

1931.

Kenya.

CO 533 / 414

No. 17273.

SUBJECT

European Teaching Staff

Salaries, Duties, Titles, etc.

Previous

17273/30.

Subsequent

be extended to other industries, and thus a gradual change would be effected without the sudden dislocation of our revenue which would result for an attempt at wholesale adoption. For example, a beginning might well be made with such an industry as condensed milk. This is quite in its infancy and a very small protective duty on imports would suffice to pay for a substantial bounty on local manufactures. The price would hardly be raised to the consumer in the beginning. Moreover, the State does not need the revenue to be derived from the Customs Duty on condensed milk and will probably never need it. Under the present system the Customs duties are appropriated to general revenue. After a while with expanding revenues there is a tendency to be liberal in expenditure also, and the Finance Minister finds it impossible to do without this extra source of revenue, and the tax becomes permanent. Under the proposed system this position is never arrived at. If it is necessary to impose Customs duties for general revenue these should be imposed as such, and may be an addition to the protective duties.

To sum up, the proposals suggested are :-

- (a) To separate import duties levied for revenue purposes from import duties levied for the protection of industries.
- (b) To confine revenue duties as far as possible to articles of luxury and to articles not included as necessaries of life.
- (c) To foster local industries both by protection and by the payment of bounties.
- (d) To levy protection import duty on any one class of article only to the extent required for the payment of bounties on the same class of goods manufactured locally. If imports preponderate a small protection suffices for this purpose.
- (e) To determine these duties and bounties in advance and readjust them from year to year, or for a period of several years.
- (f) To facilitate the assessment and payment of bounties by making the bounty proportional, not to the amount or value of goods manufactured, but to wages in such manufactures as do not lend themselves readily to the usual system.

at world's prices and unless they can be delivered at a cost below these prices the profit vanishes. When this happens production also ceases and the final result is strangulation of the primary and more important industry brought about by fostering ~~the~~ secondary industries. In our gold mines the effect shows itself in the limitation of the grade of ore that can be profitably worked: In each gold mine there are today large tonnages of ore that are just below the grade of payability. The working cost per ton is determined by cost of materials and cost of wages. If these are raised, as they are by higher cost of living due to a Customs tariff on the necessities of life, the payable tonnage is reduced, and a larger tonnage is moved into the unpayable class and is rendered unworkable.

Bounties.

*Make My 1st  
bounty case  
show!*

A bounty system would obviate these disastrous consequences, and it is for this reason apparently that the latest Australian Commission has reported in favour of this system. Under a bounty system the cost of the article to the consumer is the lowest possible, as there is no Customs duty on the imported article, and the locally manufactured article must be sold at no higher price than the imported if it is to compete and survive. The State pays for the extra cost of manufacturing by granting a bounty on the goods produced and thus enables the manufacturer to survive. It has, however, already been pointed out that the bounty system has several disadvantages which have hitherto prevented its general adoption.

*and how  
the bounty  
is made*

It is considerations such as the above which prompt the suggestion that a combination of the protective and bounty systems appears to offer an escape from the difficulties of either by itself. If the revenue from the duty on imported articles were applied to payment of a bounty on the home-produced goods the amount or percentage of duty need not be so large as it is and the cost of living would be less seriously affected. If, for example, it is necessary to protect an infant industry by a duty of 25 per cent, it is obvious that an equal protection would be afforded by a duty of 12½ per cent on the locally manufactured article.

The proposal now made is that for the purposes of protection we should apply a protective duty and at the same time utilise the money so levied to the application of a bounty on the home manufactured article, levying only so much duty as is required to pay the bounty.

The chief advantage of the scheme suggested is that the cost of the article to the consumer cannot rise to more than 12½ per cent above the free import cost as against 25% under the present system, and it may be adjusted to stop even at a lower figure. The second advantage is that it automatically, or with little adjustment, provides for an expiring bounty, which ceases of its own accord when the manufacture is firmly established. The cost of living is affected detrimentally to a far less extent than under the present system, and ultimately even that detriment tends to disappear. The vicious circle of rising cost of living and rising wages is obviated.

The Proposals.

