

1934

Kenya

No. 23092

SUBJECT

C0533/445

Sisal Industry

- Decortiating Machinery

← Previous

3297/33 (Sisal Machinery)

Subsequent

38022/35

1 Secretary of State (100) 12/7/44

States as to the need tech require for the harvesting, assorting & preparation of Sisal. Has authorized the Govt to prepare a scheme for submission to the C. D. A. C. for the installation of new machinery by sisal growers. Also notes of interview with Sisal Growers Assoc, summary of talk with Mr. Macrae & memo submitted by Sisal Growers Assoc.

Mr. Hood

J. H., after our discussion with

Sir C. Bettenden

Mr. L. for secret to

Mr. Stoddart

Mr. Clayton

& Sir J. Campbell

J. H. 27/2

Sir J. Kebley

Among the first things to do
get the papers to Sir B. P. Macrae,
as in the 8/7.

W.C.S. 27/2

J. H. 28/2

2 To Sir B. Macrae (1001) on 28/2/44

I have faith in the Mangnall machine, but I would certainly have preferred to have seen results from commercial models before recommending further assistance from the C. D. A. C.

So far only an experimental machine has been tested,

tested, and Capt. Mangnall in his report of February 26th on 3297/33 on this experimental machine reports an improved fibre extraction of 20% and an output from the machine of 2 tons of fibre per diem. He expects improvement in the percentage of extraction in the commercial machines and an output of at least 4 tons of fibre per diem. I have seen so many differences between the claims for and the actual performances of fibre extracting machinery as to sound a note of caution. Much will depend upon the actual daily output of cleaned fibre from the commercial machines.

If the claims made from the commercial machines are realised from the models which are shortly to be despatched to Kenya, then there can be no doubt that a vast advance in sisal decortivating machinery will have been realised.

The final test in any case must be ^{the} decision of the actual producers, and if they are satisfied with the performances of the machine, they would be justified in securing loans for re-equipment. The performances of the experimental machine was sufficiently promising to secure orders for ~~these~~ commercial machines, and, if these do perform what is claimed for them, there is bound to be a demand for others, and their installation would be advantageous.

New types of presses have already been installed, and it can be accepted that these have proved their commercial value. Advances to assist the installation of these presses would be

sound

Opinions on the essentiality of artificial drying regard to artificial drying, and the extent of present knowledge or data on this subject, are not clear on this issue. Much depends on the nature of the estate as to whether artificial drying is or is not necessary, but, with increasing daily outputs from the decortivating machines, artificial drying becomes more essential if the factory area is not large enough to put out with fibre which is being dried in the sun. For a large unit, it is probable, therefore, that artificial drying is necessary, if efficient working is to be ensured without stoppage.

1st March, 1934

Perhaps the most important factor in the present is to secure the most efficient machinery for the matter briefly.

In 1931-32 the area under sisal in Kenya was 145,666 acres and the crop 14,433 tons. In 1932-33 the area decreased to 134,874 acres and the crop increased to 17,369 tons. This gives an average of 2 1/2 cwt. per acre for the latter year.

In 1931 the area under sisal in Tanganyika was estimated at 182,069 acres. In 1932 the area was estimated at 213,575 acres and the crop at 63,811 tons. This figure appears moderately well with exports, which were 60,554 tons. This gives an average of just over 6 cwt. per acre, but this is only an average; some districts produced no crop.

one favoured district produced nearly a ton an acre. The area in Uganda is 1,300 acres and that in Northern Rhodesia 10,000 acres, output in both cases practically nothing.

The total area for East Africa is therefore about 364,700 acres and the latest crop was just over 80,000 tons.

If the estimate of 2½ tons an acre annually is to be taken seriously, the potential output for East Africa is about 912,000 tons, assuming no more land is put under sisal which is a dangerous assumption if it proves a paying crop.

This figure is about twice the estimated world production for 1933 of comparable hard fibres, except jute, which was as follows:-

	<u>tons</u>
Manila hemp	162,625
Sisal and the like	307,760
New Zealand hemp	6,400
Mauritius hemp	500
	<hr/>
	477,285

I have a figure of 2,000,000 tons for the production of jute in India in 1930 (In 1931 it was only about 1,000,000 tons but that figure was quite abnormal) and 2,017,000 tons for the whole world.

The immediate difficulty which I see is to keep the price even up to £10 per ton which is the bare cost price, if production is to be so vastly enlarged. Sisal will not replace manila for many purposes and as far as jute is concerned the competition is still harder, more than experimental.

My preliminary conclusion therefore is that the development will have to be controlled with

the utmost care and with a finger kept on the pulse of the market. If it is done three quarters of the plantation is ruined by the price being allowed to fall level before they can get the new machinery could get the market for the additional output if the machinery was installed.

1. Agree with Mr. Stockdale's minute, and have an examination of the "world" position. It indicates some of the dangers which may be encountered, and shows the necessity for the most careful guidance and control of any new movement of the kind here adumbrated. It is a most interesting and very convincing estimate of 2½ tons per acre. I estimate. For are we not to be surprised to see that sisal will cut out jute.

2. The S. D. A. C. will I think be sympathetic towards any soundly organised scheme. But I expect that, before committing themselves very deeply, they will want to see the results of the commercial machines.

3. Would it not be well to let Gen. A. have-- in some suitable s.o. form--the substance of Mr. Clauson's minute? Mr. Stockdale may also have questions which he'd like to put as regards the agricultural side of the thing-- for it is on that side that the estimate of 2½ tons per acre (and the optimistic hopes as to a large increase, in the future, on that yield) are based.

The 6-3-34.

2. 430.000 (26-27) machine here
4/2/34

G. L. A. Clauson

4/2/34

I find it difficult to accept that a yield of $2\frac{1}{2}$ tons of fibre per acre ^{per annum} is a practicable possibility if calculated over the lifetime of the plantation.

The average yield of fibre from well cultivated sisal estates in East Africa is at present $3\frac{1}{2}$ tons per acre during the lifetime of the plantation. This can be taken at $4\frac{1}{2}$ years as the minimum and 8 years as the maximum. Assuming 7 years as the normal life consisting of 3 years before cutting is commenced, and 4 years of cutting, one has a yield of slightly less than 1 ton per acre for the period of the cutting life of the plantation. The most that the new machine claims to do is to save 25% out of the $33\frac{1}{3}$ per cent. of fibre lost at the present time. This would mean a fibre production of 5 tons of fibre during the life of the plantation. There are variations between different plantations and between the efficiency of factories. Losses of fibre range between 20% and 33% with the existing factories. The higher figure has been adopted by the engineers responsible for the new type of machine.

Sisal in the highlands of Kenya averages under the existing systems of planting 900 plants to the acre. In the lowlands, the average is about 1,250 plants to the acre. Nutman, of Amman, who has made counts of leaves, records considerable variation between individual plants and between plants in different estates. The average is, however, taken to be between 250-300 leaves during the lifetime of the plant, 70-75 for the first cutting, and 50-60 for

5

each of next three years, the plants are cut out before the plantation poles, and has to be cleared out and the area replanted. Each leaf averages, ^{over the four years of cutting} ~~it is one estimate the life of the plantation,~~ 2 lbs in weight, and the fibre content is rarely much in excess of 3.5% on the average.

Taking, therefore, 1,250 plants per acre, producing 300 leaves weighing 2 lbs. each with a fibre content of $3\frac{1}{2}\%$, we have a total possible production in the lowlands during the lifetime of the plantation of $11\frac{1}{2}$ tons, or allowing for a certain loss in manufacture, say, 11 tons. In the highlands with the wider spacing, the yield would be of an order of 8 tons. This is equivalent to a maximum of, say, $1\frac{1}{2}$ tons per annum in the lowlands, and slightly over 1 ton per annum in the highlands.

But this presupposes that everything will be in perfect order, and that there will be no mishaps. The present yield of an average total of $3\frac{1}{2}$ tons per acre during the lifetime of a plantation shows the order of the differences which are to be expected between theoretical calculations and the actual results in practice.

If everything went well, a yield of $2\frac{1}{2}$ tons per acre might be secured in the lowlands. 30 years of cutting in the ideal well cultivated estate, but it must not be overlooked that the cutting year average four or five as against 3 years of production. This is a factor which Mr. Clouston has not allowed for in his calculations, and we know from the Census returns of Kenya that in 1922 there were

55,000 acres under three years of age out of a total of 145,600 acres, and that in 1933 there was a decrease of 5,826 acres in the total acreage. This decrease was due to areas having 'poled' and thereby having become useless. This wastage is likely to increase during the next few years, owing to new plantings to replace the old useless areas having been curtailed. What the proportion of decrease will be it is difficult to estimate, but it is known that vast areas have now poled, and will, in consequence, die out and that the greater part of the sisal in Nyasaland is in this condition. Not half the acreage recorded as being under sisal in East Africa can to-day be taken as effective acreage for productive purposes.

I, therefore, see no reason for the fears expressed by Mr. Clauson in his minute. Fibre from ~~manihot~~^{manihot} leaves is short and weak and largely useless for the normal uses of sisal. If much of this comes forward, the market will know how to discourage its production unless new uses can be found for it.

If the new machine is demonstrated under commercial test to do what is claimed for it, there will be demands for its installation not only in East Africa but in competing countries of production such as Java and Tuxtlan. We should do nothing to hinder East Africa getting in first when the machine is proved, and then if there is over production with a non-expansion

of

of new uses we shall have to go in for a restriction scheme. East Africa would be the better able to face such restriction if it is equipped with the most modern and most efficient machinery available.

L. J. Stokdala

27th March, 1934.

You should see this to be a matter which should be discussed with the S. of S. before we write anything to Kenya. We do not know exactly how to leave the matter.

G. J. H. H. H.
8/3/34

I think we had better say something to Kenya now & submit a draft letter to Mr. H. H. H. which could do any harm & may help the local people.

110 200
Mr. Hood has agreed 12-5.
to the alterations I have made of the aid of the draft.

Send it off, and then let Sir J. Maffey see the papers.

Wed 12 3 24
alone

~~Mr. Claudson~~
Mr. Claudson.

I had a talk with Sir H. Leggett two days ago, about sisal.

The relevant facts are.--

(a) He knows this new machine; has carefully studied its working; and estimates that it will lead to reduction of about 2 1/2 per cent in costs.

He thinks the claim that it will bring costs down to £ 10-12 per ton is exaggerated.

(b) Costs, for well run and soundly situated companies, run about £ 16-18-0 per "ton--" all in", including sale of the produce in London.

The new machine will he thinks bring this down to £ 14-15-0.

(c) Sisal is a seven year crop; it matures for ~~three~~ **three years**; is cut for approximately three years; and the usual custom is to allow one blank year to cover bad seasonal conditions, drought, etc.

He thinks that actual output should usually run in Kenya from 2 1/2 tons per acre to 3 tons per acre. A fair over-all yield, over the whole seven year period, would be about eight cwt. per acre. If it runs higher, I gathered.

(d) He did not think that the new machine made a better fibre. But it saves about 10% is some saving in power.

(e) He did not seem at all attracted by the "immature plant" idea; but I did not have an opportunity of really going into this with him. Nor did he think sisal stood much chance of cutting out jute. He referred to the very highly organized state of the jute industry, and to its special qualities, and firmly-held market. For the present, at any rate, he seemed to think the idea of effective competition with jute chimerical.

See 2/3
2/3
The 2nd, March 1934.

By a mail 3 To Home Office etc. 13/3/34

4 S of S 11th Ch 311
Extract from letter to Sir J. Haffey
enclosing interview with Kenya Standard.

Sir B Blackett 28 Feb 34
Act No 2

DESTROYED UNDER STAT 11

6 D.O.T 10th Ch 311
Offers assistance in connection with
proposals contained in notice of interview
granted by S of S.

4 + 5 can be sent by.

6. Dft reply submitted.

Sir J. Haffey is to see the
3 men had better reach K.C.
By Saturday in case the
S. of S. wishes to see it over
the weekend.

G. L. Hanson
14/3/34

Sir C Bottomley

You should see this letter from the

D.O.T. Their assistance would probably take
the shape of a grant to the manufacturer to enable
him to give long credit. C.D.P. assistance would
be a loan to the Colony to enable grants to be made
to the farmer to buy.

J. S. G. Hand

14.3.

Send off the letter today,
or Sir J. Haffey on the file as
soon as possible.

10.3.34

7 3 207 ... 15 2000 34

Capt Mangnall with the T.C. ... and (in the Standard above) I saw them

Three communist machines are being
shipped on April 26th; the necessary
engagements are being prepared beforehand,
so that Capt Mangnall (who is flying out
at the end of May) hopes that the
machines may be in full working order
by the second week in June.

The T.C. was asked by S.P.S. in
E.A. to write a for an interview on his
arrival in London. He prefers to wait
two or three weeks, however, so that he
may have more to report when he
meets S.P.S. He suggested that Capt
Mangnall should also attend ...
would be very glad to do so; ...
that S.P.S.'s attention should be directed to
his latest Report (N° 8 or 9)

The T.C.'s address for any communication
is Capt Mangnall, Hydrographic
Works, Chislehurst

PW
31/3

DESTROYED UNDER PROVISIONS

To W. Sully (A.O.T.)

22 March 34

File No 7.

9 A.M. M. Moore (S.O) (A.M. Mail) 21 March 34

Re: No 8, encls. copy of memorandum by the Social Bureau Assan. regarding the installation of machinery & state the position as to application to C.O.A.C.

There is much of interest in this letter, but no action is called for.

See Mr. Clayton
Mr. Stewart
9-6-34

Mr. Stanger
Mr. Stankala / to see

See C. F. Brown as put by.
2/4

J. Stanger
Jlu

This is an interesting letter & memo. They expect to get costs down by £5-10 or so per ton. This is far more optimistic than the figures given by Sir H. Leggett, who put the present cost at about £16-15 & the saving at about £2 a ton.

If Kenya demand for £100,000 or so we are bound to help.

v. i. w. K.S.

See: Stanger

Jlu
9/9/34

See: Stanger

J. Stanger
9/9/34

Regulatory Note

Whereof any official reports on the social machinery that may be received from Govt of Kenya to be forwarded to the C.O.A.C. (see No 1 on 26/7/34 Bahamas)

10 Governor Byrnes 215 (A.M. Mail)

Trans. a copy of a memorandum submitted on 5th of March by the Social Bureau Assan. regarding the installation of desiccating machinery, states views of Executive Council thereon, & that further information is wanted from the Assan.

The Kenya Scheme envisages a loan from the C.O.F. of £100,000 @ 4% interest, repayable over a period of 15 years.

In a recent Janjira Scheme, the C.O.A.C. after recommending a grant with interest at 4%, recommended a reduction of the rate of interest to 3 1/2% by reason of the generous first rates of interest. It would be reasonable to suppose that the C.O.A.C. would agree to 3 1/2% for the Kenya Scheme. However, it is in a position to forward the application to the C.O.A.C. as certain essential information is still required from the Kenya Social Services' Association.

See - at end of
to see in memo, at
4/9/34

Jlu
11/7/34
N.B.

See: Stanger
Mr. Stankala / to see

v. i. w. K.S. J. Stanger

See especially the Note of the discussion on April 7th (last enclosure).

See C.D.A.C. etc. see then pp. 4
be asked to note that an application for £100,000 is on the horizon

J. Hunter
2/5

There is nothing actually to be done at the moment pending further information and requests from Kenya, but the despatch and its enclosures are very well worth reading.

The Executive Council have considered that before anything was done by Government finally they should ascertain how far the business houses would be prepared to produce the necessary finance and also they wanted to get information out of the Kenya Sisal Growers' Association as to how many estates would need advances and in how many cases a first mortgage would be given. They had a discussion with representatives of various interests including the sisal growers and the people who deal in the stuff, and the commercial representatives stated quite definitely that the firms ⁱⁿ which they could speak would not be prepared to find the necessary finance, and further, would not only not object to Government intervention, but would welcome it. Kenya is now waiting for the estimates from the Sisal Growers' Association as to how many estates would want advances and in how many cases a first mortgage could be given without any difficulty. It is possible that delay may occur while they are waiting to see how the ~~small~~ machinery works.

First of all the sum suggested is £100,000 which on the basis of £8,500 for a

complete

complete plant, including two decorticators, one drying machine, and one heavy truck, and 15 complete outfits. If a smaller outfit involving only one decorticator is taken as the unit the cost comes down to £8,500 for a set which would provide 15 plants.

It is suggested that the Government secure from the Colonial Development Fund at 4 per cent interest repayable over 15 years and the estates to which advances are to be made should be asked to pay 9 per cent - 5 per cent above the Sisal Association's memorandum. It will be noted that the figures given are those put up by the Association, so we may take it for granted that the proposal will not impose an undue burden on the industry. It occurs to me however that money could be got cheaper than 4 per cent, and that quite likely the Crown Agents would be prepared to advance £100,000 for 15 years at 3 1/2 per cent or even less. Also the C.D.F. might be prepared to lower their interest as they did in the case of Zanzibar, and, further, in view of the great importance to Kenya of the industry the C.D.F. might be prepared to make an advance free of interest for some time, say, 5 years. If they did, that would enable the Kenya Government to reduce the rate payable by the estates during the first few years when conditions would be most onerous. It is worth exploring, and I suggest also that the Crown Agents might be asked quietly whether they could help in case the C.D.A.C. proves sticky.

