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EMULSION NO.      ⇨ 341081

DATE.               ⇨ 25/7/72

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THE PUBLIC RECORD OFFICE

Mr. Speed referred to the position of unsecured creditors as shown on page 20 of the Report and asked whether the overriding of the existing claims of any unsecured creditor would not give rise to political difficulties.

Sir C. Bottomley suggested that there was no reason to expect such difficulties. The Governor had expressed no misgivings on the point, and in the terms of the Report no application for assistance could succeed unless the consent of a majority in number and value of the unsecured creditors had been obtained.

Mr. Speed argued that as the advance was based on the value of the crop the advance should provide for a margin i.e. it should not exceed, say, 70% of the crop value as had been laid down in the Mauritius Agricultural Advances Scheme.

It was agreed that the point should be put to the Governor.

Mr. Bridges referred to the question of providing funds. He suggested that Kenya's credit was none too good in the City and that a loan for crop advances could not be viewed with favour there.

Mr. Speed suggested that Kenya's cash position was such that funds for the scheme could be found either from the Colony's liquid cash or from unexpended loan funds. Of course, in the latter case there would have to be a guarantee that the amount utilised would be restored.

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Mr. Flood stated that Kenya's minimum cash requirement for till purposes <sup>(with over)</sup> was £100,000 and that the Govt. had been compelled to have temporary recourse to

loan funds to meet its cash deficit. He added that Kenya's surplus balances must be regarded as entirely "frozen".

Sir C. Bottomley observed that even if the funds for the scheme were found from the Colony's cash and were administered by the Land Bank, the Bank would not have the same interest in controlling the funds as it would if the money were Land Bank money.

Mr. Bridges asked whether it was suggested that the loan prospectus should specifically state that £200,000 was for agricultural advances.

Sir C. Bottomley and Sir J. Campbell proposed that as regards immediate requirements the prospectus should allow £200,000 for the Land Bank, of which up to £100,000 to be used for a scheme for agricultural advances. In reply to a question by Mr. Cross Sir J. Campbell suggested that the money advanced for the scheme would be in the nature of a revolving fund.

Mr. Bridges asked if the scheme was put forward for purely political reasons or could it be regarded as a business proposition.

Sir C. Bottomley replied that it was a matter of life and death for a large number of farmers.

Mr. Clauson pointed out that from the economic standpoint the scheme is justified in the case of coffee growers. He suggested that the scheme could be extended justifiably to sisal and pyrethrum growers, but that as regards the utility of grants to maize growers and mixed

17  
farmers, the views of the Colonial Office were as shown in paragraphs 8 and 9 of the draft despatch.

Mr. Bridges said that if the Treasury agreed to the loan proposals they would ask that the despatch should be specifically in regard to the basis on which the Agricultural Advances Scheme should be worked, e.g. ~~advances to wheat and maize farmers~~, advances to be restricted to 70% of the crop value, etc. He agreed that expenditure from the Colony's cash would be undesirable and that the raising of a loan would be the only alternative. Mr. Bridges promised to communicate the Treasury's views after the Chancellor had seen the proposals.

The proposals are:- that Kenya should take power to raise a total of £625,000 to provide

(a) £400,000 for the Land Bank of which

~~some £90,000 shall be set aside for~~

the Agricultural Advances Scheme,

(b) £112,000 for the Nairobi Water Supply.

Of (a) only £250,000 (Land Bank £150,000, Agricultural Advances Scheme £100,000) should be actually raised.

The second £250,000 should not be raised without prior approval.

C. O.

10

Mr. Flood. 62 *of*

DOWNING STREET.

Mr.  
Mr.  
Sir C. Parkinson.  
Sir G. Tomlinson  
Sir C. Bottomley.  
Sir J. Souchburgh  
Parlt. U.S. of S.  
Parly. U.S. of S.  
Secretary of State.



11 February, 1938.

My dear Bridges,

As I told you recently we have been in much trouble over Kenya's financial proposals. I enclose, for your information, a printed copy of Interim report of a Local Committee on Agricultural Indebtedness which they appointed and of a telegram from the Governor. The despatch to which the Governor refers at the start of the telegram was simply a short note sending us a copy of the report in order that we might have it handy.

You will see from the telegram that they are now putting up modifications in the loan proposals which we have hitherto had under consideration, namely, the \$112,000 for Nairobi Water Works and £500,000 for the

DRAFT.

E. BRIDGES, ESQ., M.C.,  
TREASURY.

*Print.*  
*Tele. Room file.*  
*752 - file*  
*De. 15 despatch.*  
*humble*

OTHER ACTION.

11



Land Bank. In your letter to me of the  
6th November you said that you thought the  
Treasury would be prepared to agree to  
another £250,000 for the Land Bank, which,  
with the Water Works £112,000, could be  
covered by a loan of £375,000 in round  
figures. We were quite <sup>ready</sup> ~~right~~ to accept this,  
but, as you will see from the Governor's  
telegram, he proposes a modification in  
using £100,000 of the £250,000 for  
agricultural relief, and he also suggests  
that the Government should take power to raise the  
bill £500,000, on the definite understanding  
that only £250,000 would be actually raised  
without prior approval.

I enclose also a copy of a draft  
despatch which gives more or less plainly  
our ideas. You will see that from the  
cold-blooded, economic point of view there  
are many objections, but we feel that  
something more has to be taken into account.  
Rightly or wrongly, European agriculture has  
been encouraged in Kenya and we here feel

where?

give me a ring and let me know of the times  
which would be convenient I will collect the  
rest. I ought to explain that a discussion  
can only be provisional, because our  
Secretary of State has not yet been brought  
into the matter, but we think that such a  
discussion will probably clear the air and  
if we can get agreement, so much the better.

Yours sincerely,

Stanley E. W. FLOOD

AIR MAIL

WHEN REPLYING  
PLEASE QUOTE  
NO. S. O. AGR. 44/1/2.  
AND DATE

44/1/2.



THE SECRETARIAT  
NAIROBI  
KENYA

9 JANUARY, 1936.

RECEIVED  
20 JAN 1936  
C. O. REG

The Colonial Secretary of the Colony and Protectorate of Kenya presents his compliments to Sir John Maffey, K.C.B., K.C.M.G., K.C.V.O., etc., and with reference to Sir Joseph Byrne's letter of the 8th January, 1936 has the honour to transmit herewith six copies of the Interim Report of the Agricultural Indebtedness Committee.

*copy sent to Sir J. Maffey*

*1 copy to W. J. Smith  
Spina V. Kelly*

AIR MAIL

WHEN REPLYING  
PLEASE QUOTE  
NO. & DATE

OK. 44/1/2.



THE SECRETARIAT  
NAIROBI  
KENYA

*[Handwritten signature]*  
21/

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*Copy sent to Sir J. Maffey*

*1 copy to Sir J. Maffey  
4 copies to Sir J. Byrne*

17304 Lg Bro. 75/4

64



COLONY AND PROTECTORATE OF KENYA

**Interim Report of the Agricultural  
Indebtedness Committee**

Price 1/-

PRINTED BY THE GOVERNMENT PRINTER  
1952

C.O.

Interim Report of the Agricultural  
Indebtedness Committee

66

## Interim Report of the Agricultural Indebtedness Committee

YOUR EXCELLENCY,

### TERMS OF REFERENCE.

We have the honour to submit the following interim report on the terms of reference entrusted to us in September, 1935 (Government Notice No. 392 published in the Official Gazette of 2nd October, 1935), which read as follows:—

"To explore the possibilities of lightening the burden of agricultural indebtedness."

### PERSONNEL.

2. The personnel of the Committee is as follows:—

The Attorney General (the Hon. W. Harragin, K.C.)  
(Chairman).

The Treasurer (the Hon. G. Walsh, C.B.E.).

W. Prans, Esq.

J. Nordlinger, Esq.

J. Campbell, Esq.

W. C. Hunter, Esq.

with T. L. Hatley, Esq., the Assistant Secretary, Land and Agricultural Bank of Kenya, as Secretary.

### MEETINGS.

3. The first meeting of the Committee was held on the 10th September, 1935. Thereafter the Committee met on one day during September, five in October, two in November, and four in December.

### ATTENDANCE.

4. The attendances of members of the Committee at meetings were as follows:—

The Attorney General ..... 13

The Treasurer ..... 13

W. Evans, Esq. .... 13

J. Nordlinger, Esq. .... 13

J. Campbell, Esq. .... 13

W. C. Hunter, Esq. .... 13

**WITNESSES.**

6. Evidence was heard by the Committee from the following persons:—

Acher, C. Kenneth  
Ashford, Major  
Boedekor, H. S.  
Coldham, P. J. H.  
Gale, Major  
Griffiths, Col. G. C.  
Grogan, Major E. S.  
Hamilton, G. A. H.  
Hamilton, H. B.  
Harvey, The Hon. Conway  
Hudson, G.  
Hunter, G.  
Keatinge, Dr.  
Kirtan, Major W.

Kirtan, Capt. W.  
Knapman, Major L.  
Kopperud, B.  
Martin, J. R.  
Milligan, Major J. W.  
Morrison, G. R.  
Robson, W. J.  
Schwartz, Capt. E.  
Taunahill, A. C.  
Taylor, Major C. M.  
Wells, H.  
Wells, R. S.  
Whata, H. D.

**MEMORANDA.**

6. Memoranda from the following persons and bodies were received and considered:—

Abbey, Col. H. W.  
Barman, H. F.  
Bealey, S. P.  
Bosch, Q. H.  
Cartwright, A.  
C. Frudish Bantink, The Hon. F.  
Copeman, Col. M. D. G.  
Elmer, T. A.  
Eggs, E. K.  
Lillywhite, The Hon. W. G.  
Lipscomb, H.  
Long, Captain  
Muddelejohn, I. H.  
Mitchell, R. J.  
Morgan, R. R. W.  
Munich, B. M.  
Pullen, J. P.  
Scarborough, J.  
Smyth, W. J.  
Singh, H. B.

Taylor, W.  
Thomson, E.  
Viner, H.  
White, H. D.  
Wright, C. A.  
Wynter, J. P.  
Coffee Board of Kenya  
Indian Association, Eldoret.  
F. J. Karun Farmers' Association  
Farmers' Association  
Lakipia Farmers' Association  
Makuyu District Farmers' Assoc.  
Nanza and Farmers' Assoc.  
North Kenya Settlers' Assoc.  
Ravine Farmers' Association  
St. Augustine's Catholic Mission  
Seaboard Farmers' Association  
Thika Farmers' Association  
Trop. Grain Farmers' Association  
Wheat Advisory Board

An invitation to submit memoranda or give evidence was extended to all farmers' and district associations, both European and Indian. Only two Indian associations replied, one in terms which brought forward no relevant matter for consideration. One prominent Indian submitted a case for consideration which fell outside the terms of reference of the Committee. This matter was referred to the Standing Board of Economic Development, in whose province the matter lay.

**ACKNOWLEDGMENTS.**

7. We take this opportunity of acknowledging our indebtedness to those who submitted memoranda or gave evidence before us.

We desire also to record our indebtedness to the able and valuable memorandum submitted by the Coffee Board of Kenya, extracts from which are given elsewhere in this report.

**HISTORICAL.**

8. During the early stages of the Committee's deliberations it was represented that a real danger existed of deserving farmers having implements and stock, necessary to a continuance of farming operations, sold up under distraint by unsecured creditors.

With the object of extending the protection from attachment afforded by existing legislation, the Committee urged the introduction of an amendment to the Civil Procedure Ordinance, 1924, to protect such live stock and implements of husbandry as may be necessary to enable a farmer to earn his livelihood, up to a value of £500, and agricultural produce up to a value of £25.

A draft amending Ordinance on these lines was published in the Official Gazette of 5th November, 1935 (Government Notice No. 751), and was duly passed into law on the 29th November, 1935 (Ordinance No. 39 of 1935).

**ARGUMENT.**

9. From the minutes recording evidence offered the Committee and the discussion thereon, endeavour has been made in this report to produce a reasoned argument leading up to and justifying the conclusions and recommendations contained in the final paragraphs.

The argument is set forth under the following heads:—

- (a) Personal finance.
- (b) Kenya and primary product.
- (c) Meteorological.
- (d) Markets.
- (e) Value of experience.
- (f) Preservation of unproductive activities.
- (g) Importance of European maize industry.
- (h) Importance of coffee industry.
- (i) Desirability of extending dairying and mixed farming.
- (j) The present position of agricultural indebtedness.
- (k) Causes of present position.
- (l) Effect on farming operations.
- (m) Prices of various commodities.



- (h) Attitude of mortgagees.  
 (c) Assistance to agriculture in other dominions and colonies.  
 (p) Wheat, tea, sugar, and sisal: No evidence of immediate assistance required.  
 (g) Assistance recommended only to approved farmers.  
 (r) Necessity for immediate relief.  
 (t) A middle class.  
 (f) Recommendations.

#### LONG TERM FINANCE.

10. It must be understood that the recommendations contained in paras. 20 *et seq.* of this report are not related to any issue of Government bonds or to the provision of long term finance, but are confined to the relief only of urgent and approved cases, due regard being given to the necessity for avoiding as far as possible such disturbance of existing conditions as would interfere with legitimate mortgage business between private borrowers and investors.

We examined at length a proposal for a bond issue to liquidate mortgage debts, but consider that we cannot express an opinion on or recommend a scheme which, in the light of our knowledge has no parallel in other dependencies, without an assurance that such scheme or modification thereof would meet with the approval of the Secretary of State.

We recommend therefore that the draft proposal be submitted to the Secretary of State for the examination of financial experts, and, if the scheme is considered feasible or politic, we shall then make recommendations for its particular application to the needs of this Colony.

Since this report was drafted we have received a detailed statement from the Secretary, Colonists' Vigilance Committee, giving summarized particulars of the outcome of a questionnaire issued to all farmers on the question of their urgent indebtedness. We propose to forward this memorandum, together with the original questionnaire and covering letter, and a summarized memorandum on the Government Bond proposal, to Government for despatch to the Secretary of State at the earliest convenient opportunity.

#### KENYA AND PRIMARY PRODUCTS.

11. The conclusions reached by the Committee start from the conviction that this Colony is in a very favourable position to compete, given equal terms, with other countries in placing

certain primary products on the world's markets. For example, the following tables show the average yield per acre in Kenya of maize and wheat as compared with other countries:—

#### MAIZE

YIELD PER ACRE OVER THE PAST THREE YEARS	
Kenya	714 bags per acre
Argentina	775
South Africa	282
S. Rhodesia	463
U.S.A.	621

Over the period 1924-25 to 1934-35, which includes seasons when locusts destroyed a large proportion of the crop, the yield per acre in Kenya averaged 6.74 bags:

#### WHEAT

Kenya	1921-34	2.77 bags per acre
Argentina	1921-30	3.6
U.S.A.	1921-30	4.2
S. Rhodesia	1925-30	2.4
S. Africa	1921-30	2.7

The yield per acre of wheat in Kenya for the years 1929-30 to 1938-39 was as follows:—

1929-30	4.44 bags per acre
1930-31	3.23
1931-32	2.01
1932-33	2.11
1933-34	4.16

We are indebted to the Agricultural Economist and to sources from *Bromholt's Statistics*, kindly supplied by Colonel Griffiths for the above information.

