in this direction, but without prejudice to the efficient conduct of the undertaking.

We have the honour to be,

Your Excellency's most obedient & humble Servants,

(sgl.) J. F. H. Harper.  
 " G. V. Maxwell. C.N.C.  
 " Delamere.  
 " Leonard Lawford.  
 " E. Powys Cobb.  
 " Abdul Wahid.  
 " W. Tyson.

77

BOARD OF AGRICULTURE.

TUBERCULOSIS IN IMPORTED ANIMALS.

The Board has had referred to it by the Hon. the Chief Veterinary Officer, his proposed amendments to the rules under the Diseases of Animals Ordinance, of which a copy is attached.

In support of his proposal the Chief Veterinary Officer explained that the existing rules do not provide powers adequate to control the introduction of tuberculosis into the Colony through the medium of animals imported from overseas.

Hitherto, provided an animal as imported is accompanied by the certificate of the competent authority in the country of origin that it has not reacted to the <sup>tuberculin</sup> ~~Mallin~~ test for tuberculosis applied previously to exportation no further restrictions exist on its import.

It has been generally assumed that such a restriction is adequate but the Board was satisfied by the evidence of the Chief Veterinary Officer who reported authentic cases of tuberculosis in animals so certificated that more effective testing is necessary.

In view of the grave consequences which would result from the introduction of this disease, of which the Colony is at present free, the Board is in full agreement that no risks can be taken. It therefore supports the recommendation of the Chief Veterinary Officer that powers should be invested in him to test and, if need be, slaughter imported animals upon arrival in the Colony whether or no they be accompanied by a <sup>tuberculin</sup> ~~Mallin~~ test Certificate. It is further of opinion that this should be done at a Veterinary Quarantine station rather than on the farm, firstly in order to reduce the risk of infection to a minimum and secondly in view of the practical difficulties of control by the Veterinary Department of tests conducted on farms.

The Board recommends that in substance all the 18 attached Rules proposed by the Chief Veterinary Officer should be made and applied.

20/12/16

77

BOARD OF AGRICULTURE.

TUBERCULOSIS IN IMPORTED ANIMALS.

The Board has had referred to it by the Hon. the Chief Veterinary Officer, his proposed amendments to the rules under the Diseases of Animals Ordinance, of which a copy is attached.

In support of his proposal the Chief Veterinary Officer explained that the existing rules do not provide powers adequate to control the introduction of tuberculosis into the Colony through the medium of animals imported from overseas.

Hitherto, provided an animal ~~is~~ imported is accompanied by the certificate of the competent authority in the country of origin that it has not reacted to the <sup>tuberculin</sup> ~~mallox~~ test for tuberculosis applied previously to exportation no further restrictions exist on its import.

It has been generally assumed that such a restriction is adequate but the Board was satisfied by the evidence of the Chief Veterinary Officer who reported authentic cases of tuberculosis in animals so certificated - that more effective testing is necessary.

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The Board recommends that in substance all the 18 attached Rules proposed by the Chief Veterinary Officer

22/11/190





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