The figures given are very optimistic as compared with what we have hitherto seen led to expect. Comparison is rendered somewhat difficult by the

fact

*"the firm" - 20
undoubtedly - money
for 1934 - about
£100,000 only. C.D.F.
and has provided
some sort of about
£25,000 - as in
1934!*

*the C.D.F. lends
now at 2 1/2 %
but for advances
to be made
the C.D.F. might be
prepared to lower their
interest as they did in
the case of Zanzibar*

fact that the Association has never compared the conditions of a 1,250 ton estate under old and new machinery. What they do compare is 1,000 ton estate with old machinery and a 1,250 ton estate with new.

I cannot think myself that the figures are quite reliable. In paragraph 2 of the memorandum the all-in cost of sisal landed at London is given as £17.17s per ton for an estate producing 1,000 tons. As the output goes up to 1,200, 1,500 and 2,000 tons the cost goes down to £17.4s, £16.17s. and £16.18s. per ton. With the Mangnall machinery it is expected that the prices would become £13.7s, £11.17s, £11.8s. and £10.18s. respectively. The curious thing about these figures is that the reduction in cost is worked out at £5.10s per ton on the smaller estate of 1,000 tons, then decreases to £5.7s., £5.5s. and then goes up to £5.12s. a ton on a 2,000 ton estate. This is not quite what one would expect. The normal thing would be for the saving to go steadily up or else go steadily down, but not to wobble. However, the point is not important and the variations are not great. It can be said that the expected saving is over £5. a ton.

The reasons given in paragraph 3 of the memorandum are to my mind conclusive in favour of Government taking on the job of making advances as against attempts to get the money privately. It is expected that even where there are mortgages on estates the holders would be ready to stand aside and allow Government to take a first mortgage for putting in new machinery.

Paragraph 5 of the memorandum points out that

that a considerable proportion of the production works out at a fixed rate, and that only a small proportion varies, and that through increase in the size of the estate this is that an estate capable of producing as much as might be expected. The Association suggest that an estate capable with the new machinery of producing 1,250 tons is the minimum and such an estate should be eligible to receive assistance to enable it to purchase one new decorticator and plant.

Paragraph 6 sets out the conditions governing loans, and it will be noted that an estate is valued at 20 times its crop in tons. An estate producing 1,250 tons therefore is valued at £25,000 which is said to represent the value on the estate of two years production of sisal at £16 per ton. The value on the estate of sisal then is about £10 a ton. It is suggested that Government might properly make advances even on second mortgage provided the existing charges on the estate together with the Government advance do not come up to half the value of the estate. It is also suggested that loans should be made to estates otherwise, provided the existing mortgages, if any, agree that loans from Government should become a first charge.

The cost of production in the appendix is worth looking at, but again I am not quite happy that the figures are altogether accurate. It is considered that on the average 20 to 30 per cent of the available fibre in the sisal plants is lost with the present machinery, and it is assumed for the calculations that 25 per cent more fibre will be forthcoming with the new machinery, which I venture to doubt.

In any case it seems abundantly evident that

the Kenya sisal growers expect very good results from the new machinery, but we shall know better when it has been tried out on a commercial scale. It is, however, very desirable that Kenya should be ready to jump in if and when the new machinery is proved, and I hope that Kenya will not be too long about putting forward the final recommendations.

Mr. Dawson
 Mr. S. G. G. (my)
 Sir J. Campbell

For information and avoid
 doubts, but as regards the
 idea that private enterprise might
 put up the machinery, I think that they
 are going to be disappointed.

The S. G. G. list is intended to
 see. It does not appear that
 the various proposals in his
 present minute of March 28th are
 yet taken place. This is not
 true if Capt. Knapton is flying
 out with me in May.

W.S.G. 10.5.34

Two additional points occur to me.
 The first is the Floods and
 about the accuracy of the figures
 of greater saving for larger production.
 I do not share this.

It will be seen that there are
 two series:-

	1,000	1,200	1,500	2,000
Old machine	£17.17.0 - 13/2	£17.4.0 - 11/2	£16.13.0 - 3/2	£16.10.0
New machine	£12.7.2 - 10/2	£11.7.0 - 9/0	£11.8.0 - 9/0	£10.18.2

The first series is quite logical. The
 second series is less so, but I think
 the explanation lies in the fact
 that 1,250 lbs is produced on one machine
 with full depreciation, while the others
 are produced with 2 machines working
 (until 2,500 lbs is reached) with loads
 less than economic or varying degrees
 of it. This naturally upsets the figures.

The second point is rather different.
 The scheme in its present form
 provides that the Govt will lend
 the money to buy the machines on
 terms which will give it back, with
 interest, by the time they wear out.
 This will then be exactly
 the position that they are now
 in. The Govt is ready to
 lend the money the estates will
 be able to pay it back. Ought not a
 contribution towards of the loan to be
 an accumulation of a sinking fund
 towards a new machine concurrently
 with the paying off of the loan,
 so that in the end the industry
 may be able to stand on its own feet.

The third point is, perhaps rather
 remote. It seems to me that the
 whole marketing arrangements are
 thoroughly unsound. The crop is
 financed by the brokers, on condition
 that they have the selling of it,
 and the proceeds go to the banks.

It is not clear that the
 of a machine...
 at the time...
 the industry...
 that they will be...
 and... to replace...
 place... of the... will...
 or... have to see what...
 happens.

who is most efficient in selling
the crop, he must go to the one
who is regarded to be a money
lender as well. As the rates on
advances, if they are on the same
scale as in the case of coffee, are
somewhere between 8 & 12%, while
the selling commission is only 2 1/2%
it is obvious that the money-
lending part of the business is
the profitable one & that there
is little incentive to sell at the
very best price. 2 1/2% on a
rate 10% gives the lender
3 1/2%. If the loan were confined
to being broken the rate 3%
we make much more difference
than it does now. This is a
point for the future, but it is
worth studying.

A fourth point is the 7 1/2% insur-
ance premium for machine-drying.
This is not so much a saving
as an extra profit, & I suspect
that if machine-drying became
common, the machine dried file
will become the standard grade
& the premium will run off.
However that is less important
than the main point, which has
got to be faced sooner, that
an increase of 20% in the crop
may knock the price to pieces,
unless new uses can be found.

G. L. R. P. 10/7/54

in view of the present tentative nature, I
do not go into the details of the proposal
at present.

2. As to the C.D.A. aspect of the proposal--
I believe only £10,000,000 of
money available for this year. They have
heavy demands which I am sure will not be
set aside unconditionally; but they will probably
give them something. They must keep a reason-
able reserve for colonial development work
--new money--throughout the year which has only
just started. Apart from a supplementary,
arranged with the Treasury (which I regard
as difficult but not at all impossible--
especially with reference to the present
position) there will still be the possibility
of meeting this Kenya demand in that matter,
the C.D.A. naturally disposes greater large
loans; they go into their grant just as much
as they do into their grant-out grants.

3. I think therefore, that it would be well to
sound the Treasury on this matter. It is perhaps
hardly a matter of business; and my guess is
that they will reject the proposition. But
there is no harm in sounding them. If the
C.D.A. fund gives a loan, it will almost certainly
be at 3 1/2%. The main difficulty with the
Ags: will probably be that this is outside
their proper sphere; that Kenya is not partic-
ularly sound financially--and they could not
fall back on the Treasury here, in view of the
circumstances; and that they have no right to
take the risk with the money of other Colonies.
4. As to a grant--as opposed to a loan--for
part of the cost, the prospects are not I think

Just so. They must
have control of
their fund.
L.R.

too unfavourable. There would be, relatively, very large U.K. expenditure:--a point to which importance is rightly attached. It might lead to a rapidly developing business, not only with Kenya. (That has its obvious disadvantages; but it must be faced.) It might lead to such greater developments:-- effective competition with other fibres, in which the Government might be particularly interested. I do not know the details, but I would not be too hasty in drawing conclusions at least possible. The Committee would be very long run. The Committee would be baby, fear that there are distinct advantages in keeping this transaction on a "commercial" basis; but I do not think they would neglect the "developmental" aspect of the thing, if we could make out a good case.

b. I too have doubts as to the figures: till the thing is tried out properly, it would be wiser not to be too optimistic.

The 11th May 1934.

W.C.S.
11/5/34

Sir J. Maffey.

We cannot get much further until we have the report of the commercial tests. I send on now in order that the Secretary of State may see how matters stand and also (see my minute of 10th May) that the suggestion of a meeting with Captain Magnall before he returns to Kenya at the end of the month may not be overlooked.

I see no reason why we should not ask

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the Crown Agents what they think about the possibilities of financing the enterprise if the C.D.A.C. fail us, but I also think it might be well (if Sir J. Campbell is not opposed) to let Sir B. Blackett know of the position. I think that the scheme may appeal to him personally and he might be inclined to prefer it to other proposals which may come before the Committee.

W.C.S.
11/5/34

J.M.
11/5/34

You will see from the earlier papers that I have definitely undertaken that Government finance should be provided to help with the machinery, subject to three conditions being satisfied.

(1) Any person receiving help must be a producer on a commercial basis. I see that the Governor has put the limit at 1,250 tons. Mr. Macrae put it at 2,000 tons. Maxwell at my meeting suggested 1,500 tons and it was agreed that the Government should be upon the figure.

(2) Government must be satisfied that the company must be financially able to maintain its economic output.

(3) It will be necessary to make arrangements with prior-mortgagees to give Government adequate security. This, I pointed out, was quite reasonable from the mortgagees point of view because the installation of new machinery would greatly improve the mortgage asset.

I do not think the banks or the merchants

could be expected to finance the machinery.
 Their business is to finance the crop.
 I talked this over with the Manager at Barclays
 and he told me there would be no difficulty about
 the latter.

in Nairobi

I think the Colonial Development Fund
 would certainly be interested in the Scheme,
 because it is the commercial result of the
 experiments which they helped to finance.
 If the C.D.F. is overdrawn or committed for
 the year, the Kenya Government could lend in the
 first instance and C.D.F. could provide the
 finance later.

I should also suggest that the Export
 Credits Scheme might well be used. It is
 exactly the kind of operation for which that Fund
 exists, and in a case of this kind their credit
 might be for two or three years.

As this Scheme is not only sound
 in itself, it is a point in Kenya of
 contrast with the loose proposals for taking
 over the railways.

You must read this in connection with my
 meeting with the elected members, of which you now
 have the report. If we refused to finance an
 economic development scheme of this kind, we should
 have a *sharp* come-back of the cry for general
 credit.

*PZ L
 24/5*

12. H.M.M. Moore.....s/o.....28th April, 1934.
irs. copy letter from Col. Maxwell regarding
the proposed finance of sisal machinery.
13. H.M.M. Moore.....s/o.....28th April, 1934.
irs. cutting from the "S.A. Standard" reporting
an interview with Colonel Maxwell regarding what
the new decorticating machine could be expected
to do in the way of reducing costs of production.

As to financing of Col. Maxwell's agreement
there is very little likelihood that
the new machinery will cause a
serious increase in cost to
grow the market, but the market
may be upset for a short
period during the transition stage.

? Mr. Stoddard will phone to
see if it is a really handy
a result of C.S.A. application

[Signature] 6/2/34
[Signature]

Seen.
[Signature] 7/1/34
[Signature] 9/2
arrived

N.B. done 10

Re: Robey & Co Ltd

cf. Maxwell

State that it is understood that C.O.F. grants are likely
to be made for the purchase of sisal machinery & considers
that in order to comply with the conditions of the loans the
particular type of decorticator should not be
specified.

Submitted draft for review
[Signature]
2/11/34

Dr. Stoddard should see; a Secy C.S.A.
should have copy ready

I understand the position the point is
that the machinery already in use is dealing with
sisal well, though quite satisfactory up to a
point, the machinery for dealing with the crop as it
should be dealt with and that as a result the
Mangrove machinery has been devised to get round or
overcome defects in the existing machinery.
The new machinery is all that is claimed for
then it will be quite absurd to give assistance
or plantations to acquire machinery of obsolete
patterns.

Anyhow, no proposal has yet been submitted
to Govt. as far as we know, and certainly none has
come home to the Secretary of State for submission
to the C.S.A.C. I submit a revised draft.

7.5.0.

I gathered from the James message two days ago that the Mangrell had experienced some difficulties with the two commercial machines sent out to Kenya, but that these difficulties had been overcome and the Mangrell was expecting to return to this country within next week or the week later.

Y
L. J. Kirkdale

Major Gagan had visited the ^{4/10} ~~the~~ ^{land} ~~land~~ equipped his new factory with machinery and that the installations had held up his work completely in finance. He was however quite hopeful.

I have signed the draft subject to Mr. Dyer's concurrence in my view that the J. H. and is an active step.

Y. J.

5/10/54

Y. J. Kirkdale

I agree.

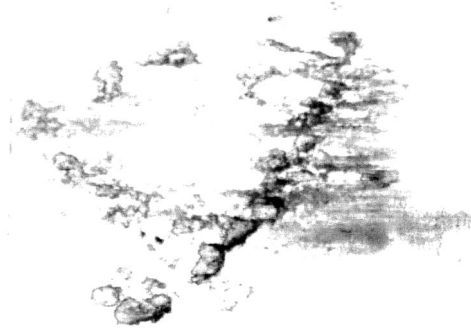
Ed. J. Kirkdale

5/10/54

To (D.A.C. 10/11/54) 18/10/54

17 To Kenya 84 (10/11/54) 18/10/54

N.S. at 10



Col. J. H. Kirkdale

Kenya 15

To Nairobi obo. (14/10/54)

9/10/54

to Sec. of C.D.A.

C. O.

Mr. Flood. 3-16

Mr. Stubb 4/10

Mr. Flood

Mr. Parkinson.

Sir G. Tomlinson

* Sir C. Bottomley 5.10.68

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Downing Street,

9 October, 1968.

Sir,

I am etc. to acknowledge

the receipt of your letter of the 1st of October on the subject of

the sisal industry in Kenya, and to

state that various proposals for the

improvement of the industry by the

introduction of new and improved

types of machinery have been

bringing the attention of the Govt.

and the representatives

of the industry for some time past.

However, premature to say

that any scheme is likely to be

adopted. The question is not ripe

for the necessary application to be

made by the Govt. of Kenya to the

C.D.A.C. a favourable recommendation

from whom is a necessary

preliminary to the grant of any

DRAFT.

THE CHAIRMAN AND MANAGING DIRECTOR,
MESSRS. ROBEY AND CO. LTD.

Handwritten notes:
C.G.
D.C.
Kenya

FURTHER ACTION.

financial assistance from the U.S.P.

in reply of your letter and of

this reply is being sent to the Governor

of Kenya for his information.

Sincerely,
Yours truly,

WALTER L. H. FREESTON

ROBEY

ROBEY & CO. LTD.
OF LINCOLN

HORIZONTAL AND VERTICAL STEEL ROLLING
MILLS FOR WINDING PLAINS STEAM AND DIE
CASTING MACHINERY, BOILERS, STEAM AND DIE
CASTING MACHINERY AND REFRIGERATING
MACHINERY, REFRIGERATING MACHINERY AND
ICE MAKING MACHINERY AND OTHER STEEL
WORKING MACHINERY

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A.E.D.

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LONDON, E.C. 4
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AGENTS FOR THE BRITISH
EMPIRE IN ALL PARTS OF THE WORLD

YOUR SERVANTS

1934

1st October, 1934.

The Right Hon. Sir Philip Cunliffe-Lister, M.P.,
Secretary of State for the Colonies,
Colonial Office : Downing Street,
London : S.W.

ACKD BY P.L.

Sir,

Our attention has been drawn to a statement that grants are likely to be made from the Colonial Development Fund to Sisal Estates in East Africa for the purchase of new machinery.

We understand the proposal to be that the Government will provide loans on easy terms to such Sisal Estates as fulfil certain necessary conditions to enable them to purchase the following machinery:-

Either Top and Waste Reclamation Plant up to a limit of £2,000 and/or Mangnall Decorticators, estimated to cost £2,000 each.

Drying Machine, estimated to cost £3,000.

Heavy Duty Press, estimated to cost £1,500.

We gather that these prices are the estimated costs erected on the Estates, and that the condition of the loan is that the machinery, shipping and materials are all British.

As British manufacturers over a period of 30 years of an approved and competitive Sisal Decorticator, over 50 of which have been shipped to East Africa, we consider it obviously inequitable that to comply with the loan conditions any particular type of Decorticator should be specified to the exclusion of others.

Hoping to have the honour of hearing from you that this will be corrected,

We are, Sir,
Your obedient Servants,
For ROBEY & CO. LTD.

Chairman and Managing Director.

Copy to Sir Philip Cunliffe-Lister (16)

Hand (15)

Handwritten signature

Handwritten signature



THE SECRETARIAT,
N. P. O. B. I.,
KENYA

WHEN REPLYING
PLEASE QUOTE
N. P. O. B. I. AGH. 6/2.
AND DATE

28th April, 1934.

MR. FLOOD

Dear Flood,

(14)

In continuation of my letter of the 16th April on the subject of the sisal decorticator, I enclose a cutting from the "East African Standard". This is a report of an interview given by Colonel Maxwell with the express object of removing misunderstandings as to what the new machine could be expected to do in the way of reducing costs of production.