#### RAINFALL

12. We are indebted to the British East African Meteorological Service for the following statistics for the years 1930-1934, giving the rainfall in the principal maize, wheat and coffee growing areas and stock and dairying districts:—

STATION	AVERAGE RAINFALL		ANNUAL RAINFALL						
	Millets	Period	Inches	1930	1931	1932	1933	1934	1935 to August
MIXED AND WHEAT AREAS	Ft.			Inches	Inches	Inches	Inches	Inches	Inches
KELES	6.700	1924-34	46.94	51.30	56.14	48.50	39.87	33.20	33.20
BARATA	6.750	1924-34	41.10	54.72	49.07	53.10	30.99	29.46	31.69
ATMANOHAN	6.100	1924-34	41.63	57.18	42.67	49.88	33.04	35.31	36.29
PAKURU	6.024	1924-34	37.55	51.73	37.07	45.20	37.74	21.31	32.96
BOY	6.200	1924-34	38.80	47.90	44.31	41.00	30.31	26.03	32.65
ENBOHER	6.250	1924-34	25.88	44.73	40.35	22.71	9.02	14.59	18.14
KALONGA	6.350	1914-34	34.33	48.08	30.19	37.21	22.84	37.09	27.40
HOYI'S EMBORI	6.700	1914-34	46.00	52.15	51.64	44.12	32.34	32.31	33.09
SOBAI	6.100	1918-34	40.72	52.15	51.64	44.12	32.33	32.65	37.97
FRALAS (Health Office)	6.250	1924-34	43.45	52.12	50.95	44.90	38.47	39.20	46.80
COFFEE AREAS									
SONGORA	6.500	914-34	53.11	80.64	60.30	69.16	46.88	48.62	46.88
THIKA	6.000	1924-34	49.45	88.76	59.70	56.92	38.10	48.37	38.88
TUNDA (Domb Sabuk)	6.100	1914-34	36.38	63.01	45.70	44.56	35.99	21.72	20.08 (To Oct.)
KIAMBO (D.C.)	6.700	1924-34	49.78	66.25	48.77	47.23	32.11	24.80	34.61 (To Oct.)
THIKA (Gethunberth)	6.000	1924-34	36.70	60.1	49.19	37.48	28.50	20.29	19.22
KARENIA (Vet. Laboratory)	6.700	1924-34	41.16	72.07	71.06	65.32	42.28	52.88	53.42
KARENIA (Kwasa)	6.500	1924-34	33.3	61.42	43.67	34.50	21.63	25.46	27.49 (To Oct.)
FOYI TANGI	6.800	1919-34	48.2	55.21	37.11	35.63	31.67	26.73	23.10
NANOHU (Railway)	6.400	1919-34	35.0	61.69	59.18	56.94	35.21	39.56	39.56
KIPKOSI	6.500	1914-34	38.19	61.69	59.18	56.94	35.21	39.56	39.56
POKOT & DANURU AREAS									
BUMBARA	7.150	1924-34	37.81	57.19	33.62	41.53	30.63	30.30	26.98
NARU MORE	6.000	1914-34	26.92	37.57	25.79	28.03	21.24	25.71	17.28
GIJALU	4.600	1924-34	36.29	34.50	25.07	25.71	27.02	24.19	16.59
NALAYAMA (Gishahu) (Rimoroy)	1.600	1918-34	17.23	40.23	27.98	47.02	30.01	13.79	17.31

## MARKETS.

13. The geographical position of Kenya opens it to the markets of South Africa and East Africa, India and the Far East, which offer an outlet capable of extension and supplementary to the markets in Europe, America and Canada, in which Kenya enterprise has already secured its principal footing for such commodities as Kenya can produce in competition with other sources of supply.

## VALUE OF EXPERIENCE.

14. We do not consider it necessary to stress the importance to the Colony of an economically sound European agricultural industry, or the value to the Colony of farmers who have gained experience of the varying conditions and special difficulties of the country.

A number of European farmers in Kenya came to the country without previous agricultural experience. Their knowledge of methods, control of diseases and pests, preservation and improvement of soil fertility and general local farming conditions has been gained at considerable cost, but now represents an asset which the Colony cannot afford to lose. The full beneficial results of this will be more apparent when favourable climatic conditions return and the world's markets recover.

## PRESERVATION OF NON-NATIVE ACTIVITIES.

15. We concur in the view, underlying practically the whole of the evidence received that the economic progress and prosperity of the Colony, the consolidation of Kenya's position within the Empire and the healthy development of the native along progressive lines towards a higher civilization, can be furthered best by active prosecution of the dual policy; that is, the preservation of non-native activities in conjunction with and complementary to native activities.

This is in accordance with the policy of the Imperial Government.

## IMPORTANCE OF EUROPEAN MAIZE INDUSTRY.

16. We are also satisfied of the importance to Kenya and neighbouring territories of the European maize industry. We agree with the view of the Economic Development Committee that the preservation of the present organization and structure of the maize industry justifies a "national effort to health it and safeguard its interests" (vide Economic Development Committee Report, para. 619), and with the further opinion of the same Committee that "Maize must be regarded as an essential

crop. Its production in Kenya is one of the Colony's greatest safeguards against famine, for it is now a staple food of most of the native population and, apart from famine considerations, it is required in large quantities as a basic factor in other local industries. We regard the maize industry as of vital importance to the economic welfare of the Colony." (Ibid. para. 172.) Native-grown maize is not sufficient to meet local requirements and, in times of famine, European-grown maize has to be imported into the Reserves. Uganda and Tanganyika would also rely on Kenya maize to supplement internal shortage, and if European maize production proved inadequate the only alternative would be, as has been done in the past, to import from abroad at great expense.

As the result of the efforts of European growers, Kenya maize-K 9 is now definitely established in the world's markets and commands a premium over Argentine maize, and the average production per acre in Kenya compares favourably with other maize-growing countries as is shown in an earlier paragraph.

#### IMPORTANCE OF COFFEE INDUSTRY.

17. According to the Report of the Economic Development Committee (para. 155 *et seq.*), the average value of coffee exported over the past three years has been about 47 per cent of the total exports of the Colony. For the year 1932 the figure was 61.7 per cent of the total.

The coffee industry as a whole gives employment equivalent to the full-time services of 50,000 natives.

There are 929 coffee growers, representing 45 per cent of the total number of occupiers of agricultural holdings, and, in addition to the large number of owners managing their own farms, the industry gives employment to 683 Europeans.

The Agricultural Census Report for 1934 gives the total acreage of planted coffee as 102,232 acres, of which only 65,648 acres are fully mature. 14,046 acres are still under three years old, and 22,540 acres are between three and six years old.

Data obtained from the Coffee Board of Kenya show that the capital invested in 418 coffee estates is approximately £4,500,000.

Kenya coffee has established a high reputation for quality on the London market, and despite the setback caused by abnormal conditions prevailing over the past three years there is no occasion to suppose that in due course this reputation

should not be enhanced when normal conditions return. In general it provides the best demonstration and advertisement of the Colony's suitability and scope for European enterprise. It constitutes a serious attempt to exploit one of the best of the Colony's natural assets, and we are of opinion that its vigorous development is in the best interests of Kenya and the Empire.

#### MIXED FARMING.

18. Maize must be regarded as a "pioneer" crop, essential to the development of the territory. In other countries similarly situated, maize production has formed the stepping stone towards more diversified farming, and in our opinion the time has arrived for farmers now growing maize or wheat only, to be encouraged and assisted to change over to mixed farming.

The majority of cereal-growing areas are suitable for mixed farms, and not only do such farms lend themselves to cattle, pigs, poultry and dairy produce, but such extension of the farmer's activities would enable him more fully to utilize the area of his holding and would assist in maintaining soil fertility. Many witnesses have stressed the advisability of such a change-over and its advantages over the present widespread reliance on cereal crops alone.

#### THE PRESENT POSITION OF AGRICULTURAL INDEBTEDNESS.

19. Apart from the scaling down of debts which may be effected through Conciliation Boards we have not recommended the institution of any machinery which will directly lighten the burden of agricultural indebtedness, for the reasons given in para. 10; nor have we had an opportunity of ascertaining the actual total burden of debt. In the absence of any details concerning loans by companies or individuals, a proper assessment of the actual indebtedness of agriculture is impossible, but the following figures may give some indication of the position. In the Report of the Economic Development Committee (para. 185) a figure of £2,116,000 is given as representing loans and advances to agriculture outstanding in the books of the Kenya banks at the end of 1932. At the end of 1934 loans to the extent of £272,416 had been made by the Land Bank and advances outstanding in the books of the Agricultural Advances Board at the end of 1934 amounted to £104,750.

So far as the position of the coffee industry is concerned the memorandum of the Coffee Board of Kenya deals with returns as at 30th June, 1934, from coffee estates producing 87.5 per cent of the total Kenya crop, and indicates that of these estates the total indebtedness in respect of mortgages

bank overdrafts and other loans secured on the land or upon security other than crops or chattels mortgage is £1,212,110, the annual interest charge being £82,043.

The total indebtedness in respect of shortfalls on advances made against crops by merchant firms is shown as £71,803, the annual interest charge calculated at 6 per cent amounting to £4,308.

Seasonal indebtedness, secured on crops or by chattels mortgage, excluding shortfalls, is estimated to amount to £173,912 as at 31st December, 1934. The annual interest charge calculated at 6 per cent plus interest on advances against unsold crops amounts to £12,020.

The total interest charges to be met by the coffee industry each year is summarized as follows:—

On mortgages, etc.	£82,043
On shortfalls	4,308
On seasonal finance	12,020
	<hr/>
	£98,371

The Coffee Board emphasize that while the above figures present a general picture of the indebtedness of the industry, they are largely averages, and are far removed from the actualities of a great number of individual cases, and that no measures to improve the position can only be taken after individual consideration of individual cases. We are of the opinion that the position of the industry must be materially more serious as the result of the climatic conditions and the still further fall in world prices during the last eighteen months.

The picture of agricultural indebtedness provided by the foregoing extracts from evidence is of very limited service to us, inasmuch as it fails to give any indication of how the figures might be affected as between indebtedness and oppressive indebtedness.

#### CAUSES OF PRESENT POSITION.

The present position of agricultural indebtedness can be attributed to the prolonged period of adverse agricultural conditions occasioned by the incidence of locusts and drought, which caused great damage from 1929 to 1933, on European-owned farms and in native areas, and to the low prices realized for primary products on the world's markets.

In 1929-30 the prices of primary products fell after a long period of prosperity. In the preceding years farms had been purchased at prices which in some cases have proved to be too high, commitments were entered into on the basis of the high prices then being realized for coffee, maize, and other farm products; and total costs of production (management, implements, labour, etc.) were on a generous scale which could only be justified, if at all, by the prices then being realized for crops.

The collapse in the world's markets found a very large proportion of producers with no reserves to fall back on and with commitments which, on the reduced return obtainable from the sale of farm produce, were too high in relation to the resources of their farms.

The coffee industry was and to some extent still is at the development stage, profits earned during the period of high prices having been returned to the land by bringing further areas under development and providing permanent factories, buildings, etc. Large areas of coffee only came into full bearing after the collapse in prices had occurred.

The main coffee-producing areas have had the unprecedented experience of three consecutive years of drought, the effect of which is reflected in the low percentage of "A" grade, poor quality, and reduced yields of recent years. The same general conditions applied, although perhaps to a lesser extent to the agricultural and pastoral industries. Maize and wheat growing areas suffered from the severe locust infestation of 1930-1931. In some districts losses due to locusts were approximately 80 per cent or more of grain crops, involving a shortage of 200,000 bags of grain (vide Economic Development Committee's Report, para. 280 (a)).

#### THE EFFECT ON FARMING OPERATIONS.

The reduced yields, inferior quality and low prices obtainable for produce have had the inevitable result of curtailing expenditure on farming operations, in many cases below the level required for the proper maintenance of the farm, good husbandry and even of the individual.

Farmers have not had the funds necessary to carry out essential maintenance and anti-erosion measures, implements have not been replaced and machinery has not been kept in a good state of repair. Such neglect has materially affected the efficiency of farming operations and the soil fertility of cultivated areas.

We also regard as a matter of great and far-reaching benefit the psychological effect of the removal of any condition which constitutes an ever-present menace to the farmer's security of tenure and continuance of operations.

#### PRICES OF VARIOUS COMMODITIES.

22. We are indebted to the Agricultural Economist for the following tables showing the prices realized during the past few years for coffee, maize, butter and seal.

