

E. AFRICA
W. AFRICA

36577

2

1917

20 July

COTTON CROP 1917-8

QUESTION OF FINANCING OR PURCHASING

Last previous Paper

see M.O.
34417
u.g.k.

The copy letter to Board of Trade respecting and stating as to value of crops in East and West Africa.

Mr Strachey,
Mr Read,

Dr G. Fidler

I think that the description of this paper should be altered as shown in pencil and that it should be registered East Africa. It arises directly out of ~~the~~ ^{West Africa} ~~East Africa's~~ recent correspondence with the British Cotton Growing Association as to the difficulty of financing the cotton crops in East Africa.

Mr Hutton came over and saw Mr Bottomley and myself last week in order to say that the Board of Trade had encouraged him to take up with them the question of financing the 1917-18 crops (as you remember, satisfactory shipping arrangements had been made for the 1916-17 crop, but the Shipping Controller could not guarantee similar arrangements for next year). In view of the opinion expressed by Mr. Read on the recent East African papers, I told Mr Hutton that it would be entirely in accordance with our wishes that the Board of Trade should take this matter up as an Imperial question, but that we should be glad to be kept informed of his correspondence

see M.O. 34417
subsequent Paper

M.S.
104668
alg

with the Board of Trade. These papers are therefore sent to us merely for record at the present stage. We can keep an eye on the correspondence, and, unless the Board of Trade consult us, we need only intervene if the interests of East or West Africa should require it.

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The Assocⁿ make an appeal
claim to the 1st sentence of para: 4 of their
l^r.

J. S.

25/22/17

Mr. A. W. Maitland

Pr. 267

at once

As. M. 277

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Act.

J R

26/11/17

Sir Arthur Maitland

Esq. 26

at me

AS-M. 277

THE BRITISH COTTON



GROWING ASSOCIATION

TELEGRAPHIC ADDRESS
FAST MANCHESTER
SPCOUN
ABC CODE 1425
PHONE 857/2 CITY

155

15 CROSS STREET

MANCHESTER

JUL 21 1917

July 20th 1917.

W. C. Bottomley, Esq.,
Colonial Office,
LONDON. E. W.

Dear Bottomley,

I enclose copy of a letter and figures which
we are today sending in to Mr. Mountain. I have to see
him at 4 o'clock on Wednesday next.

Yours sincerely,

W. C. Bottomley

Enclosure;

Y:

July 20th, 1917.

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Fountain, Esq.,
Board of Trade,
Gwydyr House,
Whitehall, S.W.1.

Dear Mr. Fountain,

With reference to our discussion the other day about financing next year's crop, I have discussed the matter with our Bankers, and they wish me to draw your particular attention to the following points,

- A. There seems to be very grave doubt whether much if any of the crop can be shipped next year, and the money advanced might be locked up, possibly for more than 12 months.
- B. Owing to the difficulty of covering purchases by sales of futures it is impossible to fix a price and so insure against a fall in the market.

2. Under these circumstances they are not prepared to advance money against purchases of cotton unless they receive a guarantee from the Government, both as to interest and that the capital advanced is repaid them within a fixed period in case the cotton cannot be shipped and sold and the proceeds rendered available for repayment of the sums advanced.

3. We have therefore come to the conclusion that the only possible course is for the Government to buy the cotton either in their own name or through the agency of the Association, and we have therefore prepared a scheme for submission to the Government. We do not think that the Government should offer to buy the cotton seed, for we understand that the limited

space.....

available - can be better utilised for other oil seed products.

4. I enclose herewith (Appendix A) a Statement showing the total estimated crop grown under our auspices for 1917/1918 viz: 116,000 Bales amounting in value to £4,070,000 at present prices and to £1,250,000 at pre-war prices. These figures must be regarded as only approximate, as the size of the crop must depend on climatic conditions, but the estimates are on the full side and are not likely to be exceeded.

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5. I think we can eliminate the Sudan for there will probably be less difficulty in shipping and in addition we can obtain other assistance. We might also eliminate the West Indies and the sundries which the Association would endeavour to finance with their own funds. This reduces the proposition to Nigeria, Uganda and Nyasaland.