Yours sincerely,

MR. FLOOD,
SECRETARIAT OFFICE,
N. P. O. B. I.,
Nairobi, Kenya.

Encouraging Progress of Kenya Sisal Industry

ORGANISED RESEARCH PLAN INTO WIDER USE OF FIBRE.

Standard Grades.

PROMISING DEVELOPMENT IN NEW DESIGNS OF DECORATIVE

Important progress is being made in the development of the Kenya sisal industry.

The Government is working in co-operation with the industry to develop new products and to improve production methods.

Research is being organised to

Tanganyika and Uganda designs. New grades will be introduced in the near future. Progress is being made in the development of improved methods of planting and production are expected to result in more efficient production.

It is planned to

investigate the possibility of using new methods which will result in lower costs and improved quality.

Misleading Views Corrected

At a meeting of the Kenya Sisal Industry Association, it was pointed out that the industry is not a machine. It is a living organism which must be nurtured and developed. The industry is not a machine which can be run on a fixed schedule. It is a living organism which must be nurtured and developed. The industry is not a machine which can be run on a fixed schedule. It is a living organism which must be nurtured and developed.

For some time it had been felt that research into new uses for sisal fibre was a matter of great importance to the industry. In cooperation with the Tanganyika industry, considerable progress has been made in the development of new products and in the improvement of production methods.

progress is being made in machinery design and improved methods of planting and cultivation are expected to lead to more economical production.

Misleading Views Corrected.

At a meeting of the East African Sisal Producers' Association, held in Nairobi, Kenya, on the 21st and 22nd of October, 1954, the views of the industry were discussed in detail. It was pointed out that the industry had made considerable progress in the standardisation of its product.

For some time it had been the general view that research into new uses for sisal fibre was a matter of great importance to the industry. In co-operation with the

Government, the industry had been engaged in a series of experiments which had led to the discovery of a number of new uses for sisal fibre. It was pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses.

able roadway had been the result being that both in Kenya

duced really efficient processes

proceeds of these cesses, plus Government contributions, would be used, apart from financing the Associations and the expenses of the Cess Boards administering these cesses, purely for research work, which was being tackled under two headings:

(a) Agronomic research which was more specially being carried out in Tanganyika in conjunction with the long range research work which the A.S.P. Institute had undertaken.

(b) the research into further uses for sisal fibre.

This latter work it was hoped could be carried out in England by Dr. S. G. Barker of the Wool Industry Research Committee, who would be financed jointly by the two territories, the fund to be administered in England by the Trustees appointed by the Colonial Office and the East African Associations of Agricultural Producers. There appeared to be no insuperable difficulties in this proposal. The East African Sisal Producers' Association considered it was most important that this work be undertaken as quickly as possible and they felt that their research into both long range and short range uses for sisal fibre would be greatly benefited by the results of this work.

Grading

The Association had been put in a position of having to deal with the question of obtaining a uniform system of grading and a uniform nomenclature for grades in the East African territories. For a long time it had been the practice of the industry to grade sisal fibre by individual Estates. This was helpful in local markets. African fibre was at a disadvantage when competing in the large markets of Canada and the U.S.A. where buyers like to deal in large blocks of material of uniform quality.

The Association had been asked to agree to a uniform system of grading and a uniform nomenclature for grades in the East African territories. This was a matter of great importance to the industry and it was felt that the industry should be able to deal in large blocks of material of uniform quality. It was pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses.

when it is hoped will save a considerable proportion of the fibre now lost with the existing decortication methods.

It was pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses.

A Misunderstanding.

It was pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses.

The Agricultural Side

It was pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a high quality which was suitable for a wide range of uses. It was also pointed out that the industry had been able to produce a fibre of a low quality which was suitable for a wide range of uses.



Extension

TONIGHT

TODAY'S

Oil
M.M.

NOTICE

Postage Stamps and Cigarettes can now be obtained from the **CARDROME**. "But what you want is to have your car **Oiled and Greased**." So while you post your letters

LET US GREASE YOUR CAR BY

- Hydraulic Process -

3½ tons pressure will remove all dirt, grit, old grease, and rust, clean out blocked-up nipples and leaves a coat of clean new oil,— make motoring a joy and add longer life to your car.

**THE CARDROME
PETROL STATION**

VI AVENUE — opp. G.P.O.

THE SECRETARIAT,
NAIROBI.

(12)

16th April, 1934.

Dear Flood,

C. O. HEWITT

(3)

I showed your letter of the 16th March confidentially to Colonel Maxwell, as I felt sure the figures would interest him. He has now written me a letter, copy of which I enclose, which may in turn be of interest to you and your Economic Branch.

I have had a meeting with Maxwell and the leading commercial houses, such as Laigetty's, Gailey and Roberts, etc., and these firms all endorse the view of the local Sisal Association that there are likely to be difficulties in obtaining private finance for the new patent in the case of a good many estates and that there would be no objection by commercial houses to the application ^{for} of a grant from the Colonial Development Fund on the ground that Government finance might be competing with private financial houses. When we have obtained ~~some~~ further information from the Sisal Association that Executive Council requires, Executive Council will be in a position to consider the ~~proposed~~ ^{proposed} ~~standards~~ ^{standards} and the form in which any application to the Colonial Development Fund Committee should take.

Yours sincerely,

M. Laigetty

J. E. W. Flood, Esq., C.M.G.,
Colonial Office,
London, S.W.1.

CONFIDENTIAL

KENYA SISAL GROWERS' ASSOCIATION.

Ref: 80/1

P.O. Box 56,

NAIROBI.

12th April, 1934.

The Honourable H. Monck-Mason Moore, C.M.G.,
c/o The Secretariat,
NAIROBI.

Dear Moore,

Thank you very much for letting me see the letter you received from Flood about the proposed finance for sisal machinery.

Commenting on the various paragraphs, I would say that it seems hardly fair for Stockdale to call the present machine, which turns out 2 tons, "a small scale model". As I understand it, this machine is practically the same as the new one which is being put out commercially, with the exception that the latter has its feed speeded up, and there are one or two small improvements.

I can quite see that the Colonial Development Fund Commissioners may want to hear that the commercial machine is a proved success when working, but I feel that the experimental machine has demonstrated so satisfactorily, that the process is a success, that we are warranted in going to the C.D.F. since before a decision can be arrived at, the three new machines will have been working commercially.

I notice that Stockdale is against the heavy duty presses, but with regard to steam drying, I would point out that the two drying machines working now have demonstrated, if anything, that the costs are less in drying fibre after allowing for depreciation, interest on capital and so on with the presses, than with labour and sun-drying, owing to the losses of fibre on the drying press, and also to the loss in quality owing to tangling and breakage of the fibre during handling. Thus the present steam drying machine dried fibre is wholly a gain, and this amounts to Shs. 10/- to Shs. 20/-. In addition to this, certain localities almost depend on steam machines when factories are working full out, owing to rain or periods of cloudy weather and heavy drizzle, it is almost impossible to get the fibre dry, without the factory being closed down, in order that drying may catch up. Again in other localities, a large number of complaints have been received that fibre is sunburned and has become a dark greasy colour. Generally, the more I see of the sisal industry, the more I realize how necessary it is to use this drying machine, if we are to turn out good fibre regularly.

Handwritten notes:
This is a small
scale model
I should like to
know the
present machine
is a small scale
model
is the same as the
new one which is
being put out
commercially
with the exception
that the latter has
its feed speeded
up
and there are one
or two small
improvements

✓

I note that Economic Branch was alarmed at the figure of 2½ tons per annum, which is mentioned as likely to be obtained per acre of sisal grown in the future. Where they got this figure from, I do not know, but there must be some misunderstanding. They need not be alarmed, as to talk of such a figure is sheer nonsense. It is true that many progressive Estates are now planting on a double row system, spaced widely apart, which allows about 50% more plants to the acre, and which allows the same land to be replanted every six years instead of every eight. This will, if anything, permit the Estates to scrap land which is not really good, and will not necessarily lead to increased production, although it will economise in saving a certain amount of leaf transport, and further gives less areas actually of land to be maintained, as the space between the wide rows is left dirty.

There has been considerable talk of cutting sisal at an immature age, right out, and thus obtaining increased yields to the acre. As far as I know, it is only on a very light volcanic soil, where the sisal plant gets away very quickly and does practically all its growth in about 2½ years time, that this sort of scheme can be employed. In this country I only know of one Estate which would be in a position to grow sisal on such a plan.

I need hardly remark that as regards increased out-puts of sisal, the new machine will only be able to increase this by about 25%, and here I would draw attention to one of Stockdale's remarks, that the new machine can only save one quarter of the fibre now lost. I think that it will save more like three quarters of the fibre, and that thus approximately 20 to 25% more fibre will be obtained from a given acre of sisal.

With regard to Stockdale's figures re. out-put per acre, all Estates with which I have been connected, have in the past reckoned to obtain from 2½ to 3 tons of fibre per acre per rotation of eight years, obtaining an average of 3½ from the leaf, although the percentage varies from 1.8 to 2.5 depending on cutting and climatic conditions. Approximately 1,000 to an acre have been planted to give this yield and the land well cultivated, cutting taking place at the end of 3½ years, lasting for 2 to 2½, and the balance of time being given to allow boles, etc. to rot before reploughing.

Less than 3 tons 2 1/2 years instead of 8

My impression is that only about 200 leaves per plant (or so many) are cut, the others being ~~not being~~ considered economical, while the weight of the leaf is from 1.5 to 2 lbs.

Conditions in Tanganyika are different, where more fibre per acre, from more plants per acre are obtained, over a longer period. I could not give any reliable figures for that country.

With regard to saving in costs which the new decorticator will produce, you will note that my memorandum gives a saving of about Shs. 50/- per ton as due to the new decorticator alone on an Estate producing 1,000 tons in-day, and increasing to 1,250 with the new machine. So Sir A. Leggett's figure is not far off being right.

I note that Economic Branch was alarmed at the figure of 2 1/2 tons per annum, which is mentioned as likely to be obtained per acre of sisal grown in the future. Where they got this figure from, I do not know, but there must be some misunderstanding. They need not be alarmed, as to talk of such a figure is sheer nonsense. It is true that many progressive Estates are now planting on a double row system, spaced widely apart, which allows about 50% more plants to the acre, and which allows the same land to be replanted every six years instead of every eight. This will, if anything, permit the Estates to scrap land which is not really good, and will not necessarily lead to increased production, although it will economise in saving a certain amount of leaf transport, and further gives less areas actually of land to be maintained, as the space between the wide rows is left dirty.

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I need hardly remark that as regards increased out-puts of sisal, the new machine will only be able to increase this by about 5%, and here I would draw attention to one of Stockdale's remarks, that the new machine can only save one quarter of the fibre now lost. I think that it will save more like three quarters of the fibre, and that thus approximately 20 to 25% more fibre will be obtained from a given acre of sisal.

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Less than 7-10
3 lbs. per year
instead of 3 1/2 lbs.
in 7-10

My impression is that only about 200 leaves per plant (if so many) are cut, the others being ~~being considered~~ not being considered economical, while the weight of the leaf is from 1.5 to 2 lbs.

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With regard to saving in costs which the new decorticator will produce, you will note that my memorandum gives a saving of about Shs. 50/- per ton as due to the new decorticator alone on an Estate producing 1,000 tons to-day, and increasing to 1,250 with the new machine. So Sir R. Leggett's figure is not far off being right.

You will thus see that there is very little likelihood of an enormous increase which will glut the market, although as I have stated, the market may be ~~price~~ upset for some short period during the transitional stage, but even here the new machines will probably not be supplied at such a rate as to make this very noticeable, but I think you will agree with me that this new machine is coming on the market, whatever we do, and that it will show sufficient saving in costs to put growers who do not use it, out of production. It is therefore essential that the producer of this country be put in such a position that he can obtain this new machine as soon as it is proved commercially, since with it and the Press and Dryer they will be in a position to face competition from all other countries, and other fibres such as Manilla.

I am,
Yours sincerely,

(Signed) W. MAXWELL.

DOWNING STREET,

26th June, 1934.

Dear Blackett,

As there are one or two applications from Kenya on to-morrow's agenda list for the C.D.A. G may I remind you that in all probability we shall be asking the Committee's assistance in the near future in financing the introduction of new machinery for decorticating sisal? Maffey wrote to you on the subject on the 28th February, and we have not yet had the official application from the Kenya Government who are awaiting the result of certain commercial tests to which the machinery is now being subjected in the Colony. We understand, however, that if all goes well the application may be for a loan of £200,000, most of which will be required in the current financial year; though no doubt interim arrangements will be made with the Crown Agents to cover the interim until the state of the Colonial Development Fund enables it to be taken over.

The

IN BASIL BLACKETT, K.C.B., K.C.S.I.

The Secretary of State attaches great importance to this scheme which bids fair to put the sisal industry on a sound footing. I do not wish to crush either of the Kenya applications which will be before you to-morrow, but he would, I am sure, regard it as a matter for regret if the Committee should feel deterred from helping the sisal machinery project merely on the ground that Kenya had already had its fair share of assistance from the Fund. Of course there may be money for all.

You may have wondered why you have heard nothing more of the sisal machinery matter - I should have written before to let you know how we stood but we have been waiting from week to week for later news from Kenya.

Yours sincerely,

W. C. ...

AIR MAIL

10

KENYA
No. 215



GOVERNMENT HOUSE
NAIROBI
KENYA

26th APRIL, 1934.



Sir,

No 8

329-1/33

With reference to your despatch No. 165 of the 5th March and enclosure on the subject of the sisal decorticating machinery under manufacture by the Hydraulic Engineering Company, Limited, and to your interview with representatives of the Kenya Sisal Growers' Association at Nairobi on the 12th February, when you stated that you would be prepared to support an application for a loan from the Colonial Development Fund for the purpose of enabling sisal growers to purchase and instal the new machinery, I have the honour to enclose for your information a copy of a memorandum submitted on the 3rd March by the Association.

2. This memorandum was prepared in consultation with officers of departments concerned, outlines a scheme for a loan from the Colonial Development Fund at 5% interest, repayable over a period of 25 years. The memorandum also schedules the costs of production with the present machinery and with the new decorticator, press and drier. The figures given are Sh. 7.2 and Sh. 17.1 per ton respectively for an estate at present producing 1000 tons per annum.

3. The Association represented, reasonably

enough ...

THE RIGHT HONOURABLE
MEMBER FOR THE COLONIES, P.O., N.S., M.C., M.F.
SECRETARY OF STATE FOR THE COLONIES,
LONDON, S.W.1.

enough, that it was impracticable for them to obtain from their members detailed estimates of the sums that would be required or of the dates at which advances would be applied for. Some indication were given them as to the minimum estate unit that would be regarded as eligible and as to the nature of the security that would normally be demanded by the Government.

4. The Association's proposals were submitted to Executive Council on the 16th Mar. for consideration of the principles involved and particularly of the following questions:-

- (a) No official information was available as to how far commercial houses who would normally advance money for such a purpose would be prepared to provide the finance required;
- (b) Under the scheme submitted the liability fell almost wholly on the Government as the Lender. It was suggested that the Association were invited to accept a suggestion that the lending estates should participate in the liability by the issue, as a limited liability company, of a fractional share of the £10 million which a fraction only, say, 25%, would be raised in cash; the balance remaining as uncalled capital to be ceded as part of the security for the advances;
- (c) In the absence of security of the kind mentioned in (b), it was suggested that the Government must insist on a first mortgage except in very special cases where a second

large amount of...

prepared to provide land...

7. The position now is that the estimates referred to in paragraph 5 are awaited... it is possible that the preparation of these estimates may be delayed owing to unwillingness of growers to commit themselves before the new Decorticator has been proved in commercial operation.

10/11/54

H. J.

BRIADIER-GENERAL
GOVERNOR.

charge might be acceptable.

5. Executive Council considered that, before any final decision on the scheme was taken, steps should be taken to ascertain how far the commercial firms interested in the sisal industry might be prepared to provide the finance required; and that the Association should be asked to state in how many cases a first mortgage could be given and how many estates would require advances, of what amounts and at what dates, on the basis that a first mortgage would normally be insisted upon and that an estate capable of producing 1250 tons per annum with the new machinery would be taken as the minimum economic unit for the purposes of the scheme.

6. A meeting was held on the 20th April with representatives of the merchant firms interested in the sisal industry. I enclose a copy of the notes of the discussion that took place, from which it will be observed that the commercial representatives made it clear that the firms for which they were able to speak would not be prepared to provide long term finance for this purpose.

7. The position now is that the estates referred to in paragraph 5 are awaited from the Association. It is possible that the preparation of the estimates may be delayed owing to unwillingness of the estates to commit themselves before the new decorations have been put on the commercial operation.

I have the honour to be,

Sir,

Your most obedient, humble servant,

BRITISH OVERSEA

COMMERCIAL

KENYA SISAL GROWERS' ASSOCIATION.

SCHEME FOR FINANCING THE SISAL INDUSTRY TO ENABLE
ESTATES TO BE RE-EQUIPPED WITH UP-TO-DATE
MACHINERY.