#### COFFEE PRICES.

Monthly average prices actually realized at the London auction, during the last six years were as follows:

MONTH	1920		1931		1932		1933		1934		1935	
	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.
January	124	111	70	103	73	90	80	80	80	80	80	80
February	123	101	82	103	67	73	84	84	84	84	84	84
March	122	83	78	93	63	70	73	73	73	73	73	73
April	118	73	73	76	57	70	66	66	66	66	66	66
May	113	69	66	66	56	66	66	66	66	66	66	66
June	90	63	60	66	53	57	57	57	57	57	57	57
July	96	78	65	60	57	57	57	57	57	57	57	57
August	97	60	62	64	53	53	53	53	53	53	53	53
September	96	77	61	82	57	64	64	64	64	64	64	64
October	84	60	54	75	56	61	61	61	61	61	61	61
November	93	70	80	72	62	66	66	66	66	66	66	66
December	101	76	83	71	58	68	68	68	68	68	68	68
YEAR	110	77	71	80	64	72	72	72	72	72	72	72

#### PRICES OF FLINT YELLOW MAIZE IN LONDON

(FROM BOARD OF TRADE JOURNAL)

MONTH	1920		1931		1932		1933		1934		1935	
	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.	Sh. per 100 lb.
January	—	6.14	3.40	4.57	4.35	4.18	3.58	4.10	4.10	4.10	4.10	4.10
February	—	6.77	3.66	4.50	4.18	3.88	4.10	4.10	4.10	4.10	4.10	4.10
March	—	6.57	4.00	4.48	4.18	4.30	4.61	4.61	4.61	4.61	4.61	4.61
April	8.53	6.70	4.64	4.50	3.91	4.22	4.78	4.78	4.78	4.78	4.78	4.78
May	—	6.23	4.00	4.45	4.02	3.85	4.21	4.21	4.21	4.21	4.21	4.21
June	—	5.69	3.63	4.00	3.77	4.04	3.78	3.78	3.78	3.78	3.78	3.78
July	—	6.24	3.44	4.35	3.86	4.27	3.59	3.59	3.59	3.59	3.59	3.59
August	—	6.87	3.18	4.38	3.67	3.39	3.45	3.45	3.45	3.45	3.45	3.45
September	—	6.60	3.18	4.33	3.63	3.82	3.69	3.69	3.69	3.69	3.69	3.69
October	7.44	4.57	3.69	4.07	3.47	3.65	—	—	—	—	—	—
November	6.97	5.84	3.21	4.06	3.60	4.40	—	—	—	—	—	—
December	6.49	4.10	3.95	4.01	4.43	4.69	—	—	—	—	—	—

#### BUTTER—NEW ZEALAND 1ST IN LONDON (FROM BOARD OF TRADE JOURNAL)

MONTH	1920		1931		1932		1933		1934		1935	
	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.	Sh. per Cwt.
January	—	121	109	89	74	80	80	80	80	80	80	80
February	—	125	111	86	70	76	76	76	76	76	76	76
March	—	120	116	83	78	82	82	82	82	82	82	82
April	136	110	114	75	78	83	83	83	83	83	83	83
May	137	114	103	84	82	85	85	85	85	85	85	85
June	136	117	104	87	84	91	91	91	91	91	91	91
July	142	119	102	85	89	97	97	97	97	97	97	97
August	142	119	116	94	83	101	101	101	101	101	101	101
September	133	120	120	107	84	110	110	110	110	110	110	110
October	126	124	120	108	70	—	—	—	—	—	—	—
November	118	123	105	94	81	—	—	—	—	—	—	—
December	118	112	92	78	78	—	—	—	—	—	—	—

#### SISAL—F.A. No. 1 IN LONDON. PER TON

AVERAGE, 1923 £39 10s.

AVERAGE, 1930 £20

MONTH	1931	1932	1933	1934	1935
March	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2
June	15 0	15 0	15 0	15 0	15 0
September	15 0	15 0	15 0	15 0	15 0
December	15 0	15 0	15 0	15 0	15 0

#### ATTITUDE OF MORTGAGEES

23. We are satisfied from evidence submitted by mortgagees and mortgagees that the majority of secured creditors have extended a very large measure of consideration to debtors during the period of depression. Rates of interest in many cases have been reduced or interest waived for a period, and few actions for foreclosure have been instituted. While it may be true that there is little reason to fear that a return to more prosperous times would result in a change in this attitude, we endorse the view expressed by the Coffee Board of Kenya Ltd. "Liquidity is too often a matter of day-to-day arrangement. The planter has no security of tenure, and although he may be leniently treated by creditors, his urge is to sacrifice the proper cultivation of his estate rather than run the risk of failing to meet his commitments." A composition arranged for a definite period of time would thus enable the planter to devote all his energies to the proper maintenance of his estate. Such proper maintenance is vital in the interests of creditors as well as debtors.

14

## ASSISTANCE TO AGRICULTURE IN OTHER DOMINIONS AND COLONIES.

24. The Committee have had access to records of the various relief measures adopted in the following Dominions and Colonies:—

*New Zealand.*—Mortgagors and Tenants Relief Act, 1933; Rural Intermediate Credit Act, 1927, and Reports, 1930-1933.

*S. Rhodesia.*—Report of Committee of Inquiry into the economic position of the Agricultural Industry, 1934; Farmers' Debt Adjustment Act, 1936.

*South Africa.*—Land Settlement Act, 1931; Farmers' Special Relief Act, 1931; South African Farm Mortgage Interest Act, 1933; Export Subsidies Act, 1931; Dairy Industry Control Act (Amendments), 1932; Farmers' Assistance Act, 1935.

*Alberta.*—Debt Adjustment Board.

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*Canada.*—Farmers' Creditors Arrangement Act.

*Manitoba.*—Debt Adjustment Act, 1932.

*New Guinea.*—Mortgagors' Relief Ordinance.

*New South Wales.*—Farmers' Relief Act.

We are also aware of the large measure of assistance, direct and indirect, given by the United Kingdom to producers of agricultural products.

It has been further stated that the amount provided by the Government of the Union of South Africa, plus the excess costs met by consumers, plus the amount of loss on exports (quota), for the protection of agricultural industries amounted for the Year 1933 to no less than £7,173,000 (*vide* South African Journal of Economics, September, 1935).

## WHEAT, TEA, SUGAR AND SISAL.

25. No evidence has been given to this Committee that immediate assistance is required by any of these industries.

## ASSISTANCE RECOMMENDED ONLY TO APPROVED FARMERS.

26. Our investigations show that while measures of relief are necessary to the agricultural industry generally, there are cases where, owing to the unsuitability of the soil, location of the farm or to lack of experience or ability of the farmer, no assistance can be afforded with any prospect of the ultimate success of the farm or relief of the farmer. We are of the

opinion that any form of assistance should be granted only after adequate enquiries into the financial position and farming ability of the farmer, the history and past production of the farm and the prospects of ultimate recovery.

## NECESSITY FOR IMMEDIATE RELIEF.

27. We realize and wish to stress the fact that many farmers will not be able to continue operations unless some measure of relief can be afforded without delay. Apart from the position outlined in paragraph 19 the fact that for a prolonged period farming operations have been conducted at a loss, has left many without any working capital with which to meet labour costs, etc., to plant another crop or to maintain existing areas.

The coffee industry is further affected by the decision of merchant-houses to curtail and in some cases to discontinue seasonal and anticipatory advances on which planters have relied in past years.

This decision has completely upset all the calculations of the planters concerned, and although it is reasonable to suppose that the merchant houses may be looked to for a crop advance in July to September, when the crop is sufficiently advanced to admit of an estimate of its tonnage and value, in very few instances have these planters been able to make any financial arrangements for bridging the gap from January to June. The crop already reaped is held by the merchants against the advances made for the production and as the circumstances already detailed have combined to deprive last season's operations of any profit, the planter has no source of income on which to meet the cost of maintenance until the next crop is in sight. The necessity for finding a means to alleviate this position is vital and immediate.

We are satisfied that finance should be made available to approved farmers to enable this gap to be bridged and are of the opinion that such assistance would go a long way towards establishing a sound system of coffee crop finance and would save many worthy and experienced planters from failure.

## A MIDDLE CLASS.

28. It is anticipated that the majority of applications for financial assistance will come from planters embarrassed by a variety of commitments to secured and unsecured creditors, the total amount of which renders it almost certain that the creditors cannot be satisfied in full from the result of next season's operations. This involves a threat of possible

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disaster emanating from action by one of several parties, the mortgagee, the holder of a chattels mortgage, or the unsecured creditor. The recommendations of the Committee embrace an endeavour to meet this position by a scheme involving protection for the participant over a period during which it is hoped he will rehabilitate himself by means of carefully controlled finance.

There is, in addition, another class to be reckoned with, i.e. the planter who, although not actually embarrassed by the threat of possible action by a creditor, relied upon assistance from a merchant house to finance his crop. This assistance being denied him, he has no funds with which to carry on.

It was suggested to us that the proposed conditions surrounding any Government advances, as set out in the concluding paragraphs of this Report, might appear unduly exacting in such a case. After consideration of the point we have decided that no real hardship would be imposed in connection with this class, but, on the contrary, the proposed restrictions and conditions attached to an advance would work for the actual protection and benefit of the borrower, the Government and the mortgagee.

In any case it is hoped that with further capital made available to the Land Bank and the granting of the widened powers asked for by the Land Bank Board, a considerable number of planters will then be eligible for the ordinary Land Bank advances.

## RECOMMENDATIONS

### Introductory

29. Agricultural finance falls into two classes:
- (a) *Long Term*, to meet the mortgage position and such other purposes as are defined in the Land Bank Ordinance;
  - (b) *Short Term*, to meet seasonal finance and to assist cereal farmers in a change over to mixed farming.

The difficulty with which we are faced is to suggest remedial measures which come within the bounds of practicality, and can be recommended to the Imperial Government.

We feel that no action should be recommended which would have the effect of creating a feeling of insecurity among investors and are of the opinion that any settlement between

debtor and creditor should be voluntary. Bond witnesses have stated that without compulsion any attempt to arrive at an equitable adjustment of the indebtedness position will be unsuccessful, others were in favour of nothing being done to prejudice the existing rights of secured creditors.

Kenya Colony depends very largely on imported capital for the development of its resources and any step taken which will result in loss of confidence by lenders, however beneficial to the debtor for the moment, must react to the detriment of the agricultural industry as a whole.

### Land Bank Capital

30. With regard to Long Term finance we have already referred to a scheme based on a bond issue but at this stage we should like to support the recommendations of the Economic Development Committee for an increase of the capital of the Land Bank by £500,000, and the raising of the present maximum of an advance to any one farmer to £5,000, and the maximum amount for the discharge of a price mortgage to £3,000 (*vide* Economic Development Committee's Report, Chap. VI, paras. 466-483).

It is understood that this proposal has been supported by Government and is now receiving consideration by the Secretary of State.

The scheme which has been put before us with regard to the long term adjustment of debts is of such magnitude that on the face of it it is so simply that, without the most careful examination by experts, we consider that at this stage it would be folly to express an opinion either in favour of or against it, particularly as, short of going to the London Market for loans of several millions, which we are told we would never be able to obtain, we have not yet evolved any other scheme which would take its place.

### Finance for Short Term

31. We recommend that of the £500,000 referred to in the preceding paragraph, Government should be empowered to direct the Land Bank to set aside a sum not exceeding £200,000, which amount, with interest, shall be guaranteed by Government to the Land Bank in order to supply funds for the provision of seasonal finance and assistance to cereal farmers in a change over to mixed farming. The procedure for which is set forth in the following pages.



The £500,000 to be set aside is not to be regarded in any sense as a subsidy to any industry, it is to be advanced as a business proposition, at an interest as low as Government considers reasonable, having regard to such factors as the interest payable on the loan, cost of administration, establishment of a reserve fund, etc.

It may be thought that, in considering and reporting on the advisability of inaugurating a scheme of Short Term advances, we are exceeding our task which was to explore the possibilities of lightening the burden of agricultural indebtedness, and, on the strict interpretation of our terms of reference, there might be some substance in the criticism, but we feel that the position is so critical that action must be taken immediately.

It would be fatal for us in leisurely manner to propound some scheme of long term finance which we know would involve long and detailed consideration before it could be brought into operation by Government, when we believe that if action is not taken promptly a considerable number of the farmers of this Colony will be ruined, and it is for this reason that we hasten to forward to Government this interim report.

We trust that in recommending this procedure we shall not be condemned as having failed in our main task, which we are in fact postponing for reasons given in paragraph 10.

#### Proposed Machinery.

32. We recommend that the following steps be taken immediately.

(1) That a Conciliation Board be appointed to consist of five members one of whom shall be drawn from the Land Bank Board, with one of His Majesty's Judges as Chairman.

(2) That Local Committees be appointed in various districts composed of the District Officer as Chairman and two members of farming and business ability.

(3) That all applications, together with the recommendations of Local Committees be submitted to the Conciliation Board with whom the final decision shall rest.

(4) That definition of the powers of Local Committees and Conciliation Board and regulations governing advances be the subject of an instruction by the Governor in Council.

(5) That the administration of advances approved by the Conciliation Board be in the hands of the Land Bank, which shall be appointed agent for Government in the administration of the scheme. (Where reference is made to the Land Bank in the following pages it is in this capacity as Agent for Government.)

(6) That Land Bank agents in each district report at stated intervals to the Land Bank with a copy to the Local Committee.

#### Procedure

33. Having established these bodies the procedure envisaged by us will be as follows:—

Upon a farmer determining that it is necessary for him to obtain assistance he will apply to the Local Committee stating his requirements and filing a complete list of his indebtedness, which will be open to inspection by any of his creditors.

Upon receipt of this application in due form the Chairman of the Local Committee shall immediately issue what is called a "Stay Order" over the whole property of the applicant, which will have the effect of vesting the property of the applicant temporarily in the Land Bank, but this Stay Order will permit the applicant to make deliveries under any agreement already made and to enter into fresh agreements with the approval of the Land Bank.

The Chairman of the Local Committee may also effect an approved valuation of the farm of the applicant, and make a report upon his assets and with in due course call a meeting of the Local Committee. At this meeting the position of the applicant's affairs will be freely discussed and the conditions under which, in the opinion of the Committee, an equitable adjustment of the applicant's position could be arranged (should this be necessary). The whole matter will then be referred to the Conciliation Board.

Every opportunity should be taken to discuss the position with the applicant and his creditors before submitting the matter to the Conciliation Board. The Conciliation Board will then call a meeting which the applicant and his creditors shall have the right to attend in person or by a fully authorized representative; or they may send in their views in writing with the object of arriving at a settlement.

Should a majority of the creditors refuse to consent to the proposed adjustments or conditions of the settlement the Board will refuse the application in which case the "Stay Order" will be removed, and the debtor and creditors permitted to follow their usual legal remedies.

When the terms of the proposal or any variation thereof are agreed to by—

- (a) the Conciliation Board,
- (b) all the secured creditors, and
- (c) a majority in number and value of the unsecured creditors,

and whether such agreement involves an adjustment of debts or not, the Chairman of the Conciliation Board will reduce the terms to writing and will file this document (which in many ways will resemble a Deed of Arrangement) in the Registry, which document will be binding on all parties, at the same time extending the Stay Order for a period not exceeding one year, unless a longer period has been agreed upon by the creditors. In calculating the majority of creditors required by this section no such unsecured creditor shall be reckoned in number unless his claim be of the value of at least five pounds, holders of second mortgages or chattels mortgages to be considered as secured creditors.

Although the Stay Order (except with the consent of the creditors) will be only issued for one year, it contemplate a renewal of this Stay Order from year to year where there is any shortage on any advance, but the total period shall not exceed in all more than five years.

Government funds may be issued when reasonable security is offered and it is for this reason that Stay Orders are necessary under the Scheme before advances can be authorized.

In cases where it is considered necessary that Government Funds are required for the purpose of continuing existing operations the decision of the Conciliation Board should include an instruction specifying the amount which the Land Bank should advance.

#### *Suggested Regulations.*

34. (1) The security and terms for repayment of any advances to be such as are decided upon by the Conciliation Board.

(2) All securities to be registered in the name of the Land Bank.

(3) No stamp duty to be payable on any document, instrument or deed issued by or in favour of the Land Bank.

(4) Full particulars of all persons in respect of whose estates Stay Orders have been issued or removed to be notified for public information in the Official Gazette on the issue or removal of the Stay Order.