6. Nigeria is a simple matter as the industry is entirely in the hands of the B.C.S.A. In Uganda and Nyasaland the position is complicated by the fact that other firms are operating in these Colonies, and if any special assistance was given to the Association they would expect similar assistance to be extended to them. In 1914 we drew up a scheme for Uganda providing assistance for all firms operating there. It was found impossible to formulate any scheme which would satisfy all parties, and we therefore would not advise attempting to draw up any more schemes of this sort. If you consult the Colonial Office on this point, I think you will find that they will be of the same opinion.

7. We therefore recommend that the Government should undertake to buy at fixed prices all cotton which is offered to them prior to September 30th 1918. It should be entirely optional as to whether the merchants should offer this cotton or not. They can then have no grievance that the Government was fixing the price too low, but of course if they did not choose to take advantage of the Government offer they must take their chance of the cotton not being shipped. In our opinion prefer-

ence in shipping should be given to Government cotton. An early announcement as to the Government prices is desirable so that the buyers will know what price they can afford to pay the natives.

8. We do not recommend that the prices should be fixed on too high a basis. Middling American which was worth about 10½d. per pound at the beginning of the year now stands at about 18d.

We consider that 10½d. would be a fair basis and should ensure that there is no loss on the transaction. It is more than probable that there would be a considerable surplus.

9. I enclose herewith (Appendices B, C & D) approximate figures showing how this would work out for the three Colonies concerned, and suggest the following buying prices,

Nigeria 8³ per pound at Up-country Stations on the Railway. 158

Uganda 10³ per pound at Mombasa. If the cotton was taken and stored at Up-country Stations the price would be reduced accordingly.

Nyasaland 8³ per pound at Port Herald with a corresponding reduction at Up-country Stations.

We consider that these prices would enable the buyers to pay a fair price to the native growers. The Association is operating in all three Colonies and they would pay the best possible price to the growers. This will be a safeguard to the latter.

10. As regards the actual working of the scheme our services would be at the disposal of the Government and perhaps it would be simpler for the Government to place the whole of the business in our hands. Proper accounts would be kept and would be submitted to the Government and any surplus would be paid over to them.

We think also if the Banks were to obtain the necessary guarantees they would provide all the financial assistance that would be required, and that the Government would

not have to find any cash, unless it was found impossible to ship the cotton and the Banks required repayment of the capital advanced.

11. You will see from Appendix E that even if the whole of the crop had to be taken over by the Association the total amount of cash required would be as follows.

On purchase.	26,224,999
On shipment.	247,833
On sale.	153,833

Total.	26,626,665

In these figures we have included the cost of insurance but nothing has been put down for covering in futures, even if it were possible to cover we hardly think it would be advisable to do so, if the prices are fixed on the basis of 10½d. for Middling American.

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12. We must point out that "Brokerage" includes the Commission of ½% usually charged by the B.C.C.A. for this work, and this is the only special remuneration we should expect for our services.

I don't think the margin between the buying price to the natives and the selling price to the Government would leave an excessive profit either to the merchants or to the Association.

13. The only difficulty we can see is the question of storage, for if large quantities of cotton accumulated extra storage might have to be provided. It is probable that the local Governments would be able to provide some assistance, the cost of which should be debited against the cotton. I have allowed something for this in my calculations.

14. If this scheme were approved the following steps would be necessary.

- A. The arrangement of the guarantees to the Banks.
- B. The arrangement of an agreement between the Government and the Association.
- C. The fixing of prices, and the announcement that the

Association (or the Government) were prepared to buy all cotton offered to them at these prices.

D. The arrangement of the Insurance.

E. The provision of the necessary storage.

15. I hope I have made everything quite clear, but it is quite possible that there may be some points I have missed, which we might discuss on Wednesday.

16. I am sending a copy of this letter to the Banks and also to the Colonial Office. I should mention that I saw Mr. Bottomley and Mr. Butler after I left you last Tuesday, and they were very much relieved to hear that the Board of Trade was taking the matter up. I however promised to keep them posted up.

17. We shall be very glad to discuss any modification which may suggest itself to you or any alternative scheme which would meet the difficulty. There is one point however upon which I cannot insist too strongly - unless some arrangement of this sort is come to the bulk of the grey will remain unsold and if that were to happen this new industry which has taken so much time money and labour to build up may be irretrievably ruined.

Yours faithfully,

(Sgd). Arthur Hutton.

CHAIRMAN, . . .