1. NOTE ON THE DEVELOPMENT OF THE INDUSTRY.

During the past few years the Sisal Industry has been through a period of adversity, prices having dropped from the neighbourhood of £40 per ton, to as low as £12 per ton, with a recent revival to an average of £16 per ton. This has resulted in the depletion of the reserves of Companies and individuals engaged in the industry, but it has also resulted in more persistent experiment in producing superior machinery for the more economical production of fibre. These experiments cover the three major operations of decortication, drying and pressing, on which the following explanatory notes are offered.

(a) DEBERTICATION.

The decortication of SISAL has hitherto been entirely manual, and has been a process of mechanical efficiency. An advance in the progress in the methods of decortication is being made at present largely by the use of the machine known as the "Lambert" machine. This machine is of the type of the "Lambert" machine, and with the latest machinery, the best results can be expected. In such circumstances it is not possible to estimate of this new decorticator, but vital to the industry as

at the cost of artificial
drying, and further in the
of £10/- to £12/- per ton
small therefore find it necessary
drying.

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31

KENYA SISAL SHOWERS' ASSOCIATION

SCHEME FOR FINANCING THE SISAL INDUSTRY TO ENABLE
ESTATES TO BE RE-EQUIPPED WITH UP-TO-DATE
MACHINERY.

1. NOTE ON THE DEVELOPMENT OF THE INDUSTRY.

During the past few years the Sisal Industry has been through a period of adversity, prices having dropped from the neighbourhood of £40 per ton, to as low as £12 per ton, with a recent revival to an average of £16 per ton. This has resulted in the depletion of the Reserves of Companies and individuals engaged in the industry, but it has also resulted in more persistent experiment in producing superior machinery for the more economical production of fibre. These experiments cover the three major operations of decortication, drying and pressing, on which the following explanatory notes are offered.

(a) DECORTICATION.

The decortication of Sisal has hitherto been crudely performed in relation to mechanical efficiency in other industries. Any progress in the methods of decortication is therefore of paramount importance to the industry. Recent experiments carried on at Longonot Estate, Naivasha, with the assistance of the Colonial Development Fund, have proved successful, and with the latest machinery, 25% better fibre extraction can be expected. In such circumstances it is obvious that the installation of this new decorticator becomes not merely expedient, but vital to the industry on a whole.

(b) DRYING MACHINES.

Recent experiments show that the cost of artificial drying is less than that of sun-drying, and further is the means of obtaining a premium of Sh.20/- per ton for the fibre. Every estate which may find it necessary to be equipped with artificial drying machines should consider this.

(c) SISAL PRESSES.

In recent years there has been a considerable improvement in the construction of Sisal Presses on the Continent, with the result that with up-to-date machines, much greater density is produced than was achieved, with a saving in ocean freight of Sh.20/- per ton weight. It is however, only in the last year or two that a suitable British Press has been on the market.

Whilst the high density press has been obtainable in the past from the Continental source, it is only now that the whole range can be obtained from British Manufacturers, and the principal item - the Decorticator - is only just being put on the market. The cost of the complete line of new machinery required for ...

for efficient working is estimated as follows:-

2 Mangnall decorticators @ £2,000 each	... £4,000.
1 Drying Machine £3,000.
1 Heavy duty press £1,500.
	<u>£8,500.</u>

2. ESTIMATE OF THE PROBABEL SAVING CONSEQUENT UPON THE INSTALLATION OF THE ABOVE MACHINERY.

Reference to the appendix attached to this memorandum will show that a good and well organised small estate, capable of producing 1000 tons fibre per annum, is able to land the fibre in London at an all in cost of £17.17.0 per ton at the present time. This figure is increased to £27.4.0, £16.13.0 and £16.10.0 as the output is increased to 1,200, 1,500 and 2,000 tons respectively. The appendix also shows that if this machinery is installed these prices become respectively £12.10, £11.17.0, £11.8.0, and £10.18.0.

It can readily be appreciated that these savings represent such a substantial proportion of the total cost, that it would be most vital for every economic estate to be in a position to install the machinery referred to. Furthermore, it is important that this country should be first to take advantage of such savings, placing it in a position to meet competition from other Small Estate holders for some years to come, and placing the fibre industry as a whole in a position to compete successfully with any other type of fibre.

Savings £5.10
 £5.7
 £5.5
 £5.12

3. FINANCIAL ASSISTANCE GOVERNMENT FINANCE.

It is clear that the Industry requires a comprehensive scheme of finance which is available for every economic estate. It is not possible to consider the possibility of one or two estates obtaining finance from private sources, as the needs of the industry as a whole, require that the necessary assistance is provided for the majority of estates from public sources. The following reasons:-

- 1. The individual estate to instal machinery is a substantial.
- 2. The machinery with an initial cost of £2,000 to £3,000 per machine, and the heavy duty press that would be necessary, is a substantial investment.
- 3. The majority of estates are unable to sell their fibre immediately, but are forced to store it over a number of years. They are therefore unable to consider the sale of their fibre to the market in consideration of such agents putting forward ...

for efficient working is estimated as follows:-

2 Mangnall decorticators @ £2,000 each	£4,000.
1 Drying Machine	£3,000.
1 Heavy duty press	£1,500.
	<u>£8,500.</u>

2. ESTIMATE OF THE PROBABLE SAVINGS OBTAINABLE FROM THE INSTALLATION OF THE NEW MACHINERY.

Reference to the appendix attached to this memorandum will show that a good and well organised Sisal Estate, capable of producing 100 tons fibre per annum, is able to land the fibre in London at an all in cost of £17.17.0 per ton at the present time. This figure is decreased to £17.4.0, £16.11.0 and £16.10.0 as the Output is increased to 1,200, 1,500 and 2,000 tons respectively. The appendix also shows that if this range of machinery is installed these prices become respectively £12.7.0, £11.17.0, £11.6.0, and £10.18.0.

It can readily be appreciated that these savings represent such a substantial proportion of the total cost, that it will become vital for every economic estate to be in a position to instal the machines referred to. Furthermore, it is important that this country should be first in the field to take advantage of such savings, placing it in a position to meet competition from other Sisal producing countries for some years to come, and placing the Sisal industry as a whole in a position to compete successfully with any other type of fibre.

3. REASONS FOR REQUESTING GOVERNMENT FINANCE.

It is clear that the Industry requires a comprehensive scheme of finance which is available for every economic estate, so that even admitting the availability of one or two estates obtaining accommodation from private sources, this would not fulfil the needs of the industry as a whole. It is however considered that the necessary assistance is not available for the large majority of estates from private sources for the following reasons:-

- (a) The cost required by an economic estate to instal the complete range, is far in excess of the available funds.
- (b) The Banks are in general either unwilling or unable to provide further finance for the industry, especially on the long term basis that would be necessary.
- (c) The majority of estates are indebted to selling Agents through whom they are pledged to sell their fibre. Such commitments represent not only current advances, but capital loans repayable over a number of years. They are therefore unable to transfer the sale of their fibre to other agents in consideration of such agents putting forward

forward the necessary finance, and the agents to whom they are at present committed, are in most cases, either unwilling or unable to provide further credit, considering themselves already sufficiently committed. No merchant firm will advance money without the collateral advantage of selling the fibre.

(d) Even supposing that some estates could obtain the funds from private sources, the rate of repayment required would be rapid, so rapid in fact as possibly to endanger the maintenance of a proper rotation of planting, which is essential as a condition of this scheme (See para. 5(b)), and in any case this would not bring assistance to the industry as a whole.

(e) It is an undoubted fact that existing mortgagees or debenture holders would be more ready to stand aside and allow Government to register a charge in front of their own, than they would be in the case of some other private credit institution.

For these reasons the industry believes that the requisite finance can only be obtained through Government sources.

4. AMOUNT REQUIRED.

Until the conditions of security etc., satisfactory to Government are known, it is not possible to give any definite figure for the amount of money required, more particularly as it is considered essential that the period during which applications for advances may be made, should be left open for several years.

It is however suggested that provisional application should be made to the National Development Fund for the sum of £100,000 and that a definite figure should be furnished at a later date.

12 plants

5. CONDITIONS WHICH MUST BE FULFILLED TO BE ELIGIBLE FOR ASSISTANCE.

(a) Economic unit.

It will be seen from the figures in the appendix that a considerable proportion of the costs of production (74.2%) is a fixed amount per acre of land, irrespective of the quantity produced, whilst a further proportion (11.2%) only varies slightly with increased production, and only a small percentage (14.6%) varies directly with the output. These figures refer to larger production through increase in the size of the estates, and not to the separate issue of higher fibre extraction from a given quantity of leaf. For this reason an economic estate is not so large as might be expected, and with the new machines, the estimated difference in cost between an estate producing 1850 tons of fibre per annum, and one producing 2500 tons is under 30/- per ton.

Since the less to be eligible for application, an estate should ...

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It is however suggested that a ~~first~~ application should be made to the Colonial Development Fund for the sum of £100,000 and that a more definite figure should be furnished at a later date.

12 plants

5. OTHER CONDITIONS AN ESTATE MUST FULFIL TO BE ELIGIBLE FOR APPLICATION.

(a) Economic unit.

It will be noted from the figures in the appendix that a considerable proportion of the cost of production (74.2%) is a fixed amount per ton of fibre, irrespective of the quantity produced, whilst a further proportion (11.2%) only varies partly with increased production, and only a small remainder (14.6%) varies directly with the output. These figures refer to larger production through increase in the size of the estates, and not to the separate issue of higher fibre extraction from a given quantity of leaf. For this reason an economic estate is not so large as might be expected, and with the new machines the estimated difference in cost between an estate producing 1250 tons of fibre per annum, and one producing 2500 tons is under 30/- per ton.

Hence the less to be eligible for application, an estate should ...

should be capable of producing such a tonnage as will make it an economic unit, and it is suggested that an estate, which will be capable with the new machinery of producing 1250 tons per annum be taken as the minimum, and that such an estate should be eligible to receive assistance to purchase not two decorticators. The figure of 1250 tons is taken as representing a full output for one decorticator.

To be eligible for the purchase of two decorticators an estate should be capable, with the new machinery, of producing not less than 1500 tons of sisal per annum, it being estimated that an additional 250 tons makes it worth while purchasing an extra high extraction decorticator, rather than using the old type of decorticator to extract any larger proportion of the fibre produced in excess of the amount that one new decorticator can handle.

(b) Maintenance of rotation.

Clearly, if an estate is to remain an economic unit, the rotation of planting must be maintained. It is considered that the maintenance of such rotation of planting can be readily financed by the accommodation which is already granted to estates by the Banks and merchant selling houses. It is, however, considered advisable to point out that owing to difficulties in the past year or two, some estates may be behind hand with their planting rotation, and it is therefore recommended that an estate should be eligible for assistance which can show that within two years from the date of application, it will be working on a regular development programme with a regular monthly production.

(c) COST OF PRODUCTION.

Any estate making application should be able to prove that its production to produce fibre at reasonable cost.

8. CONDITIONS GOVERNING

(a) Security.

In view of the difficulty at the present time with fluctuating prices, in assessing the value of a sisal estate, it is recommended that an estate should be valued at twenty times its average annual production, in £ sterling, that is to say, that an estate which will be capable, after the installation of a new decorticator, of producing regularly 1250 tons of sisal per annum should be valued at £25,000 and it will be found that this is a low valuation in relation to the amount of money which has been sunk in the development of the estate, and represents the low value of estates of this size in the market.

For security purposes it is reasonable to advance only 50% of this valuation, and it is therefore recommended that Government should guarantee the second charge in cases where

should be capable of producing such a tonnage as will make it an economic unit, and it is suggested that an estate which will be capable with the new machinery of producing 1250 tons per annum be taken as the minimum, and that such an estate should be eligible to receive assistance to purchase only one and not two decorticators. The figure of 1250 tons is taken as the minimum output for one decorticator.

To be eligible for the purchase of two decorticators an estate should be capable, with the new machinery, of producing not less than 1500 tons of sisal per annum, it being estimated that an additional 250 tons makes it worth while purchasing an extra high extraction decorticator, rather than using the old type of decorticator to extract any larger proportion of the fibre produced in excess of the amount that one new decorticator can handle.

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(c) COST OF PRODUCTION.

Any estate desiring assistance should be able to prove that it is in a position to meet its costs at a reasonable cost.

6. CONDITIONS GOVERNING LOANS.

(a) Security.

In view of the difficulties at the present time with fluctuating prices, of sisal, the value of a sisal estate, it is recommended that an estate should be valued at twenty times its average annual production, in sterling, that is to say, that an estate which will be capable, after the installation of a new decorticator, of producing regularly 1250 tons of sisal per annum, should be valued at £25,000, and it will be found that this is a low valuation in relation to the amount of money which has been sunk in the development of the estate, and especially in the case of estates of only one or two decorticators.

For security purposes it is reasonable to advance up to 50% of this valuation, and it is therefore recommended that Government should be content with this as security for loans.

where the amount will be repaid by the borrower in an advance together with an existing mortgage, provided that it does not exceed 50% of the valuation of the property. If the advance is for more than 50% of the valuation, there are no existing charges, and the borrower is to register a first mortgage.

Should the borrower be unable to meet all or part of their requirements on these conditions, the administration should thus otherwise decide their loans should only be made to them providing the existing mortgage or debenture holders agree that such loans from Government shall rank prior to their security.

(b) Insurance.

It should be a condition of any advance made that the fibre produced should be insured from the time of entering the drying sheds until sold and delivered, and also that the buildings and machinery on the estate should be adequately insured.

(c) Interest.

It is recommended that interest should be charged to Growers at the rate charged to Government by the Colonial Development Fund (it being assumed that the rate would not exceed 4% p.a.) with the proviso that interest should only be charged from the date when the machinery is ready for use on the estate provided that the first payment is made, whichever shall be the first.

(d) Repayment.

The old types of machinery have a life span and used for periods ranging from 10 to 25 years, and the new type of decorticator involves less wear and tear. It is considered therefore that a minimum life of the machine to be installed may be set at a period of 15 years. It is consequently recommended that repayment should be made over a period of 15 years on an interest and sinking fund basis. The combined arrangement in respect of interest (4% p.a.) and amortisation (over 15 years) will be 9% per annum. Government should at its discretion, be able to assist with the repayment, should the price of sisal rise to any considerable extent.

(e) Installation of full range of machinery.

Should the administrators of the Loan consider it essential for the economic working of any estate, they should be in a position to insist on the estate who applies for an advance, installing the complete range of new machinery, but it is recommended that this power should be a discretionary one, and to be used when necessary, and not definitely insisted.

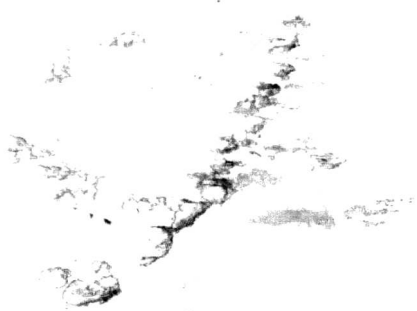
(f) It should be a condition of any advance made that the machinery, shipping and materials shall be British.

7. ADMINISTRATION.

It is recommended that a committee consisting of the Treasurer, or his deputy, as Chairman, the Director of Agriculture, or his deputy, the Chairman of the Kenya Sisal Growers' Association, or his deputy, and the Secretary of the Kenya Sisal Growers' Association be appointed to investigate applications made, and to advise Government whether such applications should be accepted, and if so to what extent.

It is recommended that monies advanced by Government shall be advanced by voucher on actual expenditure incurred, and shall be advanced against:-

- (a) Purchase of machinery as approved, and of standard type.
- (b) Shipping and railrage charges.
- (c) Erection costs, including materials, labour etc.



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KENYA SISAL GROWERS' ASSOCIATION.

APPENDIX I.

COSTS OF PRODUCTION.

The attached schedules show the cost of production at today's prices on a good average sisal estate, turning out 1,000 tons a year or 84 tons per month, the estate operating on the present type sisal machinery (Table A).

Table B. also shows what are likely to be the costs on such an estate should it be able to increase its production to 1,200 or 1,500 or 2,000 tons per annum, with a regular monthly output and present machinery. The figures underlined show what costs such an estate would be likely to obtain provided it is changed over and equipped with Mangnall decorticators, heavy duty Press and drying machinery - remembering that for the same amount of leaf, the amount of fibre obtained would be considerably increased. It is considered that on the average 20 to 30% of the fibre available is lost with the present decorticators, and for purposes of working out the figures underlined, it is assumed that 25% more fibre will be baled with the new type decorticator than is today. It is to be remembered that while the figures given are those for a good average sisal estate; yet there are certain estates that produce at lower costs than these, while items vary with different estates such as, for instance, cost of power per ton, which may vary from Sh.10/0 to Sh.30/- on good estates.

Referring to the Tables:-

(a) The costs given in the first schedule marked (a) are those which do not vary per ton output, however the output is increased, with a given type of machinery. With the new machinery, which will produce 25% more fibre from a given amount of leaf, the costs will decrease 20%, with the exception of the item marked X. Referring to these, factory working costs will increase a small amount as all costs of brushing, etc. are fixed per ton of fibre produced. Repairs, on the other hand, will decrease considerably more since the new machine is likely to be much cheaper under this heading. Power also will decrease very much, since the new machine is likely to require only about half the power used by the old machines per given number of leaves. Transport of sisal, however, is a direct fixed charge per ton of fibre produced. It is necessary to remember these four items when working out schedule (a) for the new machine.