(5) Accounts of revenue and expenditure to be kept by participants in a form to be prescribed by the Land Bank.

(6) The Secretary or Assistant Secretary of the Land Bank to act as Secretary to the Conciliation Board and clerical services for the work of the Conciliation Board to be supplied by the Land Bank.

#### *Security for Advances.*

35. The next point to consider is the security to be held by the Land Bank.

As we have said previously, the effect of the Stay Order will be to vest the farm in the Land Bank for the period of the Stay Order, but it must be clearly understood that this does not in any way affect the rights of any secured creditor, except that it will postpone his remedies, e.g. the sale or foreclosure of any properly movable or other thing over which he may have a lien.

The security will be in the crops which will be grown and reaped during the time that the Stay Order exists and any other security which it will be possible to obtain from the applicant. Thus, if money is advanced to a farmer to enable him to raise a crop of maize and also to start a herd of cattle for security for the money, it will be the value of the crop together with a chattels mortgage on the cattle and their progeny, while the proceeds of any milk or milk products sold would also be paid to the Land Bank.

#### *Limit for Advances.*

36. Under the proposed scheme of Short Term advances it is suggested that the maximum advance should be limited as follows:—

Coffee—£7 per acre of fully bearing coffee, save in exceptional cases.

Maize.—Sh. 30 per acre of planted area.

For cattle, dip and fencing.—£500.

For any other purpose.—At the discretion of the Conciliation Board.

Should the crop be wholly or partially lost through locusts, diseases or other unforeseen calamity, admittedly for that year there would be a loss and the only hope of recovery of advances would be in carrying the farmer for another year.

We fully realize that there is an element of risk attached to such investments, but, having considered all the existing circumstances, we are of the opinion that it is a risk that the country should take.

#### THE FARMER.

37. Having outlined the procedure for and the security of the Land Bank it is necessary to point out the advantages of this project to the farmer. So far we have shown that, by the granting of a Stay Order, he is secure in his farm so long as the order is in force, but as against that all his property has been vested in the Land Bank. The procedure with regard to him is visualized as follows: As soon as the Conciliation Board have agreed to accept the investment the farmer will ordinarily be appointed as manager of the estate under the supervision of the Land Bank (or their agents) and included in amounts paid to him will be a sum to include a monthly salary, which should represent an amount sufficient to support himself and his family, having regard to all the circumstances of his case. All other money necessary for the production of the crop up to the agreed limit, will be paid to him (as and when required) by the Land Bank after his vouchers have been duly passed by the Land Bank or its agent in his district. He thus obtains a living, a certain security of tenure and has a just prospect of being able to keep his land so cultivated and managed that he will be able to take advantage of the rise in commodity prices, which must, we trust, take place in the near future.

#### THE CREDITORS.

38. The advantage of this scheme to the creditors lies in this fact: Few creditors are in a position to take over and run the farm themselves nor are many in a position to finance the farmer to run it. In view of the present world prices the prospect of an advantageous sale of the farm is almost negligible and their security, as we have shown, is really deteriorating through the farmer's financial inability to cultivate his land.

By consenting to a Stay Order and/or an equitable Deed of Arrangement the creditor knows that funds will be provided to cultivate the land and that the farmer will be supervised by the Land Bank agent, thus preserving the value of his

security, and he also knows that if the crop realizes more than the Land Bank advance the surplus will be divided in the usual order of priority which will be laid down in the Ordinance.

39. We trust that the scheme which we are now suggesting will not be dismissed as idealistic, socialistic or impracticable, for we feel sure that it can be worked, that it will be a godsend to many deserving farmers and that the risk to Government is infinitesimal in comparison with the possibility and probability of good to the country in general.

We realize that many a farmer will be disappointed at our recommendations but it must be understood that we do not represent a philanthropic society and are therefore unable to recommend help to any but those who, in the opinion of the Board, will be able with help to make good. The bad farmer, the good farmer with bad land, the possibly good farmer with good land who is so heavily involved that no arrangement with his creditors can be made, are all beyond our help.

40. The above scheme may appear to our critics cumbersome and perhaps unduly expensive, but it is hoped that in practice, with the assistance and co-operation of such bodies as the Kenya Farmers' Association, who have already offered to help the Land Bank in every possible way to implement the smooth working of our endeavour, much time and money will be saved.

41. In conclusion we would like to place on record our appreciation of the industry and ability of our Secretary, and also the great assistance given to us voluntarily by Mr. Thornton, both as Acting Secretary during the temporary absence of Mr. Hately, and also as our special emissary in certain country districts.

W. HARRAGIN (Chairman).

G. WALSH.

W. EVANS.

J. NORDLINGER.

J. CAMPBELL.

W. C. HUNTER.

23rd December, 1935.

T. L. HATELY, Secretary.

period as in New Zealand, viz. five years, and that they should be granted the same power of enforcing a composition at the end of the period that the Board of Review has under the New Zealand Act, such power only to be used if the purchasing power of money remains abnormally high.

The Government of Kenya has recognized the necessity of exceptional measures in passing the Mortgagees' Relief Act and I can see no reason whatsoever why the Conciliation Board, which is to be under the chairmanship of one of His Majesty's judges, should not be granted the same powers as are granted to similar bodies under the New Zealand Act.

I consider further that steps for reducing the rate of interest on Agricultural Mortgages, such as have been taken in other British possessions, are essential in Kenya and should be taken at once. Evidence led before the Committee has in most instances emphasized the necessity for this and our late Governor, Sir Edward Grigg, has stated in the Imperial Parliament that it is absolutely essential.

A further most effective method of "lightening the burden of agricultural indebtedness" is a measure of so-called devaluation of the East African currency, i.e. the controlling of the East African shilling at a discount with the sterling shilling. Instead of at present controlling it at par. This method has been adopted by several of the Dominions including Australia and New Zealand. It has also been adopted almost universally by all the coffee-producing countries.

It is a very severe handicap on our primary producers to have to compete unaided in the world's markets with the produce of these countries. It is to be hoped that the Secretary of State for the Colonies will give his reasons at an early date as to why similar steps should not be taken in the East African Territories.

If there are good reasons against this then I feel that it is essential that the Secretary of State should suggest to the local Government alternative measures to afford equivalent relief.

The accumulated burden of debts, the necessity of the alleviation of which was recognized by Government in the setting up of our Committee, is to some considerable extent due to this handicap.

JOHN NORDLINGER,

23rd December, 1935.

3<sup>10</sup>

Conclusions reached at a conversation in  
Sir Cr. Bottomley's room on the 18th January.

That a draft despatch should be prepared  
for conison. In the despatch it should be made clear  
that:-

The scheme can be regarded as useful only  
in so far as it concerns the grant of assistance to  
approved coffee growers.

*Prime facie* The position of the European maize farmers in  
Kenya is hopeless and that of the wheat farmers  
scarcely better. Money put into a scheme for the  
direct assistance of maize and wheat farmers would be  
lost.

Mixed farming is entirely artificial. There is  
little hope for Kenya butter in the U.K. market.

The main advantage of the scheme is that it  
discriminates between the good and the bad farmer.  
Past schemes have benefited the bad as well as the  
good farmer. The fact that assistance is only to be  
granted to good farmers on the criteria of the terms  
laid down makes it possible for the S. of S. to  
approve the scheme. The scheme must be regarded as  
the very last chance of Government assistance that  
the farming community can expect.

If the scheme fails then the policy of  
Government must be directed away from the settler.  
Already there are indications of uneasiness on the  
part of the non-settler (i.e. the tea and gold-mining  
interests) that the settler community have had their  
own way with Government.

If the scheme is not approved it is probable that the whole of the settler community will move over to the "devaluation" camp.

As regards the machinery of the scheme, it is considered that the constitution of the Conciliation Board (i.e. 5 members one of whom should be drawn from the Land Bank Board with one of H.M.'s Judges as Chairman) would be improved by the <sup>substitution</sup> ~~addition~~ of a representative of the Joint Stock Banks on the Board <sup>for one of the</sup> ~~of the~~

it is necessary to <sup>state</sup> ~~accept~~ the hypothesis that the standards of debtors' applications must be judged on the basis of the market prices of crops. Mr. Clouston's figures as regards the probable market prices of butter, milk and coffee should be given.

A condition of the S. of S.'s approval would be that in the administration of the scheme there must be rigid adherence to the terms approved.

*COPY*

*My final report  
on 3F/1P/36.*

91  
2

TELEGRAM from the Governor of Kenya to the Secretary of State for the Colonies.

Dated 4th January, 1936. Received 3.p.m. 4th January.

No. 4. Confidential.

My despatch No. 652 Air Mail now reading my despatch No. 159 Confidential 23th December Executive Council this morning considered interim report. Council unanimously endorsed recommendations and in view of urgency emphasized in the report recommended that I should seek your approval by cable. Personally I agree with proposal(s). The time has definitely come round to distinguish between uneconomic farmers to whom no form of assistance would mean permanent salvation and those worth helping to whom financial assistance in the present crisis may mean ultimate security. These latter should lay their cards on the table so that help can be wisely given and properly controlled presentation of ascertained facts in this manner coupled with a definite scheme to meet those facts should go a long way towards removing persistent and undefined grievances of farming community. Considering conditions to be satisfied before advances are authorized and also limitations as to extent of advances I do not think that anything like sum of £200,000 mentioned will be required and although there is some element of risk to Government the advantage gained in my opinion compensates for any eventual loss. In the event of your approval legislation will have to be introduced and funds provided to finance scheme. As regards the latter I suggest that we should be permitted to draw on Crown Agents pending issue of loan and that at convenient time loan referred to in your telegram No. 344 Confidential 29th November should be raised borrowing power up to £500,000 exclusive of £112,000 however being taken.

Not more than £100,000 of first £250,000 should be earmarked for advances under the scheme remainder being devoted to Land Bank finance.

*Copy to Secy of State (1/36)  
General*

*10/3812/35*

~~KENYA~~  
~~NO. 124~~



82  
GOVERNMENT HOUSE  
NAIROBI  
KENYA

124 Conf

Copy of copy only (d/c)

Should be

No. 129 Conf

(See 61, 124 Conf, 4 Sir;  
1) in 38 128/32)

RECEIVED  
- 7 JAN 1936  
C. O. REGY

DECEMBER, 1935

21/38128/35

with reference to my confidential telegram No. 268 of the 7th December in reply to your confidential telegram No. 344 of the 29th November on the subject of an increase in the capital of the Land Bank, I have the honour to transmit a copy of the interim report of the Agricultural indebtedness Committee and of a Memorandum submitted to the Committee by the Coffee Board. The report has only just been received and has not yet been studied by me, but I have considered it desirable to send you a copy by the first opportunity so as to facilitate telegraphic correspondence if necessary.

I have the honour to be,

Sir,

Your most obedient, humble servant,

*Arthur*  
for GOVERNOR.

THE RIGHT HONOURABLE,  
J. H. THOMAS, P.C., M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON, S.W.1.



652.

28 DECEMBER, 1936

Sir,

with reference to my confidential telegram No. 288 of the 7th December in reply to your confidential telegram No. 344 of the 23rd November on the subject of an increase in the capital of the Land Bank, I have the honour to transmit a copy of the Interim report of the Agricultural Indebtedness Committee and of a Memorandum submitted to the Committee by the Coffee Board. The report has only just been received and has not yet been studied by me, but I have considered it desirable to send you a copy by the first opportunity so as to facilitate telegraphic correspondence if necessary.

I have the honour to be,

Sir,

Your most obedient, humble servant,

WADE

GOVERNOR.

THE RIGHT HONOURABLE,  
 J. R. THOMAS, P.C., M.P.,  
 SECRETARY OF STATE FOR THE COLONIES,  
 DOWNING STREET,  
 LONDON, S.W.1.

INTERIM REPORT

07

THE AGRICULTURAL INDUSTRIES COMMITTEE

Your Excellency,

TERMS OF REFERENCE: To have the honour to submit the following interim report on the terms of reference entrusted to us in September, 1955 (Government Notice, No. 603 published in the official Gazette of Ende. October, 1955) which reads as follows:

"To explore the possibilities of lightening the burden of agricultural indebtedness"

2. PERSONNEL: The personnel of the Committee was as follows:-

The Attorney General (Chairman)

The Treasurer

Es. Evans, Esq.

J. Hardlinger, Esq.

J. Campbell, Esq.

E. Callunter, Esq.

with F. L. Hately, Esq., the Assistant Secretary, Land and Agricultural Bank of Kenya, as Secretary.

3. MEETINGS: The first meeting of the Committee was held on 15th September, 1955. Thereafter, the Committee sat on 1 day during September, 5 in October, 2 in November and four in December.

4. ATTENDANCE: The attendances of members of the Committee at meetings were as follows:-

The Attorney General	15
The Treasurer	15
Es. Evans Esq.	15
J. Hardlinger Esq.	15
J. Campbell Esq.	15
E. Callunter Esq.	15

5. EVIDENCE: Evidence was heard by the Committee from the following persons :-

- Archer C. Kenneth
- Ashford Major
- Boodaker H.B.
- Coldham P.J.H.
- Galley Major
- Griffiths Col.G.C.
- Gregan Major H.B.
- Harrison G.A.H.
- Harrison H.B.
- Harvey The Hon. Col.
- Hudson G.
- Hunter G.
- Keatinge Dr.
- Kirton Major H.
- Kempster Major H.
- Kopperud Dr.
- Martin G.H.
- Milligan Major J.H.
- Morrison G.H.
- Robson G.J.
- Schwartz Capt.
- Trenchill A.C.
- Taylor Major G.
- Wolfe H.
- Wolton H.B.
- White H.D.

**C. MEMORANDA : Memoranda from the following persons and bodies were received and considered :-**

- Abbey, Col. B.W.
- Adams, H.F.
- Bousley, S.W.
- Brown, G.H.
- Cartwright, A.
- Cavendish Bentinck, The Hon.
- Copeman, Col. M.B.G.
- Einer, L.A.
- Figueroa, S.K.
- Gilchrist, The Hon. W.G.
- Lipstick, J.
- Long, General
- Mackintosh, I.H.
- Mitchell, R.J.
- Morgan, R.R.H.
- Howell, D.H.
- Palmer, J.A.
- Robertson, J.
- Shaw, W.A.
- Singh, Ramesh
- Taylor, W.
- Thornhill, S.
- Vines, E.
- White, H.D.
- Wright, G.A.
- Wynter, J.H.
- Coffee Board of Kenya
- Indian Association, Eldoret
- Kipkayon Farmers' Association
- Koki " "
- Lalagida " "
- Malindi District " "
- Morani District Farmers' Association

- North Kenya Settlers' Association
- Rovings Farmers' Association
- St. Austin's Catholic Mission
- Eschsch Farmers' Association
- Thika Farmers' Association
- Trans Nzoia Farmers' Association
- Wheat Advisory Board.