There would be no necessity to apply the proposed system generally until it had been tested by application to one or two industries to commence with. As it proved successful it could

An important suggestion that the bounty system should be combined with protective duties to encourage local industries in Africa is made in a recent article in the "Johannesburg Star" by Sir Robert N. Kotze, a well known Union mining engineer and recently Vice-Chancellor of the University of Witwatersrand.

His article, which is of special interest in East Africa at the present time reads:-

Our present system of fostering local industries, one that is almost universally practised in the world is that of protective import duties. By this means nations have attempted sometimes with complete success, to build up their industries against foreign competition. In rare instances bounties have been applied, but they are little favoured, partly because they have to be paid for out of general revenue, partly because they are administratively difficult to determine and apply, and partly because they give rise to difficult political situations.

*Local*  
The protective duty has the great disadvantage of raising the cost of the protected article to at least the extent of the duty. As a matter of fact, since merchants assess their profit on turnover, the consumer has to pay more than the duty. An article that would cost 10s. to import might be sold at 20s. retail, if free of duty; but with a duty of 2s. 6d., or 25 per cent, would be sold at 25s., thus increasing the cost by double the duty. Moreover the cost of the same article when manufactured in the protected country is practically the same as that of the imported article of the same quality. The consumer, therefore, pays extra for all articles - whether imported or locally manufactured - an amount equal to the protective duty, plus the percentage for cost of distribution. If the protective duty is 30 per cent, and the cost of distribution 50 per cent, the consumer pays 13 per cent extra on all goods manufactured or imported as compared with what he would have paid if there were no import duty. The cost of living is very seriously and very detrimentally affected by this system. Wages have to be raised to meet this higher cost of living and this again leads to increased cost for the internally manufactured article, thereby necessitating perhaps a still higher protective duty.

#### South Africa.

In South Africa we are going the same way as in Australia. We have founded and are building up numerous industries and are fostering them under the protective wall of high tariffs. Only in the case of iron and steel and of diamond cutting have we formulated other means of assisting them to survive competition. We have recognised, however, that it is absolutely essential that we should build up our various industries if we are to supply outlets for our young people growing up and, if we are to found our prosperity on broad and enduring lines. We have, therefore, faced the increased cost of living, if not with equanimity, at all events with resignation, as a resulting evil from which we saw no escape.

Meantime this increased cost of living is bearing hardly on our primary industries whose products have to be sold overseas which have to compete in the world's markets and which cannot pass on the enhanced cost of production to the consumer in Europe or elsewhere abroad. Our gold, our scales, our wool, our fruit and many other of our products have to be sold abroad



8. Imported flour at Nairobi in 1930 was Shs.48/- per 200 lb. It fell to Shs.44/- in September, and is now Shs.40/-. Very little wheat is imported.

9. No restriction has been imposed on the export of either wheat or flour.

10. The Advisory Board has exported approximately 9,000 bags of wheat and would have exported more, but the nett free on rail value is so low that the Board hopes in some way to realise a better price by turning it into some product if a sale for it can be found in the Colony.

f. o. r.

11. To sum up:- The Wheat Advisory Board, through its Agents, has been able to maintain a standard of prices in the Colony preventing the value of wheat from falling, for internal consumption, to its export parity of Shs.3/40 per bag, as it would undoubtedly have done had there been no control.

12. This would have resulted in a fall in flour prices to approximately Shs.10/- per bag. The effect would have been to entirely ruin the industry.

13. The effect of control will be that the grower will receive Shs.8/30 per bag for wheat which, were there no control, he would have found difficulty in selling for Shs.3/40 per bag, and the consumer is paying no more in the Highlands and less at the Coast for his bread.



3. Non-K.F.A. members had previously sold at lower prices to the outside mills and a price war had commenced which would have resulted in wheat falling to its export parity of Shs.3/40 per bag and flour and atta being sold at under Shs.10/- per bag. *f.o.v.*

*is the effect of the price war been to reduce an unofficial monopoly in the local market.*

*A. V. (letter in ...)*

4. The price during the first half of 1930 for local superfine flour was Shs.36/- and atta Shs.32/- per 200 lb. nett. Later in the year when the price war had started superfine fell to Shs.30/- and atta to Shs.27/-. On the fixation of the price of wheat to the mills, the price of superfine was increased to Shs.35/- and atta to Shs.33/-. Atta has subsequently fallen to Shs.30/-.