The items in schedule (b) vary inversely as the output of sisal, both as regards increased out-put for the old type of machinery and increased out-put when the new machinery is installed. The same remarks apply to the item marked (b) covering over-heads. The item depreciation marked (c) on the other hand, does not vary inversely, as the increased out-put using the old type of machinery since more machinery is required for a greater production. It varies on the estimate approximately half way between full inverse variation ...

KENYA SISAL GROWERS' ASSOCIATION.

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Referring to the Tables:

(a) The costs given in the first schedule marked (a) are those which do not vary per ton output, however the output is increased, with a given type of machinery. With the new machinery which will produce 25% more fibre from a given amount of leaf, most of these costs will decrease 20%, with the exception of the items marked X. According to these, factory working will only decrease a small amount as all costs of brushing and baling are fairly constant as all produced. Repairs on the other hand, will increase considerably more since the Mangnall machine is likely to be much cheaper under this heading. Power costs will decrease very much, since the Mangnall machine is likely to require only about half the power cost of the old machinery per given number of leaves. Transport of sisal, however, is a direct fixed charge per ton of fibre produced. It is necessary to remember these four items when working out schedule (a) for the new machine.

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variation and no variation. This item, however, varies inversely as the increased out-put, when the question of new machinery is considered, since the depreciation is not greater to obtain the increased amount of fibre per leaf.

The first of the items marked (d) namely "Development Redemption", does not vary inversely with out-put, provided the same type of machinery is employed, but with the change-over to the new decorticator this item, which is shown now as being Sh. 48/- per ton, will become 48/- per ton. However, new methods of cultivation were introduced about 2 years ago which, when their full effects are felt, will halve this figure. The figure of Sh.24/- per ton is therefore shown in the underlined column.

The other item marked (d) is that of costs to London, which are here shown on the basis of baling to 80 cubic feet to the ton. The new heavy duty type of press should reduce this measurement to 55 c.f. to the ton, or a saving of Sh. 25/- per ton in shipping and port handling charges. However, only a saving of Sh.22/50 is shown in the underlined column.

Finally it has been shown that artificial drying, while no more expensive, has led to an increase in the value of fibre produced amounting to Sh.10/- to Sh.20/- per ton. Taking the figure at Sh.10/- this is the equivalent of a further saving of the same amount. It will thus be seen that whilst costs to-day on a 1,000 ton estate are about £17,17-6, they should come down to £12,7-6, should the whole range of new machinery be installed.

In working out these costs, today's prices of wages, salaries and foodstuffs have been used. On the other hand, it is expected that a large increase in leaves per acre will be obtained by the new methods of cultivation, which should decrease working costs considerably. This hidden reserve can be used to off-set any reasonable increases in the 3 items mentioned above.

I consider all figures given are conservative and well on the safe side for an organised Estate.

Table B. shows the cost of old and new machinery for 1,000 ton estate, and the savings likely to be realised, should such estate increase its production by 20, 50 and 100%.

(Signed) M. MARVELL,
Chairman,
Kenya Sisal Growers'
Association.

20.2.34.

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The first of the items marked (d) namely "Development Redemption", does not vary inversely with out-put, provided the same type of machinery is employed, but with the change-over to the new decorticator this item, which is shown now as being Sh.60/- per ton, will become 48/- per ton. However, new methods of cultivation were introduced about 2 years ago which, when their full effects are felt, will halve this figure. The figure of Sh.24/- per ton is therefore shown in the underlined column.

The other item marked (d) is that of costs to London, which are here shown on the basis of baling to 80 cubic feet to the ton. The new heavy duty type of press should reduce this measurement to 55 c.f. to the ton, or a saving of Sh. 25/- per ton in shipping and port handling charges. However, only a saving of Sh.22/50 is shown in the underlined column.

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In working out these costs, today's prices of wages, salaries and foodstuffs have been used. On the other hand, it is expected that a large increase in leaves per acre will be obtained by the new methods of cultivation, which should decrease working costs considerably. This hidden reserve can be used to off-set any reasonable increases in the 3 items mentioned above.

I consider all figures given are conservative and well on the safe side for any well organized estate.

Table B. shows the cost of old and new machinery for 1,000 ton estate, and the costs likely to be realized, should such costs increase if a percentage of 20, 50 and 100%.

(Signed) _____
Chairman,
Cane Growers' Association.

20.2.34.

COST OF SIAL PRODUCTION.

Figures Not underlined = Present type Machinery.
 Figures Underlined = New type decorative press and drying machinery.

Items.	1000 Tons a year (Siala)	
	1000 Tons.	1250 Tons.
Moving Rails	3/-	<u>3.40.</u>
Trucking	4/50	<u>3.60.</u>
Cutting	14/-	<u>11.20.</u>
Factory working	15/-	x <u>13.50.</u>
Repairs	15/-	x <u>11.50.</u>
Power	21/-	<u>8.00.</u>
Oils	1/-	<u>.80.</u>
Sisal Transport & Hand- ling	4/50	x <u>4.50.</u>
Labour Excs.	1/50	<u>1.20.</u>
Recruiting	5/-	<u>4.00.</u>
	<u>84/50 (a)</u>	<u>61.70.</u>
Motor Excs.	5/-	<u>3.10.</u>
Salaries & Bonus	10/-	<u>6.00.</u>
M & S.		<u>20.</u>
Clearing Agent	2/50	<u>40.</u>
Stationery	2/50	<u>40.</u>
	<u>25/50 (b)</u>	<u>20.40.</u>
		<u>82.10.</u>
Overheads as General and Directors, red. Leave Pay and Bonus		<u>21.60.</u>
Depreciation		<u>32.00.</u>
Department redemption	60/-	<u>24.00.</u>
	<u>27/-</u>	<u>77.60.</u>
	<u>237/-</u>	<u>159.70.</u>
Cost of Sial	123/- (c)	<u>31.50.</u>
Total sial ...	<u>357/-</u>	<u>257.80.</u>
or	1237/10	<u>1237.2</u>

Increased value of
 machines dried
 fibre at 10/- a ton say

£12.7.2.

TABLE B. SISAL - Cost per ton and Variation with volume of output.
 Figures not underlined refer to old type machinery.
 " underlined " " new

Tons.	1,000	<u>1,250</u>	1,800	<u>1,500</u>	1,500	<u>1,875</u>	2,000	<u>2,500</u>
(a) Costs not varying with Output.	Shs.			Shs.	Shs.	Shs.	Shs.	Shs.
Portion of Estate Costs... Development Redemption	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>
Cost to London...	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>
Total of (a)	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>
(b) Costs varying with Output.								
Portion of Estate Costs ...	25.50	<u>20.40</u>	21.25	<u>17.--</u>	17.--	<u>13.60</u>	12.75	<u>10.80</u>
Overheads	27 --	<u>21.60</u>	22.50	<u>18.--</u>	18.--	<u>14.40</u>	13.50	<u>10.80</u>
Depreciation ...	40.--	<u>36.--</u>	36.--	<u>33.50</u>	33.50	<u>26.80</u>	30.--	<u>24.--</u>
Total of (b)	93.--	<u>74.--</u>	79.75	<u>68.50</u>	68.50	<u>54.80</u>	56.25	<u>45.--</u>
Total Costs.	217.17	<u>171.50</u>	200.25	<u>166.00</u>	188.50	<u>152.30</u>	176.75	<u>142.50</u>
Less Sh.10/- extra value of machinery dried fibre equipment to Sh.10/- reduction in cost		<u>27.50</u>		<u>21.17</u>		<u>21.80</u>		<u>10.28</u>

TABLE B. SISAL - Cost per ton and Variation with volume of output.
 Figures not underlined refer to 600 type machinery.
 " underlined " " new

Tons.	1,000	<u>1,250</u>	1,800	<u>1,500</u>	1,500	<u>1,875</u>	2,000	<u>2,500</u>
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
(a) Costs not varying with Output.								
Portion of Estate Costs... Development Redemption	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>
Cost to London...	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>
Total of (a)	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>
(b) Costs varying with Output.								
Portion of Estate Costs ...	25.50	<u>20.40</u>	21.25	<u>17.--</u>	17.--	<u>13.60</u>	12.75	<u>10.80</u>
Overheads	27.--	<u>21.60</u>	22.50	<u>18.--</u>	18.--	<u>14.40</u>	13.50	<u>10.80</u>
Depreciation ...	40.--	<u>32.--</u>	36.--	<u>30.80</u>	33.50	<u>30.80</u>	30.--	<u>24.--</u>
Total of (b)	92.50	<u>74.--</u>	79.25	<u>63.80</u>	68.50	<u>58.80</u>	56.25	<u>45.--</u>
Total Costs.	357.--	<u>267.20</u>	314.25	<u>247.--</u>	332.50	<u>248.--</u>	320.75	<u>228.20</u>
	£17.17.	<u>£12.17.2</u>	£17.47.3	<u>£12.17.</u>	£15.50	<u>£12.17.</u>	£16.0.9.	<u>£11.8.2</u>
Less Sh.10/- extra value of machine-dried fibre equivalent to Sh.10/- reduction in cost.		<u>£12.7.2.</u>		<u>£1.17.</u>		<u>£11.8.-</u>		<u>£10.18.2</u>

NOTES OF A MEETING HELD AT THE SECRETARIAT
AT 12 NOON ON SATURDAY 7TH APRIL
1954.

PRESENT:

The Hon. Colonial Secretary, Chairman.
The Hon. Ag. Treasurer.
The Hon. Director of Agriculture.
H.M. Trade Commissioner.
Colonel Maxwell, Chairman Kenya Sisal Growers'
Association.
Mr. G. S. Hunter, Secretary, Kenya Sisal Growers'
Association.
Mr. J. S. Wilkinson, Sigsby and Co., Ltd.,
Mr. A. L. Gladwell, Gailley and Roberts, Ltd.,
Mr. R. N. Anderson, Mitchell Cotts and Co., Ltd.,

THE COLONIAL SECRETARY explained that before proceeding further with consideration of the scheme submitted by the Kenya Sisal Growers' Association for assistance from the Colonial Development Fund the Government wished to have some indication as to how far the finance required to enable growers to purchase and instal the new machinery could or would in the normal course be provided by private commercial houses. In other words it was desired to know how far Government assistance as proposed by the Association would constitute competition with private enterprise. He read paragraph 4 of the Association's memorandum.

Mr. WILKINSON said that the policy of the firm which he represented was to be against the locking up of capital as long as possible. They were not a mortgage company and would not normally go beyond anticipatory advances on produce. Their activities extended to other industries as well as sisal and as much proportion of capital could not be locked up in any one crop. By long term means in this Colony he meant loans for up to fifteen years.

Mr. GLADWELL said that three completed schemes

machines were expected to arrive in the middle of May, one for Taveta, one for Eldoret and one for Uganda. Two of these were for new estates and the purchase of the third was being financed privately. Mr. Maginnell would be arriving in Kenya about the middle of June. He thought that he could say definitely that no finance for the purchasing and installation of these machines would be available from his Company. He agreed with paragraph 3 of the Sical Growers Association's memorandum and with the views expressed by Mr. Wilkinson. The case of new and unencumbered estates was perhaps different.

THE COLONIAL SECRETARY suggested that if a first mortgage were required under the Government scheme the number of estates eligible might be small and at the same time they would be the estates to which private finance might be available.

THE AG. TREASURER said that the Association's opinion was that the industry would get more favourable terms if it could get from private lenders since the Government would not make any profit on the money.

Mr. [Name] said that in his opinion the Government scheme was a valuable one and was in the lines proposed by the Association. It was not part of the normal activities of merchant houses such as they represented to look their money up in this way. There might be a valuable amount of cooperation between the commercial houses and the Government on similar lines to that arranged for coffee growing in relation to the East Africa Loan. It was to be hoped that the merchant houses might cooperate in this way.

to the lion held by them over crops to enable the Government to obtain the security it required.

M.M. THANE COMMISSIONER asked why the capital investment should not be treated on a higher purchase basis. It was not clear why a fifteen years repayment period was required unless it was because uneconomic estates were to be brought in. If new coffee machinery were introduced might not coffee growers make a similar request.

COLONEL HANWELL said that it was essential that estates should be enabled to maintain production. It was part of the scheme that the Committee administering it should be satisfied that any particular estate was an economic unit. As regards the installation of artificial drivers he emphasized that drivers and presses were part and parcel of the scheme but that certain estates might not want to instal them. The proposal was that the Committee would have power to insist that the machinery be installed. Artificial drying represented a premium of Sh.10/- to Sh.15 per ton since the use of sun drying were avoided and handling charges reduced.

MR. THANE COMMISSIONER asked whether problems were envisaged in using the new desiccators which had not yet been tested in commercial operations.

COLONEL HANWELL said that most estates would probably wish to obtain experience of commercial

... ..
... ..
... ..
... ..
... ..

THE COLONIAL SECRETARY mentioned the question of over-production . If the very large increase of out-put that had been mentioned in connection with the machinery materialize might not the industry be confronted with proposals for restriction.

COLONEL MAXWELL said that in his view sisal fibre would find more and more uses. That was the purpose of Mr. Barker's work in London. The lower cost of production made possible by the new machinery would enable sisal to cut out manila. He estimated that with the new machinery production would be increased 25 or 25%. It would thus become a vital necessity to the survival of an estate.

BY AIR MAIL.

Colonial Secretary
New Guinea
10th March 1944

Dear Flood,

Thank you for your letter of the 1st inst. regarding the subject of sisal machinery. I would like to express my greatest assistance to us in considering the question of an application to the Colonial Development Advisory Committee.

It will perhaps assist you to know how we have handled the matter at home and in London. Since the Secretary of State's departure, the Sisal Growers' Association have forwarded to Government a full memorandum, a copy of which is enclosed. It was considered in a preliminary way by Executive Council but the Government, before being committed to backing the application, have instructed me to see representatives of one or two of the leading commercial houses here, since it has been suggested that if the machinery is going to do all that it claims for the industry it would not be unreasonable to expect them to finance themselves and obtain the necessary finance with the usual Government Assistance. Assuming, however, that the Government are prepared that only one or two of the estates would be able to obtain finance in this way, and that there is therefore a case, as stated in the memorandum, for Government assistance to the industry as a whole, we are asking the Sisal Growers' Association for more information as to the number of estates which would require assistance on the understanding that an output of 1,250 tons should be regarded as constituting a normal economic unit, and that in normal circumstances such units would require a First Mortgage as security for the loan. As soon as these points have been cleared up the matter will be further considered in Executive Council, but it seems not unlikely that if we insist on a First Mortgage in every case, which the Treasurer considers we normally

This is what the C.D.A. might be expected to argue.

should, the scheme may break down on the question of security.

From what I have written you will see that we assume locally that the proposals will require further examination and therefore there may be some delay in forwarding an application if eventually a case ~~is~~ out. It seems as well to mention this at once, because the Secretary of State may perhaps be wondering why the application is not coming forward by an early air mail.

Yours sincerely,

Am. Wilson

J. E. W. FLOOD, ESQ., C.M.G.,
COLONIAL OFFICE,
DOWNING STREET, S.W.1.
L O N D O N.

KENYA SISAL GROWERS' ASSOCIATION.

SCHEME FOR FINANCING THE SISAL INDUSTRY TO ENABLE
ESTATES TO BE RE-EQUIPPED WITH UP-TO-DATE
MACHINERY.

1. NOTE ON THE DEVELOPMENT OF THE INDUSTRY.

During the past few years the Sisal Industry has been through a period of adversity, prices having dropped from the neighbourhood of £40 per ton, to as low as £12 per ton, with a recent revival to an average of £16 per ton. This has resulted in the depletion of the reserves of Companies and individuals engaged in the industry, but it has also resulted in more persistent experiment in producing superior machinery for the more economical production of fibre. These experiments cover the three major operations of decortication, drying and pressing, on which the following explanatory notes are offered.

(a) DECORTICATION.

The decortication of Sisal has hitherto been crudely performed in relation to mechanical efficiency in other industries. Any progress in the methods of decortication is therefore of paramount importance to the industry. Recent experiments carried on at Longonot Estate, Naivasha, with the assistance of the Colonial Development Fund, have proved successful, and with the latest machinery, 25% better fibre extraction can be expected. In such circumstances it is obvious that the installation of this new decorticator becomes not merely expedient, but vital to the industry on a whole.

(b) DRYING MACHINERY.

Recent experiments show that the cost of artificial drying is less than that of natural drying. Further is the saving of obtaining a premium of Sh.20/- per ton for the fibre, every estate will find it necessary to be equipped with artificial drying machinery.

(c) PRESSING.

In recent years there has been a considerable improvement in the construction of presses. The result that with the use of the new presses, much greater density in pressing can be achieved, with a saving in cost. Freight of 1/2 ton per ton weight. It is however, only in the last year or two that a suitable British Press has been on the market.

Whilst the high density press has been obtainable in the past from the Continent, it is only now that the same type can be obtained from British Manufacturers. The principal item - the Decorticator - is only just being put on the market.