An invitation to submit memoranda or give evidence was extended to all Farmers' and District Associations, both European and Indian. Only two Indian Associations replied, one in terms which brought forward no relevant matters for consideration. One prominent Indian submitted a case for consideration which fell outside the terms of reference of the Committee. This matter was referred to the Standing Board of Economic Development in those provinces the matter lay.

7. ACKNOWLEDGEMENTS - We take this opportunity of acknowledging our indebtedness to those who submitted memoranda or gave evidence before us.

We desire also to record our indebtedness to the able and valuable memoranda submitted by the Coffee Board of Kenya, extracts from which are given elsewhere in this report.

8. HISTORICAL : During the early stages of the Committee's deliberations it was represented that a real danger existed of deserving farmers having implements and stock necessary to a continuance of farming operations, sold up under distraint by unsecured creditors.

With the object of extending the protection from attachment afforded by existing legislation, the Committee urged the introduction of an amendment to the Civil Procedure

Ordinance, 1934 to protect such livestock and implements of husbandry as may be necessary to enable a farmer to earn his livelihood, up to a value of £500 and agricultural produce up to a value of £25.

A draft amending Ordinance on these lines was published in the Official Gazette of 5th. November, 1933, Government Notice No. 781 and was duly passed into Law on 26th. November, 1933, Ordinance No. XXXIX of 1933.

9. ARGUMENTS : From the minutes recording the evidence offered the Committee and the discussions thereon endeavour has been made in this Report to produce a reasoned argument leading up to and justifying the conclusions and recommendations contained in the final paragraphs.

The arguments set forth under the following heads :

- (a) Low Cash Prices
- (b) Loss of Primary Products
- (c) Meteorological
- (d) Imports
- (e) Value of Exports
- (f) Importance of Manufacturing activities
- (g) Importance of Malayan-Rubber Industry
- (h) Importance of Coffee Industry
- (i) Desirability of extending Dairying and Mixed farming
- (j) The present position of Agricultural Indebtedness
- (k) Causes of present position
- (l) Ill effects on farming operations
- (m) Prices of various commodities
- (n) Attitude of Mortgagees
- (o) Assistance to agriculture in other dominions and Colonies
- (p) Wheat, Rice, Sugar and Cattle - No evidence of immediate assistance required.

- g. Assistance recommended only to approved farmers.
- f. Necessity for immediate relief.
- e. A middle class
- d. Recommendations.

10. LONG TERM FINANCE: It must be understood that the recommendations contained in paragraph 29 of this Report are not related to any issue of Government Bonds or to the provision of long term finance but are confined to the relief only of urgent and approved cases, due regard being given to the necessity for avoiding as far as possible such <sup>disturbance</sup> ~~disturbance~~ of existing conditions as would interfere with legitimate mortgage business between private borrowers and investors.

We examined at length a proposal for a Bond Issue to liquidate Mortgage Debts but consider that we cannot express an opinion on or recommend a scheme which to the best of our knowledge has no parallel in other Dependencies, without an assurance that such scheme or modification thereof would meet with the approval of the Secretary of State.

We recommend therefore that the draft proposal be submitted to the Secretary of State for examination by financial experts and if the scheme is considered feasible or politic we shall then make recommendations for its particular application to the needs of this Colony.

Since this Report was drafted we have received a detailed statement from the Secretary, Colonists' Vigilance Committee giving summarized particulars of the <sup>outcome</sup> ~~contents~~ of a questionnaire issued to all farmers on the question of their urgent indebtedness. We propose to forward this memorandum together with the original questionnaire and covering letter and an elaborated <sup>memorandum</sup> ~~memorandum~~ on the Government Bond proposal to Government for despatch to the Secretary of State at the earliest convenient opportunity.

11. KENYA AND PRIMARY PRODUCTS : The conclusions reached by the Committee start from the conviction that this Colony is in a very favourable position to compete, given equal tariffs, with other countries in placing certain primary products on the world's markets. For example, the following tables show the average yield per acre in Kenya of maize and wheat as compared with other countries :-

MAIZE

Yield per acre over the past three years

Kenya	7.16	bags per acre
Argentina	7.78	" " "
South Africa	8.00	" " "
Rhodesia	4.55	" " "
U.S.A.	6.01	" " "

Over the period 1954/55 to 1956/55 which included seasons when locusts destroyed a large proportion of the crop, the yield per acre in Kenya averaged 6.74 bags.

WHEAT

Kenya	1951-1953	2.77	bags per acre
Argentina	1952-1950	3.0	" " "
U.S.A.	1951-1950	4.9	" " "
U. Rhodesia	1952-1950	2.6	" " "
E. Africa	1951-1950	3.7	" " "

The yield per acre of wheat in Kenya for the years 1950/50 to 1953/54 was as follows :-

1950/50	2.04	bags per acre
1950/51	2.53	" " "
1951/52	2.01	" " "
1952/53	2.11	" " "
1953/54	2.19	" " "

We are indebted to the Agricultural Economist and to figures from "Eccobill's Statistic" kindly supplied by Colonel Griffiths for the above information.



13. MARKETS : The geographical position of Kenya opens to it the markets of South Africa and East Africa, India and the Far East which offer an outlet capable of extension and supplementary to the markets in Europe, America and Canada in which Kenya enterprise has already secured its principal footing for such commodities as Kenya can produce in competition with other sources of supply.

14. VALUE OF EXPERIENCE : To do not consider it necessary to stress the importance to the Colony of an economically sound European agricultural industry, or the value to the Colony of farmers who have gained experience of the varying conditions and special difficulties of the Country.

A number of European farmers in Kenya came to the country without previous agricultural experience. Their knowledge of methods, control of diseases and pests, preservation and improvement of soil fertility and general local farming conditions, has been gained at considerable cost, but now represents an asset which the Colony cannot afford to lose. The full beneficial results of this will be most apparent when favourable climatic conditions return and the world's markets recover.

15. POLICY OF IMPROVING NATIVE ACTIVITIES : We concur in the view underlying practically the whole of the evidence received that the economic progress and prosperity of the Colony, the consolidation of Kenya's position within the Empire, and the healthy development of the native along progressive lines towards a higher civilization, can be furthered best by active prosecution of the dual policy, that is the parallel development of non-native in conjunction with and complementary to native activities.

This is in accordance with the policy of the Imperial Government.

16. IMPORTANCE OF EUROPEAN HOME INDUSTRY : We are also satisfied of the importance to Kenya and neighbouring territories of the

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15. RESERVATION OF NON-NATIVE ACTIVITIES : We concur in the view underlying practically the whole of the evidence received that the economic progress and prosperity of the Colony, the consolidation of Kenya's position within the Empire, and the healthy development of the native along progressive lines towards a higher civilization, can be furthered best by active prosecution of the dual policy, that is the parallel development of non-native in conjunction with and complementary to native activities.

This is in accordance with the policy of the Imperial Government.

16. IMPORTANCE OF EUROPEAN TRADE INDUSTRIES We are also satisfied of the importance to Kenya and neighbouring territories of the

European maize industry. We agree with the view of the Economic Development Committee that the preservation of the present organization and structure of the maize industry justifies a "National effort" to assist it and safeguard its interests." (Vide Economic Development Committee Report Para.615) and with the further opinion of the same Committee that "Maize must be regarded as an essential crop. Its production in Kenya is one of the Colony's greatest safeguards against famine, for it is now a staple food of most of the native population and, apart from famine considerations, it is required in large quantities as a basic factor in other local industries. We regard the maize industry as of vital importance to the economic welfare of the Colony." (Ibid. Para.172) Native grown maize is not sufficient to meet local requirements and in times of famine European grown maize has to be imported into the reserves. Uganda and Tanganyika would also rely on Kenya maize to supplement internal shortages and if European maize production proves inadequate the only alternative would be as has been done in the past, to import from abroad at great expense.

As the result of the efforts of European growers Kenya Maize No. 9, is now definitely established in the world's markets and commands a premium over Argentinian maize, and the average production per acre in Kenya compares favourably with other maize growing countries as is shown in an earlier paragraph.

**17. IMPORTANCE OF COFFEE INDUSTRY :** According to the Report of the Economic Development Committee (par.165 of seqs) the average value of Coffee exported over the past three years has been given at 47 per cent of the total exports of the Colony. For the year 1938 the figure was 61.7 per cent of the total.

The Coffee industry as a whole gives employment equivalent to the full time services of 50,000 natives.

There are 929 coffee growers, representing 45 per cent of the total number of occupiers of Agricultural holdings and, in addition to the large numbers of owners managing their own farms the industry gives employment to 685 Europeans.

The Agricultural Census Report for 1924 gives the total acreage of planted Coffee as 102,230 acres of which only 65,945 acres are fully mature. 14,018 acres are still under three years old and 22,267 acres are between three and six years old.

Data obtained from the Coffee Board of Kenya show that the capital invested in 918 Coffee Estates is approximately £2,500,000.

Kenya Coffee has established a high reputation for quality on the London market and despite the set back caused by abnormal conditions prevailing over the past three years there is no doubt that to suppose that in the country this reputation should not be enhanced when normal conditions return. In general it provides the best demonstration and advertisement of the colony's suitability and scope for European enterprise. It constitutes a serious attempt to exploit to the best of the colony's natural assets and we are of opinion that its vigorous development is in the best interests of Kenya and the Empire.

10. MIXED FARMING Maize must be regarded as a "pioneer" crop essential to the development of the territory. In other countries similarly situated maize production has formed the stepping stone towards more diversified farming and in our opinion the time has arrived for farmers now growing maize or wheat only, to be encouraged and assisted to change over to mixed farming.

The majority of cereal growing <sup>areas</sup> are suitable.

for mixed farms, and not only do such farms lend themselves to cattle, pigs, poultry and dairy produce, but such extension of the farmer's activities would enable him more fully to utilize the area of his holding and would assist in maintaining soil fertility. Many witnesses have stressed the advisability of such a change-over and its advantages over the present wide-spread reliance on cereal crops alone.

10. THE PRESENT POSITION OF AGRICULTURAL INDEBTEDNESS: Apart from the scaling down of debts which may be effected through Conciliation Boards, we have not recommended the institution of any machinery which will directly lighten the burden of agricultural indebtedness for the reasons given in para. 10. nor have we had an opportunity of ascertaining the actual total burden of debt. In the absence of any details covering loans by Government or individuals a precise assessment of the actual indebtedness of agriculture is impossible but the following figures may give some indication of the position. In the report of the Economic Development Committee (para. 125) a figure of £2,119,000 is given as representing loans and advances to agriculture outstanding in the books of the Kenya Bank at the end of 1952. At the end of 1953 loans to the extent of 2,075,125 had been made by the Land Bank and advances outstanding in the books of the Agricultural Advances Board at the end of 1953 amounted to £1,052,700.

So far as the position of the Coffee Industry is concerned the memorandum of the Coffee Board of Kenya dated with returns as at 30th. June 1954 from coffee estates producing 67.6% of the total Kenya crop and indicated that on these estates, the total indebtedness in respect of mortgages, bank overdrafts and other loans secured on the land or upon security other than crops or chattels mortgaged in £1,212,110, the annual interest charge being £62,055.

The total indebtedness in respect of shortfalls on advances made against crops by merchant firms is shown as £71,000, the annual interest charge calculated at 6% amounting to £4,500.

Seasonal indebtedness, secured on crops or by chattels mortgage, excluding shortfalls, is estimated to amount to £115,514 as at 31st December 1954. The annual interest charge calculated at 5½% amounts to £12,020.

The total interest charges to be met by the Coffee industry each year is summarised as follows :-

On mortgages etc.	£82,045
On shortfalls	4,500
On seasonal finance	<u>12,020</u>
	<u>£98,565</u>

The Coffee Board emphasises that while the above figures present a general picture of the indebtedness of the industry, they are largely averages and are far removed from the actualities of a great number of individual cases and ~~that~~ ~~therefore~~ ~~no~~ ~~action~~ ~~to~~ ~~alleviate~~ ~~the~~ ~~position~~ ~~can~~ ~~only~~ ~~be~~ ~~taken~~ ~~after~~ ~~individual~~ ~~consideration~~ ~~of~~ ~~individual~~ ~~cases~~. We are of the opinion that the position at the present time must be materially more serious as the result of the climatic conditions and the still further fall in world prices during the last eighteen months.

The picture of agricultural indebtedness provided by the foregoing extracts from evidence is of very limited service to us, inasmuch as it fails to give any indication of how the figures might be allocated as between indebtedness and oppressive indebtedness.

20. CAUSES OF PRESENT POSITION : The present position of agricultural indebtedness can be attributed to the prolonged period of adverse agricultural conditions occasioned by the incidence of locusts and drought, which caused great damage from 1929-1933 on European-type farms and in native areas,

and to the low prices realized for primary products on the world's markets.

In 1929/30 the prices of primary products fell after a long period of prosperity. In the preceding years farms had been purchased at prices which in some cases have proved to be too high, commitments were entered into on the basis of the high prices then being realized for coffee, maize and other farm products; and total costs of production (management, implements, labour etc.) were on a generous scale which could only be justified, if at all, by the prices then being realized for crops.

The collapse in the world's markets found a very large proportion of producers with no reserves to fall back on and with commitments which, on the reduced return obtainable from the sale of farm produce, were too high in relation to the resources of their farms.

The Coffee Industry was and to some extent still is at the development stage, profits earned during the period of high prices having been returned to the land by bringing further areas under development and providing permanent factories, buildings etc. Large areas of coffee only came into full bearing after the collapse in prices had occurred.

The main coffee producing areas have had the unprecedented experience of three consecutive years of drought the effect of which is reflected in the low percentage of "A" grade, poor quality and reduced yields of recent years. The same general conditions applied, although perhaps to a lesser extent, to the agricultural and pastoral industries. Maize and Wheat growing areas suffered from the severe locust infestation of 1930/1933. In some districts losses due to locusts were approximately 20 per cent or more of grain crops involving a shortage of over 100,000 bags of grain (Vide. Economic Development Committee's Report para. 130 (a) )

21. ALL EFFECT ON FAMILIAR OPERATIONS : The reduced yields, inferior quality and low prices obtainable for produce have had the inevitable result of curtailing expenditure on farming operations, in many cases below the level required for the proper maintenance of the farm, of good husbandry and even of the individual.

Farmers have not had the finance necessary to carry out essential weeding and anti-erosion measures, implements have not been replaced and buildings have not been kept in a good state of repair. Such neglect has materially affected the efficiency of farming operations and the soil fertility of cultivated areas.

We also regard as a matter of great and far-reaching benefit the psychological effect of the removal of any condition which constitutes an ever present menace to the farmer's security of tenure and continuance of operations.