*but is still higher than 1925*

5. The increase in the price of flour has not affected the public, as, before the increase was made, the bakers agreed not to increase the price of bread, which is now lower than when superfine was Shs.36/- per bag. Atta is of course mainly supplied by the Indian-owned mills, which have no fixed prices and vary them according to the stocks they have on hand. Atta supplied by Indian mills is much lower than a year ago.

*this is much more so than ...*

6. The prices above referred to are for Nairobi. They have had to be adjusted to meet world prices at other points. In Dar-es-Salaam, we sell superfine at Shs.28/- against foreign flour at Shs.30/-, and the same takes place at Mombasa, but owing to the cost of supplying these markets a rebate up to Shs.10/- per bag of wheat used has to be made so that for the highest grade wheat the pool only receives Shs.7/50 per bag. Rebates are also made to the mills for wheat used in supplying flour to the Congo.

7. The Wheat Advisory Board has done everything possible to encourage the production and export of flour to neighbouring territories by reductions in wheat prices to the mills in order to enable them to develop and maintain markets for flour.

expected that of this quantity the mills will take 65,400 bags, leaving a surplus of 78,400 bags, nominally for export.

Dated 8th May, 1931.

An effect of the Wheat Ordinance has been to enable the Agents to collect absolutely accurate data as to the quantity, variety and grades of wheat in the Colony. This information is passed on to the mills, who are thereby enabled to select the types and grades of wheat they require in the most suitable proportions, to enable them to produce the highest grades of flour and atta, thus preventing the export of wheat needed for the mills and retaining supplies of wheat to meet their requirements in as close proximity to the mills as possible, saving needless waste in raiiling and transport from the grower to the mill.

2. PRICES. The prices fixed by the Wheat Advisory Board for 300 lbs. First Quality varieties of wheata are as under :-

Variety	Bushel Weight	Price per bag of 300 lbs. nett.
"Equator"	62 lb.	Sns. 17/50
"Kenya Governor"	61 lb.	17/25
"Kenya Standard"	60 lb.	17/-
"Florence"	59 lb.	16/50
"Burbank"	58 lb.	16/-
"Marquis"	57 lb.	15/25
	56 lb.	14/50
	55 lb.	14/-
	54 lb.	13/-

Previous to the introduction of the Bill, the K.P.A. prices to mills were :-

Grade	Bushel Weight	Price to mills.
1.	61 lb. upwards	Sns. 18/-
2.	59 to 60 lb.	17/50
3.	57 to 58 lb.	16/50
4.	55 to 56 lb.	15/-
5.	53 to 54 lb.	13/-
6.	52 and under (if fit for milling)	12/-

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WHEAT REPORT BY AGENTS UNDER THE SALE  
OF WHEAT ORDINANCE - 1930.

Dated 30th April, 1931.

The Wheat Advisory Board has held five meetings since the Bill became operative.

2. It has :-

- (a) submitted Rules under the Ordinance;
- (b) fixed the grades of various wheats;
- (c) fixed prices to be paid for various grades of wheats;
- (d) fixed rebates to be made to mills for wheat sold as flour at various points;
- (e) considered the wheat position from time to time;
- (f) decided quantities to be exported;
- (g) recommended alterations to the Bill and Rules;
- (h) fixed from time to time the initial payments to be made on wheat of various grades;
- (i) decided the policy to be adopted regarding under-grade wheat;
- (j) interviewed His Excellency and submitted the wheat position and applied for the duty on wheat and wheat flour to be increased, in order further to restrict or practically prohibit, the importation of wheat and wheat products.

3. The Agents under the Bill have :-

- (a) carried out the instructions of the Wheat Advisory Board, submitted necessary reports of action and memorandums of wheat position at each meeting;
- (b) collected the estimates from wheat growers of their crops on hand from time to time.

4. 36,000 bags of wheat from the 1930 season's crop have been sold to the various mills at the prices fixed by the Board. 20,000 bags of over-carry from old crop have been sold as instructed by the Board. 9,000 bags have been exported. Advances to growers totalling £18,000 have been made by the Agents. Rebates amounting to Shs. 21,540/- have been made in accordance with the Board's resolution.

5. The figures we have from growers show that there are still 143,000 bags of wheat to be disposed of and it is expected .....



