

EAST AFR. PROT.

G. O.  
19809

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19809

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PREV. PAPER

1920

14th April

Previous Paper.

3388

FUTURE OF SISAL PRODUCTION.

Gives detailed comparison between pre-war and present costs of producing sisal. Proposes to investigate and return possibility of reducing cost of carriage to Coast. Urges that shipping Coys shd be requested to reduce their freights also. Reports conversation with Sir. C. Phillipps and enquires if shall approach him again himself or whether it will be done officially.

Next Paper.

Charles Hain  
Minister of State

19809  
REC-21 APR 20

18 April 1920

East Africa Sisal Production 511

As requested by you when it was decided to establish the currency in the British East Africa at one tenth instead of one-fiftieth of one pound, I have made most careful enquiry into the present state of the sisal industry and I now have the honour to report the conclusion arrived at.

2. Detailed comparison of former and present costs of producing sisal from a medium sized plantation producing 500 tons annually gives the following results per ton:—

	Rs	Rs	Rs	%
Increase in cost of production	240 to 420	180	75%	
.. .. carriage to Coast	22½ to 42	19½	87%	
.. .. freight to London	75 to 100	75	100%	
Total	337½ to 612	274½	81%	
3. The increase in receipts is	420 to 550	130	31%	

4. If the rupee had remained at one fiftieth of one pound, the increase in the cost of production would not have been affected but the increase in receipts would have been

420 to 525	105	25%
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Sisal would now be showing a profit of Rs 213 per ton or £ 14.4.0. ~~or~~ against a loss as at present, of £ 6.4.0

The increase in the value of the rupee expressed in sterling has cost the sisal producer £ 20.8.0 per ton.

5. A decrease in freight from Rs 100/- to anything less than Rs 55/- per ton would enable sisal to show a profit and would provide an incentive to continue production.

I propose to investigate all possibilities of reducing the cost of carriage to the Coast. I am confident that if sisal can be made to show some small profit of, say, one pound per ton by these reductions, the industry will go ahead.

6. The above figures are calculated on the assumption that the sisal industry will eventually find itself on a sound basis. By making no provision for replanting and by working plantations to destruction, cost of production can, of course, be substantially decreased. This procedure was, I believe, <sup>512</sup> properly employed by certain concessionaires working German plantations in the Tanganyika Territory; but it must eventually lead, as has happened there, to sisal production being abandoned. I am confident that the sisal industry will repay with interest any abatements allowed now in order to preserve it from destruction and I recommend most strongly that the Shipping Companies be urged to reduce their freight charges to £7.10.0 per ton in order to maintain it in existence.

I have the honour to be

Sir,

Yours obedient servant.

Edward Northey,

Governor of the East Africa Protectorate

(whos) P.S. I recently approached Sir Aron Phillips personally on the above subject: I understood from him that, so far from putting freights down, he had put them up, because he knew that planters were making huge profits: he must have heard of a few individual cases in Tanganyika Territory of the type referred to in para 6. Please let me know whether you wish me to approach Sir Aron again myself, or whether the Secretary of State will now do so. E.N.

# ASSOCIATED PRODUCERS.

Secretary  
JOWERS.

Telephone No.  
REGENT 1017.

75, CARLTON HOUSE,

REGENT STREET

(Near Waterloo Place).

LONDON S.W. 20th

G.R. Sandford,  
77, Carlisle Mansions,  
Westminster, S.W.

503

Dear Sandford,

I did not quite know what H.E. wanted the figures for, as you say he is fighting the battle of freights, perhaps the enclosed tabulated statement would be useful. With the statement I send a short extract from a memorandum which I have myself prepared.

Yours sincerely,

David Snows.

The extract which I enclose is from the speech of the General Manager of the National Bank of India at the Annual General Meeting (October 18th) on chief advances in the matter of exchange have not done too badly out of it.

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501

COMPARISON OF FREIGHTS AND CHARGES

Manila to London	Manila to London	Manila to London	Manila to London
120/- plus 10% measurement.	270/- plus 10% measurement.	101/- per ton	158.10
per 40 cubic ft.	per 100 cubic ft.	change 3.90 equals	19.10 less freight
			char. fee.
			259.0 F.O.B. Manila

London to New York	London to New York	London to New York	London to New York
Up to 19.4.20	40/- p. ton	weight.	After 19.4.20
			60/- per ton
			1/- per lb equals 7 1/2 p. per lb at 3.90
			1.10 p. ton wgt. equals 245.
			245.0
			1.10 less freight
			243.10 F.O.B. Mexico

Manila to London	Manila to London	Manila to London	Manila to London
511.7.6 p. ton	now reduced to	510 and since re-	ported at 48 per
			ton of 8 bales of
			2240 lbs measure-
			ment, 100 to 110
			cubic ft.
			net
			70/- per ton
			wght.
			558
			- 459 F.O.B. Manila

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Extract from Memorandum

The case of Sisal may be instanced. It is admitted that a Sisal is worth 10% minimum and 20% maximum more than a Sisal, yet it is sold in New York today at a price to producers which is 10% below that the Mexican producer receives. This is entirely due to the enormous cost of freight and the charges in Liverpool and London for transshipment and insurance. The freight on Sisal from Progreso to New York is 20/- per ton weight. The freight and charges from East Africa to New York work out at £19.10 per ton weight, or about the same as the freight from Progreso. The voyage is admittedly long but the disproportion in freights is grossly excessive. A similar contrast is to be found between the freights on hemp from Manila and England and between East Africa and England. The freights from Manila have recently been reduced from £12.12 to £9 per ton measurement about 110 cubic feet, while the latter have been reduced from 105/- to 120/- per ton measurement or £15 per ton measurement about 90 cubic feet. This action is taken at a time when the Sisal Companies are severely hit by the high freights. Moreover, the voyage from Manila to England is half as long as the voyage from East Africa. Cotton, flax and coffee are of course equally affected by the increase in freights, though possibly some of these commodities are not able to bear the increase.

EXTRACT

to summarise the result of the year's operations  
paying a dividend of 20 per cent free of income  
the increased capital, we are putting £150,000  
reserve fund, bringing it up to £2,000,000.  
£20,000 off property account, adding £20,000  
Officers' Pension Fund, and carrying forward  
of £135,633, as against £123,464 brought in,  
which I am sure you will consider as  
satisfactory. (Hear, hear.)

# ASSOCIATED PRODUCERS.

1 East Africa

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75, CARLTON HOUSE,

REGENT STREET

(Near Waterloo Place),

LONDON, S.W. 21st Apl. 192

R. Sandford, Esq.,  
77, Carlisle Mansions,  
Westminster, S.W.

Dear Sandford,

Please give H.E. the following figures, which may be  
assistance to him:-

## Freights on Rubber.

From Federated Malay States to London.	167/6d per ton of 60 cubic feet.
From Mombasa to London.	176/- per ton of 40 cubic feet.

I got these figures from Crichton of J.K. Gilliat & Co.,  
and they may be relied on.

Yours sincerely,

*David Lorne*

*Thank you  
for me,  
D.L.*