22. PRICES OF VARIOUS COMMODITIES : We are indebted to the Agricultural Economist for the following tables showing the prices realized during the past few years for Coffee, Raisins, Butter and Sugar :-

COFFEE PRICES

Monthly average prices actually realized at the London auction during the last six years were as follows :-

	1930.	1934.	1935.	1936.	1951.	1950.	1929.
Jan.	80	60	75	100	75	111	154
Feb.	84	78	67	103	63	101	123
Mar.	75	79	62	95	78	83	120
Apr.	86	70	67	76	75	78	118
May	84	65	53	60	65	63	115
June	88	52	59	53	56	65	90
July		57	57	60	55	58	95
Aug.		59	53	64	52	66	97
Sept.		64	57	63	57	72	92
Oct.		61	53	75	74	80	92
Nov.		55	62	72	80	70	93
Dec.		53	59	71	85	75	101
Year		63	64	63	73	77	112



PRICE OF PLATS YELLOW MAIZE IN LONDON

Shs. per 100 lbs.

	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>
Jan.		6.14	5.49	4.02	4.53	4.13	4.33
Feb.		5.77	5.00	4.80	4.13	3.98	4.10
Mar.		5.37	4.83	4.43	4.13	4.50	4.51
Apr.	8.60	6.70	4.54	4.50	5.01	4.23	4.73
May		6.23	4.00	4.45	4.02	3.83	4.27
June		5.66	5.05	4.03	3.77	4.04	3.78
July		6.24	3.44	4.55	3.25	4.27	3.50
Aug.		6.57	3.13	4.33	5.87	5.50	3.45
Sept.		5.00	3.16	4.33	3.33	5.09	5.09
Oct.	7.44	4.53	3.09	4.07	3.27	4.99	
Nov.	6.57	3.84	4.21	4.00	5.00	4.49	
Dec.	6.43	4.10	3.95	4.01	4.43	4.09	

(From Board of Trade Journal)

PLATS - REGALAND 1st. IN LONDON

Shs. per 100 lbs.

	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>
Jan.	-	121	103	83	74	83
Feb.	-	120	111	83	73	83
Mar.	-	123	113	83	73	82
Apr.	130	116	115	75	78	85
May	127	114	103	84	82	85
June	123	117	104	87	84	91
July	123	119	103	83	83	87
Aug.	142	119	114	84	83	101
Sept.	123	120	120	107	84	113
Oct.	123	123	120	103	76	
Nov.	118	123	105	84	81	
Dec.	113	118	93	78	73	

(From Board of Trade Journal)

BIBAL.

F.A. Coal in London, per ton

Average 1929 ... £29.10  
1930 ... £23. 0

	1931. L.S	1932. L.S	1933. L.S	1934. L.S	1935 L.S
Mar.	-	14.8	13.15 <sup>14</sup>	17.15	11.12
June	16.7	12.15	15. 8	13.10	16. 5
Sept.	12.8	10.15	17.15	14. 0	22. 5
Dec.	17.0	15. 0	15.17	14. 5	

23. ATTITUDE OF CREDITORS: We are satisfied from evidence submitted by Mortgagees and Mortgagees that the majority of secured creditors have extended a very large measure of consideration to debtors during the period of depression. Rates of interest in many cases have been reduced or waived for a period and few actions for foreclosure have been instituted. While it may be true that there is little reason to fear that a return to more prosperous times would result in a change in this attitude, we endorse the view expressed by the Coffee Board of Kenya that leniency is too often a matter of day to day arrangement. The planter has no security of tenure and although he may be leniently treated by creditors, his urge is to sacrifice the proper cultivation of his estate rather than run the risk of failing to meet his commitments. A composition arranged for a definite period of time would thus enable the planter to devote all his energies to the proper maintenance of his estate. Such proper maintenance is vital in the interests of creditors as well as debtors.

24. ASSISTANCE TO AGRICULTURE IN OTHER DOMINIONS AND COLONIES: The Committee have had access to records of the various relief measures adopted in the following Dominions and Colonies:

NEW ZEALAND : Mortgagees & Tenants' Relief Act, 1935  
Rural Intermediate Credit Act 1927 and  
Reverts 1930 - 1935.

SIERRA LEONE : Report of Committee of Enquiry into the  
economic position of the Agricultural  
Industry 1934.  
Farmers' Debt Adjustment Act 1935.

SOUTH AFRICA : Land Settlement Act 1931.  
Farmers' Special Relief Act 1931.  
S. African Farm Mortgage Interest Act 1935.  
Export Subsidies Act 1931.  
Dairy Industry Control Act (Amendment) 1933  
Farmers' Assistance Act 1933.

ALBERTA : Debt Adjustment Board.

SIERRA LEONE : Mortgagees & Purchasers' Relief Act

CANADA : Bankers' Creditors Management Act

SIERRA LEONE : Debt Adjustment Act 1935

SIERRA LEONE : Mortgagees' Relief Ordinance.

SIERRA LEONE : Farmers' Relief Act.

We are also aware of the large measure of assist-  
ance direct and indirect given in the United Kingdom to  
producers of agricultural products.

It has been further noted that the amount provided  
by the Government of the Union of South Africa, plus the  
excise costs met by consumers, plus the amount of loss on  
exports (quota), for the protection of agricultural  
industries amounted for the year 1935 to no less than  
£7,375,000 (vide South African Journal of Economics,  
September 1935).

20. WHEAT, TEA, SUGAR AND BISCUIT : No evidence has been given to the  
Committee that immediate assistance is required by any of  
these industries.

26. ASSISTANCE RECOMMENDED ONLY TO APPROVED FARMERS : Our investigations show that while measures of relief are necessary to the agricultural industry generally, there are cases where, owing to the unsuitability of the soil, location of the farm or to lack of experience or ability of the farmer, no assistance can be afforded with any prospect of the ultimate success of the farm or relief of the farmer. We are of the opinion that any form of assistance should be granted only after adequate enquiries into the financial position and farming ability of the farmer, the history and past production of the farm and the prospects of ultimate recovery.

27. HELP SIXTY FOR THE SMALL FARMER : We realize and wish to stress the fact that many farmers will not be able to continue operations unless some measure of relief can be afforded without delay. Apart from the position outlined in Para. 10 the fact that for a prolonged period farming operations have been conducted at a loss, has left many without any working capital with which to meet labour costs etc., to plant another crop or to maintain existing areas.

The coffee industry is further affected by the decision of Merchant Houses to curtail and in some cases to discontinue seasonal and anticipatory advances on which planters have relied in past years.

This decision has completely upset all the calculations of the planters concerned, and although it is reasonable to suppose that the Merchant Houses may be locked for a crop advance in July to September, when the crop is sufficiently advanced to admit of an estimate of its tonnage and value, in very few instances have these planters been able to make any financial arrangements for bridging the gap from January to June. The crop already reaped is held by the merchants against the advances made for its production and as the circumstances already detailed have combined to

deprive last season's operations of any profit, the planter has no source of income from which to meet the cost of maintenance until the next crop is in sight. The necessity for finding a means to alleviate this position is vital and immediate.

We are satisfied that finance should be made available to approved farmers to enable this gap to be bridged and are of the opinion that such assistance would go a long way towards establishing a sound system of coffee crop finance and would save many worthy and experienced planters from failure.

23. A MIDDLE CLASS : It is anticipated that the majority of applications for financial assistance will come from planters embarrassed by a variety of commitments to secured and unsecured creditors, the total amount of which renders it almost certain that the creditors cannot be satisfied in full from the result of next season's operations. This involves a threat of possible disaster starting from action by one of several parties, the mortgagee, the holder of a Chattel Mortgage, or the unsecured creditor. The recommendations of the Committee embrace an endeavour to meet this position by a scheme involving protection for the participant over a period during which it is hoped he will rehabilitate himself by means of carefully controlled finance.

There is, in addition, another class to be reckoned with, i.e. the planter who, although not actually embarrassed by the threat of possible action by a creditor, relied upon assistance from a Merchant House to finance his crop. This assistance being denied him, he has no funds with which to carry on

It was suggested to us that the proposed conditions surrounding any Government advances, as set out in the concluding paragraphs of this Report, might appear unduly

exacting in such a case. After consideration of the point we have decided that no real hardship would be imposed in connection with this class, but, on the contrary, the proposed restrictions and conditions attached to an advance would work for the mutual protection and benefit of the borrower, the Government and the Mortgagee.

In any case, it is hoped that with further capital made available to the Land Bank and the granting of the widened powers asked for by the Land Bank Board, a considerable number of planters will then be eligible for ordinary Land Bank advances.

50. INTERMEDIATE : Agricultural finance falls into two classes:

- (a) Long Term to meet the mortgage position and such other purposes as are defined in the Land Bank Ordinance;
- (b) Short Term to meet seasonal finance and to assist cereal farmers in a change over to mixed farming.

The difficulty with which we are faced is to suggest remedial measures which come within the bounds of practicability, and can be recommended to the Imperial Government.

We feel that no action should be recommended which would have the effect of creating a feeling of insecurity among investors and any of the opinion that any settlement between Debtor and Creditor should be voluntary. Some witnesses have stated that without compulsion any attempt to arrive at an equitable adjustment of the South African problem will be unsuccessful, others were in favour of nothing being done to prejudice the existing rights of secured creditors.

South Africa depends very largely on imported capital for the development of its resources and any step taken which will result in loss of confidence by lenders,

is injurious to the debtor for the moment, and tends to the detriment of the agricultural industry as a whole.

51. LAND BANK CAPITAL : With regard to long term finance we have already referred to a scheme based on a bond issue but at this stage we should like to support the recommendations of the Economic Development Committee for an increase of the capital of the Land Bank by £500,000, and the raising of the present maximum of an advance to any one farmer to £5,000, and the maximum amount for the discharge of a prior mortgage to £5,500 (vide Economic Development Committee's Report, Chap. VI, paras. 466 - 485).

It is understood that this proposal has been supported by Government and is now receiving consideration by the Secretary of State.

The scheme which has been put before us with regard to the long term adjustment of debts is of such magnitude (though on the face of it of such simplicity) that, without the most careful examination by experts, we consider that at this stage it would be folly to express an opinion either in favour of or against it, particularly as, short of going to the London Market for a loan of several millions, which we are told we could never be able to obtain, we have not yet evolved any other scheme which would take its place.

51. FINANCE FOR SHORT TERM We recommend that <sup>the</sup> £500,000 Government should be empowered to direct the Land Bank to set aside if sum not exceeding £500,000 (which amount, with interest, shall be guaranteed by Government to the Land Bank) in order to supply funds for the provision of essential ~~services~~ and assistance to coastal farmers in a change over to mixed farming, the procedure for which is set forth in the following pages.

The £500,000 to be set aside is not to be regarded in any sense as a subsidy to any industry, it is to be advanced as a business proposition, at an interest as low as Government considers reasonable, having regard to such factors as the interest payable on the loan, cost of administration, establishment of a reserve fund, etc.

It may be thought that in considering and reporting on the advisability of inaugurating a scheme of short term advances, we are exceeding our task which was to explore the possibilities of lightening the burden of agricultural indebtedness, and, on the strict interpretation of our terms of reference, there might be some



substance in the criticism, but we feel that the position is so critical that action must be taken immediately.

It would be fatal for us in pecuniary matters to proceed now to cases of long term finance which we know would involve long and detailed consideration before it could be brought into operation by Government, when we believe that if action is not taken promptly a considerable number of farmers of this Colony will be ruined, and it is for this reason that we wish to forward to Government this report.

We trust that by recommending this procedure we shall not be deemed as having failed in our main task, which we are at present postponing for reasons given in para. 10.

10. ROMANUS MACLEBERY recommends that the following steps be taken immediately:

1. That a Conciliation Board be appointed to consist of five members one of whom shall be drawn from the Land Bank Board with one of His Majesty's Judges as Chairman;
2. That local committees be appointed in various districts composed of the District Officer as Chairman and two members of farming and business ability;
3. That all applications, together with the recommendations of local committees be submitted to the Conciliation Board with which the final decision shall rest;
4. That definition of the powers of local committees and Conciliation Board and regulations governing advances be the subject of an instruction by the Governor-in-Council;
5. That the administration of advances approved by the Conciliation Board be in the hands of the Land Bank, which shall be appointed agent for Government in the administration of the scheme (where reference is made to

the Land Bank in the following pages it is in this capacity as Agent for Government);

6. That Land Bank agents in each district report at stated intervals to the Land Bank with a copy to the Local Committee.

23. PROCEDURE : Having established these bodies the procedure envisaged by us will be as follows :-

Upon a farmer determining that it is necessary for him to obtain assistance he will apply to the Local Committee stating his requirements and filing a complete list of his indebtedness, which will be open to inspection by any of his creditors.

Upon receipt of this application in due form the Chairman of the Local Committee shall immediately issue what is called a "stay order" over the whole property of the applicant, which will have the effect of vesting the property in the Land Bank temporarily in the Land Bank, but this stay order will permit the applicant to take deliveries under any agreement already made and to enter into fresh agreements with the approval of the Land Bank.

The Chairman of the Local Committee may also direct an approved valuer to visit the farms of the applicant, and make a report upon his assets and will in due course call a meeting of the Local Committee. At this meeting the position of the applicant's affairs will be freely discussed and the conditions under which, in the opinion of the Committee, an equitable adjustment of the applicant's position could be arranged (should this be necessary). The whole matter will then be referred to the Conciliation Board.

Every opportunity should be taken to

discuss the position with the applicant and his creditors before submitting the matter to the Conciliation Board. The Conciliation Board will then call a meeting which the applicant and his creditors shall have the right to attend in person or by a fully authorised representative, <sup>they</sup> or ~~they~~ send in their views in writing with the object of arriving at a settlement.

Should a majority of the creditors refuse to consent to the proposed adjustments or conditions of the settlement the Board will refuse the application in which case the "Stay Order" will be revoked, and the debtor and creditors permitted to follow their usual legal remedies.

When ~~the terms~~ of the proposal or any variation thereof are agreed to by

- (a) The Conciliation Board
- (b) and the secured creditors and
- (c) a majority in number and value of the unsecured creditors.

and whether such agreement involves an adjustment of debts ~~allowed~~, the Chairman of the Conciliation Board will reduce the terms to writing and will file this document (which in many cases will comprise a Deed of Arrangement) in the Registry, ~~which~~ documents will be binding on all parties, at the same time extending the Stay Order for a period not exceeding one year, unless a longer period has been agreed upon by the creditors. In calculating the majority of creditors required by this section no such unsecured creditor shall be reckoned in number unless his claim be of the value of at least five pounds, holders of second mortgages or chattels mortgages to be considered as secured creditors.