*This is not any*

for the assistance of one specific industry without similar claims from other industries and that, alternatively, assistance from surplus revenue to the wheat industry was not justified.

7. As regards any proportion that might be claimed to be suspended duty and payable to the industry as a bounty, the object of Sir R.Kotze's plan was understood to be to keep within reasonable limits the cost of protected articles to the local consumer. This, however, is not in any way the object of the Agency who wish to pay the bounty to producers to raise the price they obtain from the mills.

The price of wheat supplied to the local miller by the Kenya Farmers' Association as agents under the Sale of Wheat Ordinance, is Shs.17/50 per bag and the export price is Shs.3/10. I consider that this large disparity in price is sufficient contribution by consumers to the aid of the industry.

8. These considerations came before Executive Council on the 2nd June, and a majority of Council, Lord Delamere dissenting, advised that the request for assistance to the industry by contributing to the Wheat Pool the Customs revenue from wheat and wheat products imported into the Colony be not granted. In offering this advice Council had regard to the fact that Your Lordship had been unable to agree to any further Agricultural Advances being made, in view of the general condition of the Colony's finances. This advice I accepted.

9. I have deferred sending the enclosed report until I was in a position to inform Your Lordship of the results of the negotiations pending between Government and the Agency at the time the report was received.

I have the honour to be,  
My Lord,  
Your Lordship's most obedient, humble servant,

*John H. H. H.*  
GOVERNOR'S DEPUTY.

some special assistance - pointing out that, provided that the mills take the estimated amount of a further 65,400 bags from the crop at the present price fixed by the Wheat Advisory Board (and this is by no means certain), and that the net value of exported wheat realizes Shs.3/40 per bag free on rail, the value of the average grade of wheat in the pool will be only Shs.8/80 per bag, which, on the average yield for the Colony of 2.70 bags per acre, gives the wheat grower a gross return (including his bag) of Shs.23/76 per acre.

The first proposal submitted by the Agency was that the Customs Import Duty on wheat should be increased so as to make the use of imported wheat and wheat products within the Colony prohibitive. In view, however, of the difficulties involved, the Board did not press its proposal which, in any event, this Government would have been unable to entertain but, early in May last, substituted for it a request for "assistance to the Industry by a contribution to the wheat pool by Government of such amount as is paid in Customs Duty on all wheat and wheat products imported into the Colony". The Board stated its belief "that if the amount thus collected is as great as estimated - viz: £12,000 - the wheat grower will still be able to carry on, while faced with a serious loss, without any further direct assistance from Government".

6. During the consideration of this proposal attention was directed to the difference between basic and suspended duties and to an article by Sir R.Kotze in the Johannesburg Star reprinted in the East African Standard of the 28th November, 1929, a copy of which is enclosed.

Without attempting to apportion the present duty between the two classes, it was decided that the basic duty, a part of general revenue, could not be earmarked for .....

mentioned by the Board in paragraph 2(g) of its report were not accepted by Government.

3. While the work of the Board has been successful up to a point, the position of the growers is serious, though they are probably in no worse a plight than most cereal growers in other countries today.

Your Lordship will note from the report that the export parity of wheat, Shs. 3/10, and the cheap rate at which Kenya wheat has to be sold at the Coast in order to compete with imported wheat, have reduced the pool price to Shs. 8/80 per bag in comparison with the mill price, Shs. 17/50, and that the more wheat produced, over and above the quantity required for home consumption, the lower is the pool price.

4. The following table prepared by the Kenya Farmers' Association shows the production and prices in recent years:-

Year	Acres Harvested	No. of Bags	Bags per Acre	K.F.A. Price	Value per Acre
1925	23,996	61,067	2.54	24/-	61/07
1926	30,627	80,069	2.61	28/-	73/20
1927	46,601	120,569	2.58	22/-	56/91
1928	75,102	173,958	2.31	18/54	41/82
1929	82,951	228,141	2.75	15/39	42/22
1930	63,217	293,468	4.64	13/19	61/20
1931	72,150	206,000	2.85	8/43	24/02

The Board of Agriculture estimated the cost per acre of wheat production at Shs. 67/-, but the yearly increase in the quantity harvested is not in accord with this figure as, on this basis, the year 1926 would alone have shown a profit.