C.O. -
33877

APPENDIX A. (See Appendices A 1/5)

21 July 1948

Approximate estimate of quantity and value of 1947/48 Cotton Crop grown under the auspices of the British Cotton Growing Association.

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Bales 400 lbs.	Value F.O.B. at port of shipment.	
	Today's prices	Pre-war prices.
Nigeria 30,000	£750,000	£300,000
Uganda 40,000	1,330,000	530,000
Transaland & Rhodesia 10,000	300,000	130,000
80,000	£2,380,000	£960,000
Sudan 25,000	1,120,000	450,000
East Indies 6,000	420,000	150,000
Sundries 5,000	150,000	65,000
TOTAL 116,000	£4,070,000	£1,625,000

APPENDIX A 1.

162

NIGERIA. Total Crop.

1912/3	16,200 Bales
1913/4	14,750 "
1914/5	7,500 "
1915/6	20,200 "
1916/7	15,000 " (estimated).

1917/8 estimated crop 30,000 Bales.

Approximate Value

	Today's prices	Pre-war prices.
Gross Value in Liverpool	18d per lb.	7d per lb.
Deduct Selling Charges		
Freight & Insurance.	3d	1d
Value F.O.B. Africa	15d	6d

Approximate Value of 1917/8 Crop

£750,000

£300,000

APPENDIX A 2.

163

UGANDA	Total Crop.
1912/3	29,000 Bales
1913/4	26,000 "
1914/5	42,000 "
1915/6	25,200 "
1916/7	25,100 "
<u>1917/8 Estimated Crop</u>	<u>40,000 Bales.</u>

Approximate Value.

	Today's prices	Pre-war prices
Gross Value in Liverpool	24d	9d
Deduct Selling Charges Freight & Insurance	4d	1d
Value F.O.B. Africa	20d.	8d.

Approximate Value

of 1917/8 Crop	£1,330,000	£530,000
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APPENDIX A 3.

NYASALAND & RHODESIA:

Total Crop... 161

1912/3	7,200 Bales
1913/4	7,500 "
1914/5	8,000 "
1915/6	9,000 "
1916/7	8,500 "

1917/8 Estimated Crop 10,000 Bales.

	Today's prices	Pre-war prices.
Gross Value in Liverpool	224	9d
Deduct Selling Charges,		
Freight and Insurance	4d	1d
	-----	-----
	184	8d
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Approximate Value of 1917/18 Crop	£300,000	£130,000

APPENDIX A 4.

165

<u>SUDAN</u>	Total Crop
1912/3	15,000 Bales.
1913/4	14,000 "
1914/5	10,000 "
1915/6	24,000 "
1916/7	16,200 "

1917/8 Estimated Crop 25,000 Bales.

Approximate Value.

	Today's prices	Pre-War prices.
Gross Value in Liverpool.	32d	12d
Deduct Selling Charges		
Freight and Insurance	5d	1½d
Value F.O.B. Africa	27d	10½d

Approximate Value

of 1917/8 Crop £1,120,000 £450,000

APPENDIX A.3.WEST INDIES

Total Crop.

1912/3	6,500 Bales.
1913/4	7,000 "
1914/5	6,000 "
1915/6	5,600 "
1916/7	3,500 "

1917/8 Estimated Crop 6000 Bales.

	Today's prices	Pre-war prices.
Gross Value in Liverpool.	48d	16d
Deduct Selling Charges		
Freight and		
Insurance	6d	1½d
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Value F.O.B.	42d	14½d
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Approximate Value

of 1917/18 Crop	£420,000.	£150,000
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Appendix B

NIGERIAN COTTON.

July 1917.

Estimated buying price 1½d per pound on railway as at present.

3½ lbs Seed Cotton = 1 lb of lint and 2½ lbs of seed.

First cost 3½ lbs x 1½d = per lb. Per Bale of 400 lbs.