Although the Stay Order (except with the consent of the creditors) will be only issued for one year,

to contemplate a renewal of this Stay Order from year to year where there is any shortfall on any advance, but the total period shall not exceed in all more than five years.

Government funds can only be issued when reasonable security is offered and it is for this reason that Stay Orders are necessary under the Scheme before advances can be authorised.

In cases where it is considered necessary that Government funds are required for the purpose of continuing existing operations the decision of the Conciliation Board should include an instruction specifying the amount which the Land Bank should advance.

SUGGESTED REGULATIONS :

1. The security and terms for assignment of any advances to be such as are deemed fitting by the Conciliation Board ;
2. All securities to be registered in the name of the Land Bank;
3. No stamp duty to be payable on any document, instrument or deed issued by or in favour of the Land Bank;
4. Full particulars of all persons in respect of whose estates Stay Orders have been issued or removed to be notified for public information in the Official Gazette on the issue or removal of the Stay Order;
5. Accounts of revenue and expenditure to be kept by participants in form to be prescribed by the Land Bank;
6. The Secretary or Assistant Secretary of the Land Bank to act as Secretary to the Conciliation Board and clerical services for the work of the Conciliation Board to be supplied by the Land Bank.

30. SECURITY FOR ADVANCES : The next point to consider is the security to be held by the Land Bank.

As we have said previously, the effect of the Stay Order will be to vest the farm in the Land Bank for the period of the Stay Order, but it must be clearly understood that this does not in any way affect the rights of any secured creditor, except that it will postpone his remedies, e.g. the sale or foreclosure of any property movable or otherwise over which he may have a lien.

The security will be on the crop which will be grown and reaped during the time that the Stay Order is in existence and any other security which it will be able to obtain from the applicant. Thus, if money is advanced to a farmer to enable him to raise a crop of wheat and also to start a herd of cattle, the security for the money would be the value of the crop together with a Cattle's Mortgage on the cattle and their property, while the proceeds of any milk or meat products sold would also be paid to the Land Bank.

31. LIMITS FOR ADVANCES : Under the proposed scheme of Share Farm advances it is suggested that the maximum advance should be limited as follows :-

Wheat - Rs. 50/- per acre of fully bearing wheat, save in exceptional cases;

Wheat - Rs. 30/- per acre of planted area

For cattle, dip and fencing - £500

For any other purposes at the discretion of the Conciliation Board.

Should the crop be wholly or partially lost through locusts, diseases or other unforeseen calamity, admittedly for that year there would be a loss and the only hope of recovery of advanced would be by carrying the farmer for another year.

To fully realize that there is an element of risk attached to such investments, but, having considered all the existing circumstances, we are of the opinion that it is a risk that the country should take.

17. THE FARMER : Having outlined the procedure for and the security of the Land Bank it is necessary to point out the advantages of this project to the farmer. So far we have shown that, by the granting of a Stay Order, he is secure in his farm so long as the order is in force, but as against that all his property has been vested in the Land Bank. The procedure with regard to him is visualized as follows : As soon as the Conciliation Board have agreed to accept the agreement the farmer will ordinarily be appointed as manager of the estate under the supervision of the Land Bank (or their agents) and amounts paid to him will be a sum to include a monthly salary, which should represent an amount sufficient to support himself and his family, having regard to all the circumstances of his case. All other money necessary for the production of the crop up to the agreed limit, will be paid to him (as and when required) by the Land Bank after his vouchers have been duly passed by the Land Bank or its agents in his district. He thus obtains a living, certain security of tenure and has a better prospect of being able to keep his land so cultivated and improved that he will be able to take advantage of the rise in commodity prices which must, we trust, take place in the near future.

18. THE CREDITORS : The advantage of this scheme to the creditors lies in this fact : Few creditors are in a position to take over and run the farm themselves nor are many in a position to finance the farmer to run it. In view of the present world prices the prospect of an advantageous sale of the farm is almost negligible and their security, as we have shown, is greatly deteriorating through the farmer's financial inability to cultivate his land.

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By consenting to a Stay Order and/or an equitable Deed of Arrangement the creditor knows that the farmer will be provided to cultivate the land and the farmer adequately supervised by the Land Bank agent, thus preserving the value of his security, and he also knows that if the crop realises more than the Land Bank advance the surplus will be divided in the usual order of priority which will be laid down in the Ordinance.

39.

We trust that the scheme which we are now suggesting will not be dismissed as idealistic, socialist, or impracticable, for we feel sure that it can be worked, that it will be a godsend to many deserving farmers and that the risk to Government is infinitesimal in comparison with the possibility of the stability of good to the country in general.

We realise that many a farmer will be disappointed in our recommendations but it must be understood that we do not represent a philanthropic society and we therefore ought to recommend help to any that those who, in the opinion of the Board, will be able with help to make good. The bad farmer, the poor farmer with bad land, the possibly good farmer with good land who is so heavily involved that no arrangement with his creditors can be made are all beyond help.

40.

The above scheme may appear to our critics cumbersome and perhaps unwholly expensive but it is hoped that in practice, with the assistance and co-operation of such bodies as the Kenya Farmers' Association, who have already offered to help the Land Bank in every possible way to implement the smooth working of our endeavour, much time and money will be saved.

41. In conclusion we would like to place on record our appreciation of the industry and ability of our Secretary, and also the great assistance given to us voluntarily by Mr. Thomson, both as Acting Secretary during the temporary absence of Mr. Hately and also as our special emissary in certain country districts.

- (Sgd.) G. HARRAGH (Chairman)
- G. WALSH
- W. EVANS.
- J. HERDLINGER
- J. O'NEILL
- W. C. HERRER.

T. L. HATELY  
(SECRETARY)

RESOLUTION : To desire to place on record our grateful appreciation of the ability and patience with which our Chairman has conducted the deliberations of the Committee. Proceedings have been expeditious and the somewhat serious task has been materially lightened by his unfailing courtesy and ~~constant~~ guidance.

- (Sgd.) G. WALSH
- W. EVANS
- J. HERDLINGER
- J. O'NEILL
- W. C. HERRER.

T. L. HATELY  
(SECRETARY)

RESOLUTION BY MR. HATELY:

I have signed the Majority Report because, in the main I agree with the arguments set forth therein and also with the proposed scheme for short term finance.

There are, however, certain vital points on which my views are not in accord with those expressed in the report, and I beg to set forth these as follows :-

Under the heading "Procedure" the report recommends that all the accounts and a majority in number and value of



the unsecured creditors must agree before the farmer can be granted any assistance whatsoever, even that of a Stay Order. This is not the case in the New Zealand Act on which to a considerable extent our proposals are based, which reserves the decision as to whether a Stay Order shall be granted or not to the Conciliation Board, and where a Stay Order is granted, it is for a period of five years and not for yearly periods as recommended in our report.

In my opinion if this scheme is to be successful in keeping the deserving farmer on his land it is essential that the same power should be given to the Conciliation Board. As it is at present the recalcitrancy of even one obstinate creditor can prevent the most deserving case from obtaining any assistance under the proposed scheme. Further, even if all his creditors agree to the Stay Order being granted for the period of one year, there is grave reason to fear that an improvement in values is likely to result in his failing to obtain a renewal of their agreement from year to year for that further period which is necessary in order for him to make good the past losses which, it is agreed, have been incurred through circumstances beyond his control.

It is hardly necessary to point out that under the suggested conditions the good farmer on his well-farmed land who happens to have a small first mortgage compared to the total normal value of his farm is the one likely to have the most difficulty in obtaining this agreement, especially if and when values start rising again.

This is hardly in accordance with the opinion expressed by the Committee (vide para. 14) that the experience of the European farmer "represents an asset which the Colony cannot afford to lose."

The Committee also express the opinion (vide para. 21) that "To regard as a matter of great and far reaching benefit the psychological effect of the removal of any condition which constitutes an ever present menace to the farmer's security of tenure and continuance of operations".

In my opinion the scheme as suggested does little or nothing however to remove the serious dangers which threaten the very existence of so many deserving farmers.

That the farmer is entitled to protection by the State is recognized in the Acts of various British possessions as quoted in our report. It should be noted that these Acts in almost every case date back to 1850/1 and the fact that we in Kenya have waited till 1930 to take similar action is undoubtedly one of the reasons of the aggravation of the present position of agricultural indebtedness.

In the New Zealand Act during the unexpired period of the five year Stay Order the Conciliation Board meets at intervals to arrange a voluntary composition with the farmer's creditors in cases where the Board considers this necessary. If unsuccessful a Board of Review has large powers of enforcing a composition at the end of the five year period. Any such composition is based on the productivity of the farm during the period the Stay Order is in force. The Farmer's conduct and efficiency is taken into due consideration by the Board. It is however expressly laid down that the amount of his debts is not to be the guiding factor but that the Board is to be guided by the value of the farm and the efficiency of the farmer. On the face of it, this may seem to be unduly hard on the

creditors but it must be remembered that the purchasing power of money at the present time is immensely greater than when the money was lent.

I consider that in order to give the farmer a reasonable opportunity of getting on his feet again the Conciliation Board should have the power to enforce a Stay Order for the same period as in New Zealand, viz. five years, and that they should be granted the same power of enforcing a composition at the end of the period that the Board of Review has under the New Zealand Act, such power only to be used if the purchasing power of money remains abnormally high.

The Government of Kenya has recognized the necessity of exceptional measures in passing the ~~Emergency Powers Act~~ and I can see no reason whatsoever why the Conciliation Board which is to be under the chairmanship of one of His Majesty's Judges should not be granted the same powers as are granted to similar bodies under the New Zealand Act.

I consider further that steps for reducing the rate of interest on Agricultural Mortgages such as have been taken in other British possessions are essential in Kenya and should be taken at once. Evidence has been presented before the Committee here in most instances emphasizing the necessity for this and our late Governor, Sir Edward Greig has stated in the Imperial Parliament that it is absolutely essential.

A further most effective method of "lightening the burden of agricultural indebtedness" is a measure of so-called devaluation of the East African currency, i.e. the controlling of the East African shilling at a discount with the sterling shilling instead of, as at present, controlling it at par. This method has been adopted by several of the Dominions including

Australia and New Zealand. It has also been adopted almost universally by all the coffee producing countries.

It is a very severe handicap on our primary producers to have to compete unaided in the world's markets with the produce of these countries. It is to be hoped that the Secretary of State for the Colonies will give his reasons at an early date as to why similar steps should not be taken in the West African Territories.

If there are good reasons against this then I feel that it is essential that the Secretary of State should suggest to the Local Government alternative measures to afford equivalent relief.

The accumulated burden of debts, the necessity of the alleviation of which was recognized by Government in the setting up of our Committee, is to some considerable extent due to this handicap.

(Sigs.) JEFF KEDDINGER.

THE COFFEE BOARD OF KENYA.

AGRICULTURAL INDEBTEDNESS.

This memorandum is divided into four main sections :-

- Section I - The indebtedness of the coffee industry.
- Section II - The causes of the present state of indebtedness.
- Section III - The prospects of recovery.
- Section IV - Suggestions for the alleviation of the present position and for assisting towards recovery.

SECTION I. THE INDEBTEDNESS OF THE COFFEE INDUSTRY.

In its Report for the year ended 30th June, 1935, the Coffee Board published a Summary of Analysis of returns from coffee estates producing 82.8% of the total Kenya crop (Appendix "G" of the Annual Report of the Coffee Board for the year ending 30th June, 1935, p. 99 et seq.

The Board has since prepared for the information of the Agricultural Indebtedness Committee an analysis of the mortgage position of the industry. This Mortgage Summary Statement is attached hereto.

A complete analysis, which gives details (under code numbers) of all individual returns, has been forwarded for the information of the Chairman and of the Secretary of the Agricultural Indebtedness Committee, but as individual returns (even under code numbers) to the Coffee Board questionnaire are confidential, these detailed analyses cannot be made available to all members of the Committee.

Apart from ordinary trade creditors, the coffee industry is committed in the following three distinct classes of indebtedness :-

1. Mortgages.
2. Shortfalls owing to merchant firms.
3. Seasonal finance.

(1) Mortgages

Under the main heading Mortgages, there are again three sub-divisions :-

- (a) Mortgages proper with which are included debentures.
- (b) Bank Overdrafts secured upon title deeds or upon security other than crop or chattels mortgage.
- (c) Loans from merchant firms secured upon title deeds or upon security other than crop or chattels mortgage.

The total indebtedness under this head as at 30/6/34 was £1,212,110. The annual interest charge amounted to £22,043. In arriving at this total the actual amount of interest paid was obtained in respect of sub-division (a). Mortgages upon which moratoriums existed are included in the capital sum, but no interest is included in cases where none is paid. In respect of sub-divisions (b) and (c), interest has been calculated at the rate of 6%.

(2) Shortfalls owing to Merchant Firms.

Generally speaking, these shortfalls are the result of crop failing to reach either estimated tonnage or estimated value. It is possible that in a few cases they have been deliberately incurred with a view to completing development.

The total indebtedness under this head amounted at 30/6/34 to £95,230, but crop to the value of £23,427 was held unsold by merchants on behalf of planters with shortfalls. The actual total shortfall is therefore reduced to £71,803. Calculating interest at 6% per annum, it is seen that the annual interest charge amounts to £4,308.

(3) Seasonal Indebtedness.

At 30/6/34 Banks and merchants had advanced a total of £193,206 upon the security of crop or chattels mortgage. Of this total, shortfalls as above shown amounted to £71,803. Agents and Banks also held unsold crop of the previous season to the value of £60,804. It is therefore to be seen that against the 1934/35 crop a sum of £60,508 had been advanced as at 30/6/34.

It was estimated by planters that further drawings in anticipation of crop between 30/6/34 and 31/12/34 would amount to a total of £113,314.

The total sum estimated to be advanced against 87.8% of the season's crop therefore amounted to £174,118.

In a number of cases the amount which planters estimated they would draw appeared to be greatly in excess of the probable value of their estimated crop, but the Board has no means of knowing what extent the estimated drawings were actually advanced by agents.

Estimating that these advances bear interest at an average rate of 5% and that they average six months' duration, it is to be seen that under this heading the industry carries an interest charge amounting to £9,276.

Calculating interest on advances against unsold crop on the same basis, a further £3,344 is added to the interest charge. The total annual interest charge on seasonal indebtedness therefore amounts to £12,920.

The total interest charges met by the industry each year can thus be summarised as follows :-

On Mortgages etc. ....	£82,043
On Shortfalls .....	4,308
On Seasonal Finance .....	12,920
<b>TOTAL INTEREST CHARGE .....</b>	<b>299,271</b>

As this charge has to be met practically entirely by classes 2, 3, 4 and 5 who have an annual average production of 7,366 tons, it is seen that it represents a charge of £13.5 per ton of coffee produced.