5. The Agency has drawn attention to this estimate and has represented the urgent need of the industry of

some .....

The difference between  
Shs. 3/10 & Shs. 8/80  
being due to duties  
& the customs duty



GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

KENYA.

No. 350

RECEIVED  
20 JUL 1931  
COL. OFFICE

26<sup>th</sup> June, 1931.

My Lord,

I have the honour to refer to Your Lordship's despatch No. 1014 of the 24th December, 1930 and to transmit, in accordance with Your Lordship's instructions, a report of the Wheat Advisory Board appointed under the Sale of Wheat Ordinance, 1930, with my views on its work.

2. The effect of the Board's operations have, in my opinion, proved satisfactory. The avowed object of the Board's operations was to provide machinery for securing to the grower a price which would enable him to continue production without at the same time increasing to the consumer the existing price of bread.

This object has been achieved and, while it is no doubt true that, under the ordinary operation of economic law, the local price of wheat and wheat flour would have reacted to the export parity value, and for a time the local price of bread would have dropped, this advantage to the consumer would have been short lived because the local growers would have been put out of business. The maintenance of the industry at a level at which it can just pay its way without any actual increase in the present price of bread appeared to this Government, in the circumstances, to be fully justified.

The recommended alterations to the Bill and Rules mentioned .....

THE RIGHT HONOURABLE LORD PASSFIELD, P.C.  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON. S.W.1

Consolidated 24 21 Oct 1931

No 19 on 16289/30

*[Handwritten scribbles and notes]*

*[Handwritten notes: "in accordance to some date from 22"]*

*[Handwritten notes: "many of these that see the..."]*

## PROCLAMATION NO. 63.

## THE TOWNSHIPS ORDINANCE, 1930

## PROCLAMATION

IN EXERCISE of the powers conferred upon me by section 5 of the Townships Ordinance, 1930, I Henry Monck-Mason Moore, Companion of the Most Distinguished Order of Saint Michael and Saint George, Governor's Deputy of the Colony and Protectorate of Kenya, do hereby declare the area described in the Schedule hereto to be a Grade B Township for the purposes of the above Ordinance, and to be named "Kilifi."

Given under my hand at Nairobi this 25th day of June, 1931.

H. M.-M. MOORE,  
Governor's Deputy.

## SCHEDULE

## KILIFI TOWNSHIP BOUNDARIES

Commencing at the south-east corner of L.R. No. 1510/2/2 on the high water mark of Kilifi Creek;

thence northerly by the eastern boundary of L.R. No. 1510/2/2 to a beacon on the southern boundary of L.R. No. 1510/R<sup>2</sup>;

thence easterly by that southern boundary of L.R. No. 1510/R<sup>2</sup> to a beacon on the north-western boundary of L.R. No. 1705/R<sup>2</sup>;

thence south-westerly by that north-western boundary of L.R. No. 1705/R<sup>2</sup> to its south-western corner;

thence easterly by the southern boundary of L.R. No. 1705/R<sup>2</sup> to its south-eastern corner on the high water mark of Kilifi Creek;

thence generally south-westerly by that high water mark to the point of commencement.

The foregoing boundaries are more particularly delineated edged in red on boundary plan No. 81 deposited at the office of the Survey and Registration Department, Nairobi, a copy of which is on record at the District Commissioner's office, Kilifi.

Mr Eastwood.

As far as I can trace from the attached tariff the rates are as follows:-  
Country produce at owners risk loaded by sender bagged in new 24lb bags with mouths double sewn in 10 ton lots or over for export

Turbo downwards to Mombasa

Wheat. 13sh 80cts per ton.

Wheat Flour. 17 sh. 82 cts per ton.  
80 cts per 100 lbs.