5.16

<u>Charges in Africa.</u>	Pre-war	today	
Merchants Commission ½d	.47	3/16 .71.	
Cost of Bags	.04	.12	
Freight from buying Station to ginners (average)	.15	.15	
Ginning & Galing	.75	1.00	
Management & working expenses.	.20	.20	
Insurance ½% on lld	.03	.04	
Loss in weight 2% on 8d	.16	.16	
Bill of Exchange ½%	.04	.04	
Financing 1% -	.12	2% .16	
Extra cost of storage	nil	.10	
Increased rate of insurance 2%	nil	.16	
	<u>1.96</u>	<u>2.84</u>	<u>2.84</u>

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Value at Ginners 8.00 £13 6 8

<u>Shipping Charges.</u>			
Freight to Port	.25	.25	
Transit charges	.06	.10	
Insurance ½% on lld	.06	.08	
War Insurance 5½% on lld.	Nil	.58	
Freight to Liverpool	<u>.27</u>	<u>.75</u>	
	<u>.04</u>	<u>1.76</u>	<u>1.76</u>
<u>Value C.I.F. Liverpool.</u>			<u>2 18 8</u>
		9.76	£16 5 4

<u>Pool Charges.</u>			
Draft ½% on lld.	.06	.06	
Brokerage, Warehousing & Portage etc.	.22	.25	
Anti-aircraft insurance 1% on lld.	nil	.06	
6 months extra interest 6% on lld	nil	.66	
	<u>.26</u>	<u>1.03</u>	<u>1 14 4</u>

Selling Value... Deduct points on 10.79 £17. 19. 8

Equals value of Middling American 20

10.59

Total charges	2.88	5.63
Deduct profit on Seed		
2 1/2 lbs @ 42 per ton		
profit.	.59	Nil
	<u>2.29</u>	<u>5.63</u>

Appendix C

UGANDA COTTON

July 1917.

Estimated buying price 12 Cents per pound at Lake Ports

3 1/2 lbs Seed Cotton = 1 lb Lint and 2 1/2 lbs Seed Cotton.

First Cost. 3 1/2 lbs x 12 Cents = 42 Cents = per lb. per Bale
= 6.72d

Charges in Africa:

Merchants Commission & working expenses	1.00		
Ginning & Baling	1.00		169
Insurance 1/2% on 13d	.03		
Bill of Exchange & Financing 4% on 10.	.40		
Loss in weight 2% on 10	.20		
Extra cost of storage	.20		
Increased rate of insurance 2% on 10.	.20		
Railway & steamer rate	.35	3.38	
<u>Value in Store at Port</u>		10.10	£16 16 8

Shipping Charges.

Transit Charges	.10		
Freight to Liverpool	1.00		
Insurance 1/2% on 13d	.07		
War Insurance 5 1/2% on 13	.68	1.85	3 2 8
<u>Value F.O.B. Liverpool.</u>		11.95	£19 18 4

Liverpool Charges.

Draft 1/2% on 13'	.07		
Brokerage, Warehousing, Portage, etc. 2 1/2%	.33		
Anti-aircraft insurance 1/2%	.07		
12 months extra interest @ 6%	.78	1.25	2 1 8
<u>Selling Value.</u>		13.20	£22. 0. 0.
Deduct points on.		3.00	
Equals value of Middling American		10.20	

SIERRA LION COTTON.

173

Estimated buying price 1½d per pound at Blantyre.

3½ lbs Seed Cotton = 1 lb Lint and 2½ lbs Seed.

<u>First Cost</u>	3½ lbs x 1½d =	per lb	per bale
		5.25	

Costs in Africa.

Merchants Commission & working expenses	1.00d		
Ginning & baling	1.00d		
Insurance ¼% on 12d	.03d		
Bill of Exchange & Financing 5% on 8½d	.43		
Loss in Weight 2% on 8½d	.17		
Extra cost of storage	.20		
Increased rate of insurance 2% on 8½d	.17		
Railway rate to Port Herald	.25		
		3.25	
<u>Value in store at Port Herald</u>		8.50	£14 3 4

Shipping Charges

Freight to Beira and Transit Charges	.50		
Freight to Liverpool	1.00		
Insurance ½% on 12d	.06		
War Insurance 5½% on 12d	.63	2.19	3 13 0
		10.69	£17 15 4

Liverpool Charges.

Draft ½% on 12d	.06		
Brokerage, Warehousing, Portage etc. 2½%	.30		
Anti-aircraft Insurance ½%	.06		
12 months extra interest @ 6%	.72	1.14	1 18 0
<u>Selling Value</u>		11.83	£19 14 4

Deduct points on	2.00		
<u>Equals value of Middling American</u>		9.83	