The cost of the complete line of new machinery required

for efficient working is estimated as follows:-

2 Mangnall machines @ £12,000 each	£24,000.
1 Drying Machine	£3,000.
1 Heavy duty press	£1,500.
	<u>£28,500.</u>

2. ESTIMATE OF THE PROBABLE SAVINGS DERIVED FROM THE INSTALLATION OF THE NEW MACHINERY.

Reference to the Appendix attached to this memorandum will show that a good and well organised Sisal Estate, capable of producing 1000 tons fibre per annum, is able to land the fibre in London at an all in cost of £17.17.0 per ton at the present time. This figure is decreased to £17.4.0, £16.11.0 and £16.10.0 as the Output is increased to 1,500, 2,500 and 2,000 tons respectively. The appendix also shows that if this range of machinery is installed these prices become respectively £12.7.0, £11.17.0, £11.8.0, and £10.18.0.

It can readily be appreciated that these savings represent such a substantial proportion of the total cost, that it will become vital for every economic estate to be in a position to instal the machines referred to. Furthermore, it is important that this country should be first in the field to take advantage of such savings, placing it in a position to meet competition from other Sisal producing countries for some years to come, and placing the Sisal industry as a whole in a position to compete successfully with any other type of fibre.

3. REASONS FOR REQUESTING GOVERNMENT FINANCE.

It is clear that the Industry requires a comprehensive scheme of finance which is available for every economic estate, so that even admitting the possibility of one or two estates obtaining accommodation from private sources, this would not fulfil the needs of the industry as a whole. It is however considered that the Government assistance is not available for the large majority of estates from private sources for the following reasons:-

(a) The sum required by any individual estate to instal the complete range, is fairly substantial.

(b) The Banks are in most cases, either unwilling or unable to provide further finance for the industry, especially on the long term basis that would be necessary.

(c) The majority of estates are indebted to Selling Agents through whom they are pledged to sell their fibres. Such commitments represent not only a heavy burden, but capital loans repayable over a number of years. They are therefore unable to transfer the sale of their fibre to other agents in consideration of such agents putting forward

forward the necessary finance, and the agents to whom they are at present committed, and in most cases, either unwilling or unable to provide further credit, considering themselves already sufficiently committed. No merchant firm will advance money without the collateral advantage of selling the fibre.

(d) Even presupposing that some estates could obtain the funds from private sources, the rate of repayment required would be rapid, so rapid in fact as possibly to endanger the maintenance of a proper reserve for marketing, which is essential as a condition of ~~the~~ para. 5(b)), and in any case this would not bring assistance to the industry as a whole.

(e) It is an undoubted fact that existing mortgagees or debenture holders would be more ready to stand aside and allow Government to register a charge in front of their own, than they would be in the case of some other private credit institution.

For these reasons the industry believes that the requisite finance can only be obtained through Government sources.

4. AMOUNT REQUIRED.

Until the conditions of security etc, satisfactory to Government are known, it is not possible to give any definite figure for the amount of money required, more particularly as it is considered essential that the period during which applications for advances may be made, should be left open for several years.

It is however suggested that provisional application should be made to the Colonial Development Fund for the sum of £100,000 and that a more definite figure should be furnished at a later date.

5. CONDITIONS AN ESTATE MUST FULFIL TO BE ELIGIBLE FOR APPLICATION.

(a) Economic unit.

It will be noted from the figures in the appendix that a considerable proportion of the costs of production (74.2%) is a fixed amount per ton of final, i.e. the quantity produced, whereas a further proportion (25%) only varies partly with increased production. A small remainder (14.6%) varies directly with the yield. These figures refer to larger plantations, and are based on the size of the estates, and not to the separate issue of higher fibre extraction from a given quantity of leaf. For this reason an economic estate is not so large as might be expected, and with the above figures, the estimated difference in cost between an estate producing 1250 tons of fibre per annum, and one producing 2000 tons is under 30/- per ton.

Hence the less to be eligible for application, an estate should ...

should be capable of producing such a tonnage as will make it an economic unit, and it is suggested that an estate, which will be capable with the new machinery of producing 1250 tons per annum be taken as the minimum, and that such an estate should be eligible to receive assistance to purchase only one and not two decorticators. The figure of 1250 tons is taken as representing a full output for one decorticator.

To be eligible for the purchase of two decorticators an estate should be capable, with the new machinery, of producing not less than 1500 tons of sisal per annum, it being estimated that an additional 250 tons makes it worth while purchasing an extra high extraction decorticator, rather than using the old type of decorticator to extract any larger proportion of the fibre produced in excess of the amount that one new decorticator can handle.

(b) Maintenance of rotation.

Clearly, if an estate is to remain an economic unit, the rotation of planting must be maintained. It is considered that the maintenance of such rotation of planting can be readily financed by the accommodation which is already granted to estates by the Banks and merchant selling houses. It is, however, considered advisable to point out that owing to difficulties in the past year or two, some estates may be behind hand with their planting rotation, and it is therefore recommended that an estate should be eligible for assistance which can show that within two years from the date of application, it will be working on a regular development rotation, and with a regular monthly production.

(c) COST OF PRODUCTION.

Any estate desirous of making application should be able to prove that it is in a position to produce fibre at reasonable cost.

6. CONDITIONS GOVERNING LOANS.

(a) Valuation.

In view of the difficulty at the present time with fluctuating prices, of assessing the value of a sisal estate, it is recommended that an estate should be valued at twenty times its average annual production, in a, sterling, that is to say, that an estate which will be capable, after the installation of a new decorticator, of producing regularly 1250 tons of sisal per annum, should be valued at £25,000, and it will be found that this is a low valuation in relation to the amount of money which has been sunk in the development of the estate, and represents the value on the estate of only two years production of sisal at £15 per ton.

For security purposes it is reasonable to advance up to 50% of this valuation, and it is therefore recommended that Government should be content with second charges in cases where ...

where the amount which it is proposed Government should advance together with any existing charges, does not exceed 50% of the valuation calculated as above. If there are no existing charges, Government will naturally register a first mortgage.

Should estates be unable to borrow the whole or part of their requirements on these conditions, the administration should thus otherwise decide. Loans should only be made to them providing the existing mortgagee or debenture holders agree that such loans from Government shall rank prior to their security.

(b) Insurance.

It should be a condition of any advances made that the fibre produced should be insured from the time of entering the drying sheds until sold and delivered, and also that the buildings and machinery on the estate should be adequately insured.

(c) Interest.

It is recommended that interest should be charged to Growers at the rate charged to Government by the Colonial Development Fund (it being assumed that the rate would not exceed 4% p.a.) with the proviso that interest should only be charged from the date on which the machinery is ready for use on the estate or 12 months after the first payment is made, whichever shall be the first.

(d) Repayment.

The old types of machinery have actually been used for periods ranging from 20 to 25 years, and the new type of decorticator involves less wear and tear. It is considered therefore that the minimum life of the machine to be installed may be taken at a period of 15 years. It is consequently recommended that repayment should be made over a period of 15 years on an interest and sinking fund basis. The combined annual payment in respect of interest (4% p.a.) and amortisation (over 15 years) will be 9% per annum. Government, however, should at its discretion, be able to insist on faster repayment, should the price of sisal rise to any considerable extent.

(e) Installation of full range of machinery.

Should the administrators of the loan consider it essential for the economic welfare of any estate, they should be in a position to insist on estates who applies for an advance, installing the complete range of new machinery, but it is recommended that this power should be a discretionary one, only to be used where any machinery is particularly inefficient.

(f) It should be a condition of any advances made that the machinery, shipping and materials are all British.

7. ADMINISTRATION.

It is recommended that a committee consisting of the Treasurer, or his deputy, as Chairman, the Director of Agriculture, or his deputy, the Chairman of the Kenya Sisal Growers' Association, or his deputy, and the Secretary of the Kenya Sisal Growers' Association be appointed to investigate applications made, and to advise Government whether such applications should be accepted, and if so to what extent.

It is recommended that monies advanced by Government shall be advanced by voucher on actual expenditure incurred, and shall be advanced against:-

- (a) Purchase of machinery as approved, and of standard type.
- (b) Shipping and railage charges.
- (c) Erection costs, including materials, labour etc.

KENYA SISAL PRODUCTION ASSOCIATION,

APPENDIX I.

COSTS OF PRODUCTION.

The attached schedules show the cost of production at today's date on a good average sisal estate, turning out 1,000 tons a year or 84 tons per month, the estate operating on the present type sisal machinery (Table A).

Table B. also shows what are likely to be the costs on such an estate should it be able to increase its production to 1,200 or 1,500 or 2,000 tons per annum, with a regular monthly output and present machinery. The figures underlined show what costs such an estate would be likely to obtain provided it is changed over and equipped with Mangnall decorticators, heavy duty Press and Iriving machinery - remembering that for the same amount of leaf, the amount of fibre obtained would be considerably increased. It is considered that on the average 10 to 30% of the fibre available is lost with the present decorticators, and for purposes of working out the figures underlined, it is assumed that 25% more fibre will be baled with the new type decorticator than is today. It is to be remembered that while the figures given are those for a good average sisal estate, yet there are certain estates that produce at lower costs than these, while items vary with different estates such as, for instance, cost of power per ton, which may vary from Sh.10/0 to Sh.30/- on good estates.

Referring to the Tables:-

(a) The costs given in the first schedule marked (a) are those which do not vary per ton output, however the output is increased, with a given type of machinery. With the new machinery which will produce 25% more fibre from a given amount of leaf, most of these costs will decrease 20%, with the exception of the 4 items marked X. Referring to these, factory working will only decrease a small amount as all costs of brushing and baling are fixed per ton of fibre produced. Repairs on the other hand, will decrease considerably more since the Mangnall machine is likely to be much cheaper under this heading. Power also will decrease very much, since the Mangnall machine is likely to require only about half the power used by the old machines per given number of leaves. Transport of sisal, however, is a direct fixed charge per ton of fibre produced. It is necessary to remember these four items when working out schedule (a) for the new machine.

The items in schedule (b) vary inversely as the output of sisal, both as regards increased out-put for the old type of machinery and increased out-put when the new machinery is installed. The same remarks apply to the item marked (b) covering over-heads. The item depreciation marked (c) on the other hand, does not vary inversely, as the increased out-put using the old type of machinery since more machinery is required for a greater production. It varies on the estimate approximately half way between full inverse variation ...

variation and no variation. This item, however, varies inversely as the increased out-put, when the question of new machinery is considered, since the depreciation is not greater to obtain the increased amount of fibre per leaf.

The first of the items marked (d) named "Plant Redemption", does not vary inversely with the out-put. Provided the same type of machinery is employed, but with the change-over to the new decorticator this item, which is shown now as being Sh.6/- per ton, will become 48/- per ton. However, new methods of cultivation were introduced about 2 years ago which, when their full effects are felt, will halve this figure. The figure of Sh.24/- per ton is therefore shown in the underlined column.

The other item marked (d) is that of costs to London, which are here shown on the basis of baling to 80 cubic feet to the ton. The new heavy duty type of press should reduce this measurement to 55 c.f. to the ton, or a saving of Sh. 25/- per ton in shipping and port handling charges. However, only a saving of Sh.22/50 is shown in the underlined column.

Finally it has been shown that artificial drying, while no more expensive, has led to an increase in the value of fibre produced amounting to Sh.10/- to Sh.20/- per ton. Taking the figure at Sh.10/- this is the equivalent of a further saving of the same amount. It will thus be seen that whilst costs to-day on a 1,000 ton estate are about £17.17-6, they should come down to £12.7.-d, should the whole range of new machinery be installed.

In working out these costs, today's prices of wages, salaries and foodstuffs have been used. On the other hand it is expected that a large increase in leaves per acre will be obtained by the new methods of cultivation, which should decrease working costs considerably. This hidden saving can be used to off-set any reasonable increases in the items mentioned above.

I consider all figures given are conservative on the safe side for any well organised Estate.

Table B. shows the cost of old and new machinery on a 1,000 ton estate, and the costs likely to be realised should such estate increase its production to 2,000 and 1000

(Signed) M. J. [unclear]
[unclear]
[unclear]
[unclear]

COST OF SISAL PRODUCTION.

Figures Not underlined = Present type Machinery.
 Figures Underlined = New type decorticator press and
 drying machinery.

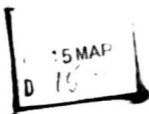
Items.	1000 Ton a year Shamba present basis.	
	1000 Tons.	1250 Tons.
	Shs.	Shs.
Moving Rails	3/-	<u>2.40.</u>
Trucking	<u>4/50</u>	<u>3.60.</u>
Cutting	14/-	<u>11.20.</u>
Factory working	15/-	x <u>13.50.</u>
Repairs	15/-	x <u>11.50.</u>
Power	21/-	<u>8.00.</u>
Oils	1/-	<u>.80.</u>
Sisal Transport & Hand- ling	<u>4/50</u>	x <u>4.50.</u>
Labour Exes.	<u>1/50</u>	<u>1.20.</u>
Recruiting	5/-	<u>4.00.</u>
	<u>84/50 (a)</u>	<u>61.70.</u>
Motor Exes.	5/-	<u>2.40.</u>
Salaries & Bonus	20/-	<u>16.00.</u>
M & S.	<u>1/50</u>	<u>1.80.</u>
Clearing Agents	<u>7/50</u>	<u>.40.</u>
Stationery	<u>7/50</u>	<u>.40.</u>
	<u>25/50 (b)</u>	<u>20.40.</u>
	<u>110/-</u>	<u>82.10.</u>
Overheads as Secretarial and Directors, rent, Leave Pay and Passage etc.	27/- (b)	<u>21.60.</u>
Depreciation	40/- (c)	<u>32.00.</u>
Development redemption	60/- (d)	<u>24.00.</u>
	<u>127/-</u>	<u>77.60.</u>
	<u>237/-</u>	<u>159.70.</u>
Cost to London	120/- (d)	<u>97.50.</u>
Total Shs.	<u>357/-</u>	<u>257.20.</u>
or £	<u>17.17.0.</u>	<u>£ 12.17.2.</u>

Increased value of
 machine dried
 fibre at 10/- a ton say

TABLE B. SISAL - Cost per ton and Variation with volume of output.
 Figures not underlined refer to old type machinery.
 " underlined " " new " "

Tons.	1,000	<u>1,250</u>	1,800	<u>1,500</u>	1,500	<u>1,875</u>	2,000	<u>2,500</u>
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
(a) Costs not varying with Output.								
Portion of Estate Costs... Development Redemption	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>	84.50	<u>61.70</u>
Cost to London...	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>	60.--	<u>24.00</u>
Total of (a)	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>	120.--	<u>97.50</u>
(b) Costs varying with Output.								
Portion of Estate Costs... Overheads Depreciation	25.50	<u>20.18</u>	21.25	<u>17.--</u>	17.--	<u>13.60</u>	12.75	<u>10.20</u>
Total of (b)	27.--	<u>21.60</u>	22.50	<u>18.--</u>	18.--	<u>14.40</u>	13.50	<u>10.98</u>
Total of (a) + (b)	40.--	<u>38.--</u>	36.--	<u>28.80</u>	35.50	<u>28.80</u>	30.--	<u>24.--</u>
Total Costs.	160.--	<u>135.50</u>	156.25	<u>126.30</u>	155.50	<u>126.30</u>	150.75	<u>121.50</u>
	210.10	212.10	217.4.3.	215.7.	216.13.	211.10	216.0.9.	214.50
Dues 25.00/- extra cost of machinery.								
Cost of fuel.								
Reduction in cost.		<u>24.7.5.</u>		<u>21.1.10.</u>		<u>21.8.-</u>		<u>210.10.2</u>

24
7
Q to for my sig.



15 March, 1934.

My dear Edwards,

Very many thanks for your letter No. 23297, 1933 of the 10th inst.

The intention of the African Standard is, as you suspected, not free from inaccuracies.

We have had a lot of work done on the subject of the Kaynall Distributor in the Office & I have added your letter to the file.

At the moment the business is still in the Colonial Development Fund sort of stage, but your suggestion that the Dept of Credits Guarantee Dept. might be brought in is an interesting one, which I think we might well pursue. No formal application has yet been received for submission to the Colonial Development Advisory Committee.

Yours ever,

(Signed) Q. L. M. CLAUSON.

Mr. Clam ^{m 14/3}

Mr. Flood 14

Mr.

Mr. Parkinson.

Mr. Tomlinson.

X Sir C. Bottomley. 15.3 f.

Sir J. Shuckburgh.

Perml. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Q to for my self

5 MAR 1933

15 March 1933

My dear Edgemoor

Very many thanks for your letter No. 23297, 1933 of the 10th inst..

The interview in the East African Standard is, as you suggested not free from inaccuracy.

We have had a lot of wisdom on the subjects of the Kaye note incorporated in the office and I have added your letter to the file.

At the moment the business is still in the Colonial Development Fund set of stage, but your suggestion that the Export Credits Guarantee Dept. might be brought in is an interesting one, which I think we might well pursue. No formal application has yet been received for submission to the Colonial Development Advisory Committee.

Yours ever,

(Signed) G. L. M. CLAUSON.

DRAFT.

J. A. P. Edgemoor Esq.
C. A. C. B. E.

RECEIVED ACTION

23892/34

658

FOREIGN OFFICE AND BOARD OF TRADE.

DEPARTMENT OF OVERSEAS TRADE,

25, OLD QUEEN STREET,

S.W.1.