From Mombasa to Nairobi (330 miles)

Wheat imported 55sh.86cts Ton. (Class 7)  
Country produce 54sh.88cts Ton. (Class 8)  
10 ton lots and over loading and unloading by owner 2s sh. 44 cts. (Class 10)

Flour imported 51sh 17 cts. (Class 6)

-----  
Wheaten Flour. Country Produce in one ton lots or over  
maximum rate 1sh. 40cts. per 100 lbs  
from Kenya Stations in a coastwise direction.  
-----

B. Reed  
Librarian 5/8

21

PROCLAMATION NO. 62

COLONY AND PROTECTORATE OF KENYA



THE SALE OF WHEAT ORDINANCE, 1930

PROCLAMATION

J. BYRNE

L. S. BY His Excellency Sir Joseph Aloysius Byrne, Knight-Commander of the Most Distinguished Order of Saint Michael and Saint George, Knight-Commander of the Most Excellent Order of the British Empire, Companion of the Most Honourable Order of the Bath, having the honorary rank of Brigadier-General in His Majesty's Army, Governor and Commander-in-Chief of the Colony and Protectorate of Kenya.

IN EXERCISE of the powers conferred upon me by section 16 of the Sale of Wheat Ordinance, 1930, I do hereby exempt from the provisions of the above-mentioned Ordinance the sale or purchase of wheat grown by natives in the South Kavirondo, Embu, Nyeri, Fort Hall, Kiambu, and Meru Native Reserves.

GOD SAVE THE KING.

Given under my hand and the Public Seal of the Colony.

Nairobi,

This 26th day of June, 1931.

By Command of His Excellency the Governor.

H. M.-M. MOORE,  
Colonial Secretary

29

PROCLAMATION NO. 62

COLONY AND PROTECTORATE OF KENYA



THE SALE OF WHEAT ORDINANCE, 1930

PROCLAMATION

J. BYRNE.

BY His Excellency Sir Joseph Aloysius Byrne,  
Knight Commander of the Most Distinguished  
Order of Saint Michael and Saint George,  
Knight Commander of the Most Excellent  
Order of the British Empire, Companion of the  
Most Honourable Order of the Bath, having  
the honorary rank of Brigadier-General in His  
Majesty's Army, Governor and Commander-in-  
Chief of the Colony and Protectorate of Kenya.

IN EXERCISE of the powers conferred upon me by  
section 16 of the Sale of Wheat Ordinance, 1930, I do hereby  
exempt from the provisions of the above-mentioned Ordinance  
the sale or purchase of wheat grown by natives in the South  
Kavirondo, Embu, Nyeri, Fort Hall, Kiambu, and Meru  
Native Reserves.

GOD SAVE THE KING!

Given under my hand and the Public Seal of the Colony.

Nairobi,

This 26th day of June, 1931.

By Command of His Excellency the Governor.

H. M. M. MOORE,  
Colonial Secretary

the input duty to a prohibitive  
level is not one which can be  
sustained

(SIGNED) J. H. THOMAS.



X17270/31 k.

37

C.O.

C.D.	
R	17 OCT
D	11

21 Oct 31

Mr. ~~Robert~~ 16/10

Mr. ~~Frederick~~ 16/10

Mr.

Sir C. Bottomley.

Sir J. Shuckburgh.

Sir G. Grindle.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

~~SECRET~~

Sir

Mr. Home's

I h. to ack the recd of your  
 Ref. no 350 of the 26 June  
 & to thank you for the report  
 submitted therein on the working  
 of the Wheat Pool Ordinance.

I have read this report with  
 interest & <sup>shall</sup> should be glad to  
 receive a further report <sup>not later than</sup>  
~~at~~ <sup>such</sup> time. July of next year.

2. I endorse the advice  
 tendered by the Executive Council &  
 accepted by you ~~that in regard~~  
 the requests made by the Wheat  
 Growers for further assistance  
 should not be accepted. I also  
 agree that the proposal to increase

DRAFT.

Wage  
No 724  
for.

*Memo*  
180 w/1/31

1/4/31 3 To Gov. 724 (1 Annul) 21 Oct. 1931

Exhibit from Kenya Gazette No. 69. 1/4/31.  
Registered for record as  
discussed on 17059/31. p. 8.  
Gazette file.

From Government to see  
as to whether  
amongst producers

Exhibit from Kenya Gazette  
No 69. dated 1/4/31.

GENERAL NOTICE No. 1705

RETURN OF AGENCY UNDER THE SALE OF WHEAT ORDINANCE, 1930

FOR THE PERIOD FROM 1ST JANUARY, 1931, TO 30TH SEPTEMBER, 1931

PARTICULARS	Bags	Sh.	Cts.	Average per bag		REMARKS
				Sh.	Cts.	
Wheat sold to mills and locally	85 896	1,133,915	44			
Less Rebates		105,769	61			On 13,210 bags wheat exported as flour
Wheat exported	85,896	1,028,145	83	11	96	
Wheat converted to posho	31,770	124,795	69	3	92	
	8,317	49,902	00	6	00	
	125,983	1,202,843	52	9	54	
Estimated balance of wheat on Farms and in Godowns	33,105					

NAKURU,  
27th November, 1931.

G. W. C. GRIFFITHS, General Manager,  
for the Kenya Farmers' Association, Ltd.,  
Agents under the Ordinance

be overlooked that many of the wheat growers in Kenya cannot turn over to alternative crops. It means in the case of the majority that they would go out of business completely. I agree with a reply in the terms suggested by Mr. Freeston.

F.A. Stockdale.  
28.8.31.

2 Copy of Kenya Proclamation No.62, extracted from Official Gazette.

Registered for action in accordance with minute of 10/8/31 on 17059/31.

2.10.31.

~~Handwritten scribbles~~

I agree as to the proposed action except that if Mr. Campbell thinks it would be a bit of a shock we might ask for a further report in the Working up to the 31 Dec 1931 then consider whether a report that annually might be required

at Allen  
9/10/31

I agree as to the action proposed. An annual report would suffice, perhaps, now that we see how the thing is working out: Wheat prices have gone up as a result of the gold standard decision--which will help Kenya further, though everything there is still very problematical at present.

I agree with Mr. Eastwood's note; but it is per-

haps not improbable that financial pressure would have forced voluntary co-operation to secure what has been secured by compulsory co-operation. Kenya producers of wheat are now in the position which producers in every country try to attain--with varying degrees of success--and that is to take advantage of the fiscal and transport position to secure the maximum advantage for themselves. The thing has been carried to a fine art in several Continental countries: e.g. Germany, under the cartel system. However unsound economically, the semi-bankrupt producer is almost bound to adopt this expedient. He holds the country to ransom, and the country has to pay--with long range effects on himself also. The Govt. still remains in control, in virtue of their power to alter import duties, and (in many cases, in practice) railway or other transport rates.

The 9th: October 1931.

*F.A. Stockdale*  
27/10

Sir S. Wilson

You should see. I am sorry for the Kenya Consulate, but if there is an industry which can help itself alive without Govt. money it should be allowed to do so.

as proposed  
10.10.31

Dear Sir  
at once

14.10.31

*Handwritten note:* Max. Revenue 4

system of bounties on export would be in the interests of Kenya as a whole, but it would appear that the system must be accepted.

The article by Sir R. Keiza enclosed in the despatch proposes yet a further bounty on export. The Governor, in paragraph 7 of his despatch, considers that the present disparity between the export price and the local price is sufficient contribution by consumers to the industry. I quite agree. While it would be rash to be too dogmatic it would seem most unwise to single out wheat or indeed any cereal - for special favouritism.

The present productive capacity of the world in wheat is well above what can be consumed even in normal times and the breeding development has only just begun. It would seem far more profitable that Kenya if she wants to favouritise any industry should concentrate on crops like tea, coffee and sisal. In any case if such an encouragement is to be given it should be as the result not of the demands of the producers of a particular commodity but of a scientific plan which takes into account the whole range of commodities. Such a plan is conspicuously lacking now but it would seem to be well within the functions of the proposed financial commission to advise on such a matter. (The same argument applies of course in the case of the tariff in so far as it is for productive and not revenue producing services).

I do not know that a lengthy reply is

required

required to this despatch. I merely acknowledge with interest.

C.O. Eastwood.

15.6.31.

The bright spot in this despatch is the statement in the last three lines of paragraph 3. With two years' requirements already lodged in the world's granaries, the less the Kenya producers contribute to the glut, the better for themselves in the long run.

I would add to the proposed reply that the Secretary of State endorses the advice tendered by Executive Council and accepted by the C.A.O. in regard to the request for further assistance to the industry (paragraph 8 of despatch). *I also agree that the suggestion in para 8 that 1 ton is as much as the soil can not sustain - a matter important for the future.*  
L.B. Freeston.

25.8.