TELEPHONE
WHITEHALL 9040.

23297/1933.

RE
10th March, 1934.

My dear Claumen,

One of my colleagues here has brought to my notice the issue of "The East African Standard" of the 19th February, in which an interview granted by the Secretary of State is reported.

According to that interview the Colonial Secretary intends to advocate financial measures which will help the industry to instal modern steel plant considered likely to reduce the cost of production "by three-quarters" (I am not sure whether this should be "to three-quarters" or "by three-quarters". "The East African Standard" definitely uses the word "by".)

In this connexion you may possibly be interested in the enclosed copy of letters which passed some time ago between our Trade Commissioner

Handwritten mark

9

in Nairobi and house of this Department.

Very possibly, in fact probably in view of the fact that a grant was apparently been made by the Colonial Development Fund, this correspondence will contain little information in addition to what you already possess.

If in connexion with the Secretary of State's proposals we can be of any assistance I hope you will let us know. Whether any scheme of co operation between the Colonial Development Fund and the Export Credits Guarantee Department is either desirable or possible you will probably consider at some stage.

The whole question is one in which we are naturally much interested, as there appears to be a good opening for the export of United Kingdom machinery in this connexion provided either the selling price of sisal rises or some satisfactory credit scheme can be got going - and, as well as a good opening for our exports, advantages to the planter

Yours ever,

A Edgcombe

H.M. Trade Commissioner in East Africa.

Head Office (P.O. Box 220)

Memorial Hall,

Nairobi, Kenya

No.P.54 (E.A).

1st December, 1933.

Dear House,

I do not know whether you are aware that with the assistance of a small loan from this Government and a grant from the Colonial Development Fund Messrs. The Hydraulic Engineering Co., Ltd., of Chester, have been working on a new experimental sisal decorticator at an estate in Kenya.

The experiments have apparently proved successful. The machine is reported to give some 20% more return of fibre than either the Krupp "Corona" or the Robey and to need very much smaller water supplies. In addition, it is somewhat cheaper size for size than its two competitors, or rather perhaps I should say one competitor in view of the difficulties into which Robey & Co. have fallen.

The Managing Director of the Chester firm (who by the way, as you know, manufactures a very successful press which sells well out here), Capt. A.R. Mangnall, has been in to see me this afternoon and he is leaving by tomorrow's Air Mail for London. They have taken orders for about six decorticators which they hope to have out here by about April next, when Capt. Mangnall will come out again. By that time he hopes to be in full commercial production and one of the points in which he is very interested is the financing of the sales of decorticators to other estates out here who may want credit terms, say possibly two or three years.

Personally, I think that within a measurable time the market for sisal machinery will recover considerably and, naturally, I am anxious to see this new British machine sold successfully against the Krupp, whose selling agents out here, with support from Germany, have given long credit terms, in cases not always with successful financial results.

I told Capt. Mangnall that it will be preferable for him to raise this point in London with the Export Credits Department and I suggest he should see you in the first place, primarily so that you can get out au fait with developments regarding the new decorticator.

As I said above, Capt. Mangnall leaves by tomorrow's Air Mail and will arrive in London on Saturday, the 9th. He is staying in London a few days before proceeding to Chester and he will be very grateful if you will 'phone up his London Office on Monday, the 11th inst., and fix an appointment for him to come and see you.

I attach his card on which he has written his London telephone number.

Could you in due course let me have a note telling me what transpires and also show this letter to Galsby.

Yours sincerely,

(Signed) C. Kemp.

DEPARTMENT OF EXPORTS AND TRADE

35, 35-1 Queen Street

London E.C.4.

30th December, 1948

E3297/33.

P. 42.

Dear Kemp,

Many thanks for your letter No. P.54 of the 1st December, I got in touch with Captain Mangnall immediately and he called to see me on the 19th December with Mr. Calvert, the London Manager of the firm, to discuss the matter.

Captain Mangnall's chief object was to discuss the question of Export Credit facilities. I handed each of them a set of leaflets dealing with the scheme and suggested an interview with Mr. Nixon or somebody else at Export Credits Guarantee Department.

This enterprise is at a very interesting stage. The decorticator gives 20% (in some cases 40%) more fibre from the same weight of leaves than those of their competitors, uses only half the amount of water, and is competitive in price. Krupps have supplied a number of Corona decorticators to Tanganyika on very long credit terms, and Captain Mangnall wants to meet this form of competition if possible, but cannot do so out of his own funds at the present time. He has spent £20,000 in bringing his decorticator to its present stage and he has received a grant of £500 from the Colonial Development Fund, as an earnest of the Government's interest in his production. He is now developing plans for new factory equipment etc. to produce £50,000 worth of this machinery next year; consequently he cannot afford to finance credit in East Africa.

He promised to keep me posted with events, and we can confer at any time with Mr. Calvert at their London Office.

I have shown your letter to Golsby, who has also been acquainted with what transpired at the interview.

Yours sincerely,

(Signed) C.E. House.

C. Kemp, Esq.

Head Office (P.O. Box 220),

Memorial Hall,

Nairobi, Kenya.

No.P.3 (E.A.)

24th January, 1934.

Dear House,

Thanks so much for your letter No.23297/33 (O.T.P.42) of the 30th ult. giving an account of your interview with Capt. Mangnall.

I note that in the penultimate paragraph you state that Capt. Mangnall will keep you posted, and I hope that you will pass on the information to me pending his return to East Africa, particularly in relation to the question as to whether the Export Credits Guarantee Department can give any help.

I have given that department a good bit of information about sisal in another connection, but the following may be of interest to you.

The average price of No.1 East African sisal from 1910 to 1914 was about £27 per ton c.i.f. After the war it went up to as much as £47, but in the last two years has slumped to an appalling extent. At the present time the price of No.1 is just over £16 and, if one makes allowances for the amount of lower grades in any one shipment I should say that the all-over gross return is between £14-10 and £15. The planters out here have made absolutely heroic efforts to get their costs down and again I should say that a good average cash cost right through to sale in London is in the neighbourhood of £12, possibly a few shillings under. £3 per ton has to be added for replanting, depreciation, etc. so that at the moment there is nothing in it for the planter. I know, however, that quite a number of planters, or estates, but here who are without machinery at present have expressed their intention of buying machinery when the price reaches £20 per ton. With this new decorticator, however, they will probably revise their ideas in a downward direction. One may, therefore, say that we are on the borders of a refitting, or fitting out, programme but the margin is so fine that unless sisal goes to £20 a ton some reasonable measure of credit must be given. I really do think that there is quite an opening here for the Export Credits Guarantee Department if the business is properly managed.

Yours sincerely,

(Signed) G. Kemp.

G.B.G. House, E.C.C., M.B.E.,
Department of Overseas Trade,
LONDON, S.W.1.

P.S. Since dictating this letter I have heard confidentially from the General Manager of Messrs. Gailley & Roberts, Ltd. - that a local agent - that a London financial house to the Export Credits Guarantee Department. If the details in London, I will try and get him

14
b3

EXTRACT FROM A LETTER TO SIR JOHN MAFFEY FROM THE
SECRETARY OF STATE, DATED 4th March, 1934.

I anticipated your suggestion and gave an interview to the Kenya Standard, which I enclose. 75% is wrong for sisal.

I shall send the corrected copies of my interviews in Kenya direct by air mail from Genoa if that is possible. If not, they will come to you - keep a copy and then send them on by air mail to Byrne; but don't miss a mail, as they are long overdue. They only reached me at Port Said.

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Cable Service]
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KENYA'S LOAN POSITION.

A Comment by
"The Times."

Considered Schemes.

Suggestion to Economic Development Body.

["STANDARD" CORRESPONDENT]

London, Feb. 19

The Secretary of State's announcement in the Kenya Legislative Council regarding the finances of Kenya created great interest in the City.

"The Times" in a comment says that Sir Philip Cunliffe-Lister's statement on Kenya loans will be generally welcomed in the City. The newspaper points out that the suggested loan, which was only a relief measure, might create a dangerous precedent since it would involve an increase in the deadweight of debt of Kenya, which is already large enough.

Well-considered schemes of economic development like the installation of sisal machinery with the object of reducing costs of production, would be welcome here. The people of Kenya should put such proposals before the Committee now being appointed in the Colony to consider economic development.

Sir Philip accorded an interview to the "East African Standard" on Friday afternoon and discussed at length a wide range of questions—including the financial issue—studied by him during his visit. He had no hesitation in expressing his confidence in the future of Kenya and his deep personal interest in its problems.

In Explanation.

meaning of his insistence upon the avoidance of loan proposals which are unremunerative.

"If help of this kind is to be given", he said in reference to the sisal industry, "it must be given only to sound economic enterprise. It means so far as sisal is concerned that you must have an economic unit in order to get the best results from this new discovery in machinery, and it is also essential that these debts

possible price and to attain and maintain the highest standard of quality. In carrying out this policy we are only applying in East Africa the same principles which have been used with success to help agriculture at Home through organised marketing.

"I want to say a word to the Indian Community. These proposals are not in conflict with the fundamental interests of the trader. The first interest of the trader

WILL BACK SOUND MONEY.

the East African Standard."

LATEST edition, Kemp's Engineers Year Book, 1934. Shs. 37/6, posted Shs. 39/6. Standard Stationery Stores.

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THE BBC (British Broadcasting Corporation) Handbook 1934 now on sale at the Standard Stationery Store, Nairobi. Price Shs. 2/50, posted Shs. 3/10.

VISITORS and Residents before leaving Kenya, come and see our stock of lovely Fur Coats, Stoles, and Rugs of Tanganyika Hyrax skins: Latest models in Hip length, three-quarters and full length coats. Made of Tanganyika Hyrax, grey and brown Dik Dik, Leopard and other skins, Rugs, Stoles, native curios, spears, shields, drums, Kisii ware, etc. Delightful presents for all occasions, parcel posted to any part of the world. Mrs. Jack Lucy, 1st floor, Royalty House, Government Road, P.O. Box 686, Telephone No. 2042.

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...the Secretary of State, Mr. ...
...the Governor ...
...the Minister ...
...the Prime Minister ...
...the President ...
...the Secretary of State ...
...the Governor ...
...the Minister ...
...the Prime Minister ...
...the President ...

...Su Philip promised ...
...to the East African Standard ...
...Friday afternoon and discussed ...
...at length a wide range of questions ...
...studied by him during his visit ...
...He had no hesitation in expressing ...
...his confidence in the future ...
...of Kenya and his deep personal ...
...interest in its problems.

In Explanation

The Secretary of State made an important statement in explanation of the announcement made in Council on the subject of borrowing. He said: "I am absolutely confident of the future of this country but to secure credit must at the present time mean a course of prudent financial management derogatory to Kenya's credit. It is indeed essential to the maintenance and improvement of its credit and to the use of this credit in the future that we should pursue this prudent course.

"While of course that means you cannot go to the market for large unremunerative loans, it does not mean that I am not prepared to consider and to advocate with the Treasury schemes which I believe to be genuine money-makers. I consider there is a plain distinction between the two.

A Sisal Example.

"Actually while I have been here, and since I have recovered I have seen the representatives of the sisal industry and have gone in great detail into proposals which they have placed before me. I have given instructions that detailed proposals shall be submitted. I have already written Home giving my views, and I am preparing the ground there."

The Secretary of State explained that his discussions with the Sisal Industry related to the installation of new British decorticating machinery which had been tested in Kenya for some time. This machinery is expected to enable the leaf to be used at an earlier stage in its growth to improve thereby the quality of the fibre to require much less power in processing and to reduce the cost of all processes considerably. He said that the total saving in cost of production may be anything up to 75 per cent on present figures.

Providing Finance

The Secretary of State ...
...the Government ...
...the Ministry ...
...the Finance ...
...the Treasury ...
...the Bank ...
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...the Exchange ...
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...the Stock ...
...the Exchange ...
...the Market ...
...the Economy ...

Organised Industry

If we pursue he said the sound course which we are pursuing in this country now, by common consent, with the very hopeful development of the gold field—which will take time—I look forward to this country steadily improving its position.

The Secretary of State ...
...had been the country ...
...had arrived ...
...big sporting industries ...
...coffee sisal sugar ...
...had already built up good organisations ...
...thereby to get into touch ...
...immediately with the representative ...
...of the industry concerned ...
...and to discuss their problems with ...
...men who had an intimate knowledge ...
...of the details. This led him ...
...to consider the proposal to appoint ...
...an Economic Development Committee ...
...of his own which still ...
...of the many lacked definition ...
...Furthermore the organised industries ...
...were already alive to their own ...
...problems and were taking steps ...
...to deal with them. He emphasised ...
...once more however, both in relation to the economic ...
...enquiry and to the whole range of ...
...questions facing industry that he ...
...was prepared to consider any ...
...sound business scheme on its ...
...merits, and the fact that I have

Tanganyika and Zambia

The Secretary of State ...
...the Government ...
...the Ministry ...
...the Finance ...
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...the Economy ...

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Secure value for money

Prevent waste



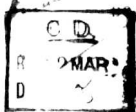
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Adjustable needle takes bucket
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C. O.

Mr. Flood 10/3
 Mr. Claman 10/3
 Mr. Stockdale 10/3
 Mr. Parkinson
 Mr. Lamson
 Sir J. Buttley 12 3 f
 Sir J. Shuckburgh
 Front U.S. of S
 Party U.S. of S
 Secretary of State



DRAFT.

H.M.V.M.

FURTHER ACTION.

V. minute

... informed the Chairman of the ...
 ... Sir Basil Blackett ...
 ... him with a copy of the notes of the
 ... interview which the Secretary of State
 ... had with the Sisal Growers' Association
 ... on the 12th of February, and with a

copy

copy of the memorandum which they submitted.

We cannot of course take any definite action with the Committee until we get the official application which will have to be ^{in definite terms} ~~quite clearly~~ ~~worded~~ and may be awkward as it will be based on the doings of a small experimental plant.

For your information I may as well give you the gist of what Stockdale said on seeing the papers.

Stockdale says that he has confidence in the Mangnall machine but would have preferred to see some results from models on a commercial scale before going to the C.D.A.C. for further assistance. He notes that Captain Mangnall in his report on the experimental machine (copy of which has gone to you) states that it gives an improved fibre extraction of 20 per cent with an output from the machine

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Parnt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

of 2 tons of fibre per day. The commercial machines he expects to get a better percentage of extraction with an output of at least 4 tons of fibre per day. Stockdale thinks it advisable to sound a note of caution because he says that he has seen so many differences between the performances as claimed and actually produced in the case of fibre extracting machinery.

If the claims made for the commercial machine are realised from the full size models which are soon to be sent to Kenya then there can be no doubt that a great advance in machinery has been realised. The final test must, however, be the decision of the actual producers of sisal, and if they are satisfied with the performance of the machine they would be justified in securing loans for re-equipment. The experimental machine

This should have been deleted

FURTHER ACTION.

Stockdale ^{over the field} ~~has seen it~~

again and says that he does

not think $2\frac{1}{2}$ tons per acre ~~per annum~~

is practicable if it is taken

over the lifetime of a sisal

plantation. He says that the

average yield from well cultivated

estates in East Africa is at present

$3\frac{1}{2}$ tons per acre ^{for the whole} ~~during the~~ lifetime of the

plantation. This life can be taken

at $6\frac{1}{2}$ years minimum and 8 years

maximum, or say 7 years as a

normal life. It takes three years

before cutting can be commenced

which allows you 4 years of cutting,

and at $3\frac{1}{2}$ tons per acre ~~per annum this~~

~~gives a total of 14 tons in the 4 years~~

~~by which cutting is possible, this~~

gives an average yield of $3\frac{1}{2}$ tons per

acre ^{including the whole life of the cutting period}

~~using the new machine~~

~~and as it is now possible to~~

~~grow sisal under present conditions, which~~

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Baskerville.

Sir J. Shackleton.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

^{any} loss amount to about $1/3$ rd of the total though it varies a good deal from factory to factory.

Taking the quantity of plants per acre, Stockdale points out that sisal in the highlands averages 900 plants per acre. In the lowlands the average is about 1,250 to the acre. Nutman of Amani has made counts of leaves and he reports considerable variation between individual plants and plants in different estates. The average, however, is between 250 and 300 leaves during the lifetime of the plant, 70 to 75 for the first cutting and 50 to 60 for each of the next few years, when the plantation has to be cleared out and the area replanted. Each leaf averages about 2 lbs weight and the fibre content is rarely much in excess of 50 per cent.

RECOMMENDATION

Accordingly taking

1250 plants per acre producing

300 leaves weighing 2lbs each

with a fibre content of $3\frac{1}{2}$ per

cent you get a total possible production

in the lowlands during the life time

of the plantation of $11\frac{1}{2}$ tons^(per acre) or

say 11 tons in order to allow for loss

in manufacture. In the highlands

where there are fewer plants to the

acre the yield would be somewhere

about 8 tons. This is equivalent to

a maximum of about $1\frac{1}{2}$ tons per annum

in the lowlands and a little over

1 ton in the highlands during the

whole 7 years of a plantation's life.

Accordingly Stockdale

does not think that there is such

a danger of a glut in the market

as our economic people think. ^(what at first they feared it) The latter agree, but

point out that even a smaller increase

since the latter body have not allowed

might upset the market seriously during

the early years of the plantation

the market would be glutted when the price was falling to

levels which would lead the people away from the plantation

and during the early years the price would be low and the

plantation would be unable to meet the cost of the

Accordingly Stockdale
 does not think that there is such
 a danger of a glut in the market
 as our economic people think. ^(was it just shipped?) The latter agree, but
 since the latter have not allowed
 for the fact that there is a smaller increase
 in the market and that the price was falling to
 the point where the people owning the new machines
 were during the currency crisis but the rest of the
 market was in a state of depression.

C. O.

- Mr.
- Mr.
- Mr.
- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Fern. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

DRAFT.

FURTHER ACTION.

not take place -
 If the new machine works
 out under commercial test there will
 be demands for it, not only in East
 Africa, but in competing countries
 such as Java and Yucatan. If the
 machine improved it is long odds on
 East Africa getting in first, but
 then if there is over-production
 and no expansion in uses it is quite
 likely that East Africa will be faced
 with a restriction scheme. It will,
 of course, be in a much better position
 in that event if it is equipped with the
 most efficient and most modern
 machinery.

70.
 That is briefly as far as we
 have got at present. We do not, of
 course, know whether the Secretary
 of State said anything more before he
 left Kenya, but you will see that the
 thing is not as easy as it might look
 at first blush. It all turns on
 whether

whether the machine on a
commercial scale proves a success.

Yours sincerely,

Sir H. Leggatt, who knows the new
machine, thinks well of it and says he
thinks it will bring down costs by
about £2 a ton. He thinks that a production
cost of £10-£12 per ton is optimistic.

That is as far as we have got at
present. The comments will go before
the S. of S. on his return, but I had
thought it best to let you have them
at once, first, because it may save
trouble if any urgent counter-claims
become necessary, & secondly, because so
that you may see the sort of point which may
be raised by the C. D. W. when the thing is
applied to your paper. You may
be able to make counter-arguments which
will be useful over this.

YOURS SI OERELY

(Signed) J. E. W. FLOOD

C. O.

Mr. Friction 27
Mr. Hand 27
Mr.

Mr. Parkinson.
Mr. Tomlinson.

✓ Sir C. Bottomley. 27.42

Sir J. Shuckburgh.

✓ Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

Sir Baird Blacket KCB KCSI.

~~From S. of S. 27.42~~

FURTHER ACTION

Rich. etc. etc.
for S. of S. 27.42

length to

23.09.2/34

Kemp

4th for Sir Maffey

28th July 1934

Dear Blacket
Dear Blacket,

The enclosed papers
explain themselves, you will
see from the end of
his letter that the S. of S.
wishes them to be
recommended to you at
once. Of course nothing can

Yours sincerely

be put to the Committee till
we get the official application
via the Governor.

~~Yours sincerely~~

(Signed) J. L. RAFFER

GOVERNMENT HOUSE
KENYA
EAST AFRICA

11th February, 1964.

My Dear Maffey,

I have found one really sound economic proposition in this country and that is an entirely new technique for the harvesting, decorticating and preparation of Sisal. It is the result of full scale experiments conducted by Sisal growers here in conjunction with the Hydraulic Engineering Company of Chester, the moving spirit of which is Captain Mangall, and assisted by finance from the Colonial Development Fund. I have had two very useful interviews. In the first place I had a very long talk with Macrae who is undoubtedly the ablest man in the Sisal industry here and who has sunk a great deal of money in difficult times on the faith of these experiments. The rough notes marked "A" are a very short summary of my talk with him. I believe the results to be definitely proved and the best evidence of this is that Finlay's are so interested in the new development and so convinced that if these results are right, that Sisal will cut out Jute, that they, Finlay's, are having the Manager of the Tea estates here and their accountants to make a special investigation with a view to going into Sisal growing on a large scale in this country. The second document "B" is the Memorandum submitted to me by the Kenya Sisal Growers Association.

The

Copy to Sir A. H. ...

GOVERNMENT HOUSE
KENYA,
EAST AFRICA

2.

The third document is a note on my meeting with the Sisal Growers Association.

I have authorised the Government here to prepare forthwith a scheme for submission to the Colonial Development Fund. I wish to give this the very strongest possible backing. It seems to me to be exactly the kind of proposition for which the C.D.F. exists. It has come as the result in part of their pioneering help; it will put the Sisal industry on an entirely new and economic basis; every penny advanced will be spent on machinery bought in England; no advance will be given to any unit which is not of an economic size and which is not able to satisfy Government that it will be in a position to maintain its out-put of Sisal by replanting.

As regards the latter you will see from my meeting with the Association that I said definitely that the finance for planting was a matter for arrangement with the Banks and not a proper subject for Government advance. I propose that the Government advance should be confined to the purchase and installation of the necessary machinery.

I shall be glad if you will at once communicate these documents to Blckett, and of course Clauson should have

the....

GOVERNMENT HOUSE,
KENYA,
EAST AFRICA

3.

the whole of them.

Fortunately Mr. Macrae is coming to London this year and I gather he is likely to be arriving in London about the end of March.

Yours ever,

Sir John Maffey, K.C.M.G., &c.
The Colonial Office,
LONDON, S.W.1.

NOTES of an INTERVIEW granted by the SECRETARY of STATE to a DEPUTATION from the KENYA SISAL GROWERS' ASSOCIATION on MONDAY, FEBRUARY 12th, 1934, at 9.50 A. M., at GOVERNMENT HOUSE, NAIROBI.

The deputation consisted of Col. M. Maxwell, Chairman of the Kenya Sisal Growers' Association, and Mr G. S. Hunter, Secretary of the Association.

His Excellency the Governor and the Colonial Secretary were present.

THE SECRETARY of STATE said that he had read the Memorandum submitted by the Association (copy attached), and had considered it carefully. At the outset he would like to explain that the additional £260,000 for the Land Bank had been secured only with great difficulty and on his personal intervention. Broadly speaking, general finance for the Colony was dead at the present time.

The proposition outlined in the Association's Memorandum stood, however, on quite a different footing. The minimum cost of production to-day could be put at £18 a ton, but, with the improvements in machinery now proved possible, that could come down to about £11 a ton.

COL. MAXWELL suggested £12.

THE SECRETARY of STATE said that it might be put at £10 - £12.

COL. MAXWELL agreed.

THE SECRETARY of STATE continued that such a price put Manila out of the picture. The new machinery gave a finer fibre than had been possible hitherto. Sisal could now compete favourably against Jute. The proposition was thus put in quite a new light.

The Secretary of State said that he was prepared to support an application from the Government of Kenya to the Colonial Development Fund Committee for a loan for the purchase and installation of the new machinery by sisal growers in Kenya. The Colonial Development Fund had already shared in the cost of

the experiments. He understood that, with the new Decorticater, waste was reduced from 33-1/2% to 7%, and that the power required was 30 H.P. as compared with 120 H.P. at present. Moreover, the new process enabled the grower to use immature plants planted closely together, with the resultant hope of obtaining ultimately three times the present yield of 2 1/2 tons to the acre.

But, obviously, conditions would have to be attached to any Government loans for the purpose of purchasing and installing the plant. First, it would be necessary to insist on an economic unit. He understood that an output of 2,000 tons per annum would be regarded as an economic unit.

MR. MANNING suggested 1,500.

MR. MANNING said that he had been told 2,500, but the actual figure was a matter for the Government, after consultation with the industry, to decide. The second condition was that the Government must be satisfied that steady replanting went on so as to ensure production. It must also be made clear that finance for planting was a matter for arrangement with the Bank or other credit houses, and was not a proper subject for Government approval. A third condition related to the terms of repayment and the rate of depreciation to be charged on the plant.

He would stress that these should not be too onerous. *It was important that the Companies should have sufficient capital to maintain output.*

He thought that the Companies should have sufficient capital to maintain output. In regard to Mr. Hartigan, it was plainly in the Government's own interests to improve his work, and the Government could be made to see this, and surrender his first claim to the Government. The last thing the Hartigan wanted to do was to surrender. If an estate was mortgaged up to the hilt with a bank, the Government could say to the Bank "We can take this on lease". He thought that the Bank would be ready to do so.

... .. and drying machinery would be

included in the new plant to be made the subject of Government Advances.

THE SECRETARY of STATE said that, on the understanding that the complete plant necessary to give efficient results would require, in addition to the decorticating machinery, a new press and artificial drier, as set out in the Association's Memorandum, he agreed that the press and drier should be included.

On the subject of sisal bags, he said that he deprecated any attempt to establish a manufacturing industry in competition with British manufactures. Broadly speaking, the Colony would not expect to have British Credit to get its raw material forward, and at the same time to use that credit to finance manufactures in competition with British Goods.

MR HUGHES asked whether, in working out the scheme for submission to the Secretary of State, Tanganyika Growers should be brought in.

THE SECRETARY of STATE said that he saw no reason to wait for Tanganyika. He would like the proposals to come forward as early as possible as a Kenya Scheme.

COL. MAXWELL explained the recent history of the sisal research proposals. A Bill was being introduced into the Legislative Council to-day, and agreement had been reached with Tanganyika that £2,000 per annum of the combined Kenya and Tanganyika levy funds should be devoted to industrial research in London (£1,750 for Dr. Barker's work and £250 on account of secretarial facilities to be provided by the British Empire Producers' Association).

THE SECRETARY of STATE said that that seemed satisfactory. He would write home by Air Mail on the subject of the Association's Memorandum, in which he was greatly interested.

The deputation then withdrew.

S I S A L.

Hydraulic Engineering Co., Chester.

Captain Mangnall.

New Machine Result.

Waste reduced from 33-1/3rd. to 7 1/2.

H.P. reduced from 120 to 30.

Will get Sisal ultimately down to £10 a ton delivered England, as compared with £18 to £20 ton on most efficiently run estate to-day.

L.R. £10 is based on 2 1/2 tons per acre. This will be greatly increased as time goes on.

Timber. 2 1/2 tons of Sisal per acre over 9 years.

New process enables grower to use immature plants planted closely together. Result they hope ultimately to get three times present yield per acre.

New method of stripping leaves.

Asses developing plants with greater productivity.

New decorticating plant £1,750 f.o.b. £2,000 erected.

Complete plant to give efficient results will require in addition new press and artificial drier as set out in Sisal Report: Memorandum.

Economic Unit. Output 2,000 tons Sisal a year.

Maxwell puts at 1,500; probably 2,000 nearer
mark. Government must decide.

Conditions of Government Assistance.

- (a) Must insist on economic unit.
 - (b) Must be satisfied that growers will replant to ensure production.
-
- (c) Rate of repayment - depends on fair rate of depreciation.
10%-15% (10% allowed to-day - ^{new} machine longer life).
-

Depreciated any artificial development of manufacturing industry in Colony.

Memorandum re Finance for purchase of new machinery

1. Machinery Progress

(a) Decortication:

It will be generally admitted that the decortication of sisal has hitherto been crudely performed in relation to mechanical efficiency in other industries. Any progress in the methods of decortication is therefore of paramount importance to the industry. Recent experiments carried on at Longonet Estate, Malvasha, with the assistance of the Colonial Development Fund, have so far proved successful, and it seems probable that with the latest machinery 20% better fibre extraction can be expected. In such circumstances, it is obvious that the installation of the latest machinery becomes not merely expedient, but vital.

(b) Sisal Presses.

In recent years there has been considerable improvement in the construction of sisal presses, with the result that with up-to-date machines, much greater density in pressing can be achieved, with a saving of ocean freight of up to Shs. 30/- per ton weight. With present prices, such a margin may be the difference between carrying on production and closing down.

(c) Drying Machines.

Recent experiments show that the cost of artificial drying is more than repaid by the extra price obtained, so that there is a possibility that every estate will have to be equipped for artificial drying.

2. Finance required.

Apart from considerations of high interest mortgages, bank loans and debentures, which it may in some cases be advisable to repay, practically all sisal estates will require assistance to purchase the machinery mentioned above. The estimated cost for an average estate will be:-

2 New Decorticators @ £2,000	£4,000
1 New Press,	1,500
1 Artificial Drier,	<u>3,000</u>
	<u>£8,500</u>

All the machinery mentioned above is British made, and it is essential that funds should be available to enable British interests to be first in the field in the installation of up-to-date machinery on estates. Furthermore, it is useless the Colonial Development Fund and the Industry putting up money for experiment (as in the case of the Decorticator at Malvasha), if no funds are available to enable the machines to be installed, when proved a success.

3. How to Provide Finance.

A large number of the estates in Kenya are owned by local residents, as shareholders, who in many cases are also farming on their own account. Such shareholders require any capital they have, and more, for running their own farms, and are not in a position to subscribe further capital. The majority of such estates are saddled with either mortgages or debentures, and cannot readily raise additional finance, unless the greater amount is used to pay off existing debts; further, merchant selling

selling houses will only lend money with restrictions, such as the sale of sisal through them, and many estates, being already committed, cannot fulfil such restrictions. It is submitted that money which is advanced merely or largely for paying off existing loans is not being used to the best advantage, either from the point of view of any particular industry, or of the Colony as a whole. It is therefore necessary to look for methods of finance which ensure that 100% of the money loaned goes into increased or improved production. Clearly, the Land Bank, as at present constituted, cannot fulfil this need.

It is therefore suggested that funds for financing the new machinery requirements should be provided either by Government or by the Colonial Development Fund, on a different basis.

It is estimated that the needs of the industry for such purposes could not exceed £100,000, but it is not thought that this figure would be anywhere near approached, and a fund could be provided to meet applications to be administered either by the Land Bank Board, but as an entirely separate concern, or alternatively by a small Committee consisting of any the Director of Agriculture, the Treasurer, the Chairman of the Sisal Growers' Association, and one other unofficial member. In any case, it would be desirable to have a small committee consisting of any the Director of Agriculture and the Chairman of the Kenya Sisal Growers' Association, to advise on the merits of individual applications.

It is suggested that where estates have only small mortgages outstanding in relation to their assets, Government should be content with a second charge over the assets, but where the mortgages are heavy, the mortgages must allow Government to obtain a first charge ranking in front of their existing mortgages.

Repayment would be on a basis of tonnage produced, possibly on a sliding scale in relation to market prices. As the savings expected from the installation of the new machinery are considerable, repayment would be fairly rapid, and the loan need not be regarded as a loss of capital. The rate of interest should be as low as possible - a figure of 4% is suggested.

For and on behalf of

KENYA SISAL GROWERS' ASSOCIATION.

(Sgd.) M. V. Maxwell,

~~Chairman.~~

C. S. Hunter,

Secretary.

Hydraulic Engineering Co., Chester.
 Captain Mangnall.

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It is estimated that the needs of the industry for such purposes could not exceed £150,000, but it is not thought that this figure would be anywhere near approached, and a fund could be provided to meet applications to be administered either by the Land Bank Board, but as an entirely separate concern, or alternatively by a small Committee consisting of say the Director of Agriculture, the Treasurer, the Chairman of the Sisal Growers' Association, and one other unofficial member. In any case, it would be desirable to have a small committee consisting of say the Director of Agriculture and the Chairman of the Kenya Sisal Growers' Association, to advise on the merits of individual applications.

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Chairman.

C. S. Hunter,

Secretary.

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The deputation consisted of Col. M. Maxwell, Chairman of the Kenya Sisal Growers' Association, and Mr G. S. Hunter, Secretary of the Association.

His Excellency the Governor and the Colonial Secretary were present.

THE SECRETARY of STATE said that he had read the Memorandum submitted by the Association (copy attached), and had considered it carefully. At the outset he would like to explain that the additional £200,000 for the Land Bank had been secured only with great difficulty and on his personal intervention. Broadly speaking, general finance for the Colony was dead at the present time.

The proposition outlined in the Association's Memorandum stood, however, on quite a different footing. The minimum cost of production to-day could be put at £18 a ton, but, with the improvements in machinery now proved possible, that could come down to about £11 a ton.

COL. MAXWELL suggested £12.

THE SECRETARY of STATE said that it might be put at £10 - £12.

COL. MAXWELL agreed.

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the experiments. He understood that, with the new Decorticator, waste was reduced from 33-1/3rd% to 7 1/2%, and that the power required was 30 H.P. as compared with 120 H.P. at present. Moreover, the new process enabled the grower to use immature plants planted closely together, with the resultant hope of obtaining ultimately three times the present yield of 2 1/2 tons to the acre.

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COL. MAXWELL asked whether presses and drying machinery would be

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On the subject of sisal bags, he said that he deprecated any attempt to establish a manufacturing industry in competition with British manufactures. Broadly speaking, the Colony would not expect to have British Credit to get its raw material forward, and at the same time to use that credit to finance manufactures in competition with British Goods.

MR MOORE asked whether, in working out the scheme for submission to the Secretary of State, Tanganyika Growers should be brought in.

THE SECRETARY of STATE said that he saw no reason to wait for Tanganyika. He would like the proposals to come forward as early as possible as a Kenya Scheme.

COL. MAXWELL explained the recent history of the sisal research proposals. A Bill was being introduced into the Legislative Council to-day, and agreement had been reached with Tanganyika that £2,000 per annum of the combined Kenya and Tanganyika levy funds should be devoted to industrial research in London (£1,750 for Dr. Barker's work and £250 on account of secretarial facilities to be provided by the British Empire Producers' Association).

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The deputation then withdrew.