I generally agree with Mr. Eastwood above, but it must be recognised that compulsory co-operation is becoming more and more general. It has been brought into force in South Africa and Australia and recently in the Marketing Act in the United Kingdom. We have agreed to it for the St. Vincent Arrowroot Growers' Association and the Jamaica Co-operative marketing organizations which are proving successful are largely working on the same lines.

It seems to provide a means for primary producers to protect themselves and it should not

be

of the Kenya Farmers' Association as the sole agency with an unofficial board advisory to it, approved by Government. The Secretary of State asked for a report on its working up to the 31st March last and requested that the report might deal with the question of the ascertained effect if any of the operation of the scheme on the local prices of wheat, flour and meal.<sup>x</sup>

we now have the report. The Governor considers that the scheme has been satisfactory since it has enabled the grower to secure a price which would enable him to continue production without at the same time increasing the price of bread to the consumer. He admits, however, that had the scheme not been in operation the price of bread would probably have fallen.

It is worth while to examine how this result has been achieved. It is a little difficult to work this out as the figures of price seem to be for 200 lb bags, the figures of import duties for 100 lb bags, and the railway rates for tons. It will, perhaps, be easier to take an imaginary instance. Suppose that the price of a certain product is £12 a ton in the overseas market and that the cost of getting the product to the overseas market from the Kenya highlands is £2 a ton: then the price which the farmer in the highlands can get for his product is £10 a ton. Suppose there is an import duty of £2 a ton on the same product and that the cost of getting it from the overseas market to the highlands is £3 a ton: then the minimum at which the imported

Thus

than the cost of getting it to the overseas market because of the system of low export freight rates in force.

Thus:-

Price on overseas market	£12	Price on overseas market	£12
Cost of taking from highlands to overseas market	£ 2	Cost of bringing to highlands from overseas market	£ 3
		Import duty	£ 2
Maximum which farmer in highlands can get on export	£10	Minimum at which imported product can be sold at Nairobi	£17.

If therefore all the local producers combine there is nothing to prevent them selling in the local market at £17 a ton.

This is what has happened in the case of wheat: the Ordinance makes co-operation between producers compulsory. This apparently harmless provision in reality amounts to the imposition by Government of a big protective duty and the encouragement of what in England is called "dumping". The present export price of wheat is Shs.3/40 f.o.r., the local price is Shs.17/50 at the mill, the pool price to farmers is Shs.8/80 f.o.r. In these circumstances is it right that the Government should assist compulsory co-operation among producers? The same question has recently come up in connection with the Butter Levy Ordinance - see on 17171/31 below. It would seem to be only a matter of time before voluntary co-operation comes about in every exporting industry, since the benefits of it are so obvious - from the point of view of the industry concerned. It is more doubtful whether in the long run such a wholesale system

<sup>x</sup> This should have been "bread" but the word was mis-copied.

*See a short time ago*  
*1938*

\* (The cost of getting the product from the overseas market is intentionally put higher than

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\* The cost of getting the product from the overseas market is intentionally put higher than

Thus

Ag. In. memo 350

25.6.31

Trans. with observations a report of the Wheat Advisory Board appointed under Sale of Wheat Order

Q. No. 12 on 16239/30

The Sale of Wheat Ordinance, 1930, enabled the Governor-in-Council to appoint one or more selling and distributing agencies to control the movement of locally-grown wheat; and as soon as such an appointment has been made no person may sell or purchase wheat except to or from an agency. It is an obligation on an agency to purchase all suitable wheat offered to it, to supply the demands of the East African market before exporting wheat and to pay the same price for similar quality to all growers. The provisions of the Bill do not apply to the sale of wheat for export.

The Secretary of State felt considerable doubts about the Ordinance but acquiesced in it on receiving the following assurances from the Governor:

1. That it was the intention that the export of local wheat and the traffic in, and milling of, imported wheat should remain unrestricted.
2. That the importation of ground wheat and flour should continue on the present basis and would not be hampered by prohibitions or additional duties.

The Secretary of State said that he would not be prepared to agree at any time to the prohibition of, or additional duties on, imports of ground wheat and flour, etc., or to any restriction by taxation or otherwise on the export of local wheat and the traffic in and milling of imported wheat. On receipt of these assurances the Ordinance was sanctioned and the Secretary of State agreed to the appointment

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Cg for name 350

26.6.11

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