The figures and facts revealed in the various statements and analyses above mentioned serve to present a general picture of the indebtedness of the industry, but the figures given are largely averages and it must be realised that they are far removed from the actualities of a great number of individual cases. The sheep are mixed with the goats, and those who appear to be hopelessly indebted are mixed with those who, if given a breathing

spell, have every reasonable chance of pulling through and of continuing in the future to add, as they have done in the past, to the wealth of the Colony.

These statistics serve as a guide only and decision as to whether it is possible to alleviate the position can only be made by individual consideration of individual cases.

An examination of the Crop Summary Statement and of the Financial and Mortgage Summary Statements reveals the following general position.

Class 1 (171 Estates) producing an average annual crop of 3,009 tons was at the 30th June, 1934, free of all commitments, but certain small drawings against crop were then becoming necessary.

That season's crop was below the 30th June estimate, and it appears probable that the need of that class for crop finance will increase, unless better seasons or better prices intervene. Any reduction in the cost of crop finance will assist this free and important class of the industry to maintain its independence.

Class 2 (179 Estates) at 30/6/34 was free of crop commitments, but the majority of estates are mortgaged and the present interest charges represent a definitely heavy addition to the per ton costs of production. This class produces an average annual crop of 2,725 tons and was then beginning to require advances against crop.

Assistance to this class can be afforded by reduction in mortgage interest and by reduction in cost of crop finance.

These two classes with a total average production of 7,734 tons per annum have 12,514 acres of coffee which have not yet reached the full bearing stage, out of a total acreage of 42,054 acres under coffee. The potential future crops of estates in these classes are therefore considerably in excess of the average for the years 1931/34.

Classes 3, 4 and 5 (200 Estates) are all to a greater or lesser extent mortgaged, owing shortfalls and in need of seasonal finance, and if the problem of their indebtedness is to be solved, estates in these classes need relief under all three heads. These classes have a total of 33,485 acres under coffee, but 11,523 acres had at 30/6/34 not reached the full bearing stage.

The average production of these classes as at 30/6/34 was 4,641 tons and it may reasonably be expected that by 1939 the production will have increased by approximately 50% on account of extra development alone, and will have reached 6,960 tons per annum. This increase in the average annual production, even at present prices, will very greatly reduce the per ton costs of present interest charges.

The foregoing facts and figures relate only to 87.8% of the industry's production and to 73.89% of its total acreage. Replies to questionnaires were not received from the remaining 12.2% of production.

SECTION II. THE CAUSES OF THE PRESENT STATE OF INDEBTEDNESS.

In the years 1924 to 1929, coffee fetched a highly remunerative price and any price less than £100 per ton nett on the estate was extremely disappointing to the planter. At these prices the value of coffee land and of developed coffee land in particular was very high. Money was easy to obtain on mortgage and the various merchant firms interested in coffee, competed with

one another in the financing of crops in their efforts to secure business.

In 1926 the industry had a total of 68,950 acres planted under coffee, but of this acreage 22,888 acres were still under three years old and a further 22,309 acres were still under six years old. Thus the industry was in that year still paying for the development of 45,197 acres (65.5%) out of its total planting. By 1930, the total acreage had increased to 96,042 acres and of this only 46,267 acres (49%) were over six years old, and the industry was therefore still paying for the development of 51% of its total acreage.

In those years production costs and general expenditure were admittedly high, but as the above figures show, profits were put back into estates in the form of increased development of the land, and profits were also returned to the estates in the erection of permanent factories and in the building of permanent houses to replace the grass "bands" in which many planters started.

Reserves were not accumulated and the whole energy of the industry was concentrated upon increased development. This development was encouraged on all sides and planters who made insufficient profits to permit the carrying out of development programme found money easy to raise.

In view of the value of coffee at that time, the cost of the money appeared to be reasonable, and the then value of land made reasonable mortgages which today appear fantastic. All parties - planter, mortgagee, and merchant - appear to have been equally optimistic and appear equally blameworthy for their present respective positions.

Early in 1930, there came a sudden and, apparently, completely unexpected drop in prices. Large consignments of coffee of the 1929/30 crop, against which money had been advanced at the rate of £100 per ton in Nairobi, failed to realise more than £70 per ton in London. Planters with 50 tons of unsold crop, against which they had borrowed to the hilt, found themselves faced with unexpected shortfalls of £2,000 or more, and it is from this season that the serious shortfall position began to develop.

Here again, it may be said that both parties were equally to blame - the planter responsible for the production of the crop, for borrowing; - and the merchant responsible for the marketing of the crop, for lending.

The industry therefore found itself in 1930 faced with the need to meet mortgage interest charges and the continued development of over 50% of its plantings on a crop reduced in value by some 30% to 40%. It was also faced with the repayment of shortfalls which it had suddenly accumulated.

The merchants were also in an unenviable position in financing a crop which had an uncertain and unsteady market. Planters began to bring down the costs of their production and to cease increasing the development of their holdings, but they had to continue to carry the cost of development of young areas.

Advances were still made and continued to err on the optimistic side and it was not really until 1933 that merchants began to take due care in the finance of estates.

By the year 1934, the industry had increased its plantings to 102,238 acres, showing an increase of 6,196 acres in four years as against an increase of 27,092 acres in the previous five years. The proportion of coffee over six years old had increased



to 34% of the total, but 36% of the total planting was still in process of development and was still a charge against production.

In the years 1930 to 1935, there has been a steady fall in prices, production costs have been reduced, but there has been an inevitable lag between cost reduction and price fall. Planters and merchants have both made sacrifices to meet the interest charges of the mortgagees. Both planters and merchants in their borrowings and lendings appear to have erred on the side of optimism in advances made per ton of coffee, but it has to be remembered that, in addition to producing his crop, the planter has been and still is faced with the necessity of carrying on the development of growing areas and that he has been enabled to do this by the merchant advances.

A further aspect of the case, and certainly one of the main reasons for the present troubles of the industry, is the drought seasons which have had to be faced. Apart from the general incidence of drought which has affected both quantity and quality of crop produced throughout the Colony, the main producing areas have had the unprecedented experience of three consecutive years of drought.

A brief survey of the crops, climate and farming since the season 1929/30 will assist to a clearer view of the whole position.

The 1929/30 season was the largest that had then been recorded and amounted to a little short of 11,000 tons, but this has been variously explained, development was continuing apace, money was on offer on all sides and borrowings against crop were heavy, and as a result of price fall, planters were actually worse off than would have been the case with a smaller crop. Trees and estates were in excellent condition after the season and in the following season 1930/31 a bumper crop of 12,500 tons matured. Borrowings and lendings continued on optimistic scales, but it may be said that this season did to a considerable extent enable planters to meet the commitments of the previous year and to continue to pay adequate attention to their estates and to the continued proper maintenance of semi-developed areas, which still amounted to nearly 50% of the total acreage.

Climatic conditions at the end of 1930 and in the early part of 1931 left the crop in poor condition with the result that the following (1931/32) season's crop was reduced in quantity by some 4,000 tons to a total of 8,500 tons only, and difficulties again resulted.

The season 1932/33, however, afforded evidence of the recuperative powers of the coffee industry and saw yet another record crop which amounted to over 15,000 tons, and which despite still falling markets did a great deal to rehabilitate planters.

It should be noted that the four seasons 1929/30 to 1932/33 saw an increase in production from a record drop of 10,855 tons to a new record of 15,199 tons. This increase was accounted for largely by the coming into bearing of young areas, but very great strides had also been taken in these years to improve farming methods and to increase yields. Fertilisers and manures were being used lavishly and to greater benefit than ever before, and in every possible way planters were doing their utmost to meet lower prices by increased yields. Among other things, the great benefits of Bordeaux spraying in normal seasons had been made apparent and very extensive use was being made of this method of preventing bi-ennial bearing.

The result of this improvement in farming promised to show fitting result in the season 1933/34.

March 1933 made possible an estimated harvest of 20,000 tons, but the failure of the long rains in that year resulted in a disastrous crop failure and instead of 20,000 tons of fine coffee, less than 12,000 tons was actually harvested, and a very large proportion of this was of the poorest quality which had ever been produced in Kenya.

The failure of rains at a time when planters had every reason to expect rain had a far worse effect upon the industry than any ordinary shortage. The season 1934/35 yielded a total crop of some 11,500 tons.

The effect of these consecutive seasons of drought has been felt throughout the coffee districts of the Colony, and there is no doubt whatever but that the poor quality of much of the coffee in these seasons has been the result of drought and the loss of moisture reserves in the soil.

Amongst the areas which have suffered most severely from drought are the two large districts of Thika and Ruiru. The area under coffee in these districts is 25,643 acres, or 25.4% of the Colony's total. Of this acreage 8,096 acres, nearly one-third of the total, is still in process of development. The 1933/34 production, which was reduced 50% by drought, amounted to 3,130 tons, or 27.2% of the total production of the Colony.

The importance of these districts as indicated by the above figures warrants their special mention in this memorandum as an example of what has happened in those parts of the Colony which have experienced the most serious drought conditions. The effect of drought in the Thika and Ruiru districts has been utterly disastrous and planters are burdened with interest charges which in more normal seasons might amount to less than 25 per cent, but which, as a result of low production, have actually amounted to 100 and 200 per cent.

The failure of the long rains in 1933 had its most serious effect upon plantations in these districts when in March of that year were in excellent condition. Crops in that year were early and the coffee on the trees was within a month or two of being ready to harvest. A complete failure of long rains had never previously been experienced, but delayed or late rains had been met with. Planters, therefore, instead of stripping their trees immediately they started to wilt, waited for the rain which their experience told them could not be long delayed. They waited for this rain from day to day and week to week, and by the time that crops were actually stripped, the trees had suffered to an extent which precluded the possibility of recovery in time to yield a crop in the following season (1934/35).

The money invested in extensive Bordeaux spraying, which, in a normal season, would have produced excellent results, actually occasioned increased loss. Leaves stayed on the trees instead of falling and the resulting transpiration and loss of moisture did a great deal to add to the damage of the drought.

The failure of the rains therefore resulted, not only in the loss of a bumper crop in the season 1933/34, but also in the ruination of crop prospects in the following season 1934/35.

After the loss of two successive crops, the season 1935/36 opened full of promise; exceptional flowerings around November, 1934, promised a very fine early crop, further heavy flowerings occurred in January, 1935, but the previous November rains had been below normal and as a result of three consecutive seasons of drought, the soil held no moisture reserves and trees began to suffer by the end of January. Occasional falls of rain gave occasional spells of hope, but a great deal of crop had already had to be stripped by the end of March. Rains in April

and further extensive flowerings gave renewed hope that much might be saved from the wreck, but the long rains again proved entirely inadequate and by July it became obvious that once again in these two districts crops could be counted as a failure and that such crop as might be reaped would be of very inferior quality.

One further trouble with which these districts have had to contend since 1924 has been mealy-bug, and tremendous crop losses have in the past been caused by this pest, more particularly in these districts than in any other parts of the country. This pest reduced crops in the days of high prices, but measures of control now exist which enable crop losses to be avoided. The expenses of this control are heavy, but throughout these districts control has to date been adequately maintained, and as soon as normal seasons are experienced, production will increase above previous averages as a result of this control.

These districts, and others for which they serve as an example, are heavily indebted today, but their future potential production is very great. Given a return to normal seasons and reasonable respite from the burden of their present indebtedness, there is no doubt whatsoever but that the plantations in these areas can recuperate and that the recuperation can be accomplished speedily.

The general causes and reasons for the present indebtedness of the industry as a whole may now be summarised as follows :-

1. An optimism in years of high prices which led to :
  - (a) The raising of extensive mortgages bearing high rates of interest.
  - (b) The start of a new form of indebtedness - shortfalls - caused initially by a sudden and heavy fall in prices.
2. The stage of development of the industry. Estates not fully developed in the good years created no reserves, but put their profits back into their land and at the beginning of the slump had over 30% of their acreage semi-developed. Development had reached a stage at which it was impossible to cease expenditure and half of the total acreage of coffee required an expensive maintenance for many years before returns could be expected.
3. A gradual fall in average price realised starting in early 1930, until in 1935 Kenya coffee had fallen to an unprecedented low price level.
4. Pests and diseases which, in past years, could not be adequately controlled and therefore caused crop losses.
5. Drought seasons which have not only reduced quantity of crop, but which have also seriously affected quality.

SECTION III. THE PROSPECTS OF RECOVERY.

In viewing the prospects of the recovery of the industry, there are six main factors which have to be taken into consideration.

- (1) The stage of development of the industry. In 1930, of the total planted area of 90,205 acres only 40,722 acres (45%) were fully developed. By 1934 the fully developed area had been

increased to 65,643 acres (64%) and 36,595 acres only were still in process of development.

Of these semi-developed areas 22,549 acres will be fully productive by 1937. The balance of the semi-developed areas, 14,046 acres (13%) will not be fully productive until 1939, but this is a comparatively small percentage and will not represent such a strain as has been carried in completing the development over the past five years.

This increase in fully productive areas and in semi-productive areas makes it possible to anticipate for the future considerably larger crops than have ever been harvested in the past.

The release from the expenditure upon development will also place farmers on a sounder footing and will reduce the present costs of production on semi-developed estates.

(2) Climatic Conditions. As has already been shown, the industry as a whole, and certain large coffee producing districts in particular, have suffered since 1933 from seasons of unprecedented drought. There would appear to be no reason to expect seasons of drought to continue indefinitely, but it has to be remembered that during these three years of drought the coffee trees have gone through all the pains of bearing, even though crop has eventually been lost, and that they cannot be expected to recover in one season. Viewing the industry as a whole, it is probable that two normal seasons are necessary before a complete recovery from the effects of drought can be expected.

A further consideration in relation to drought is the very amazing way in which coffee trees in drought affected areas have acclimatised themselves to dryer conditions, and it can be reasonably hoped that climatic conditions, which some years ago were found to present difficulties, will in the future be found to have less ill effect upon production.

A crop of 20,000 tons was estimated in the season 1933/34 from 60,169 acres of fully bearing and from 23,943 acres of semi-productive coffee. It is estimated that the fully bearing acreage is now 70,000 acres, and that there are some 20,000 acres of semi-productive coffee. It is therefore to be expected that in good years, in the near future, crops of over 20,000 tons will be harvested and that even on average, given normal climatic conditions, crops should yield five to six thousand tons in excess of the harvests of the past two years.

(3) Value of Coffee. Whilst there appears to be no reason to expect any rise in the level of world prices for coffee for some years to come, it is at least possible to state that prices cannot be expected to fall in the future to the same extent and in the same proportion as has been the case since 1929.

The fact that no rise in world price levels can be expected does not, however, preclude consideration of the possibility of a rise in the average prices realised for Kenya Coffees.

For the past three seasons a very great proportion of the crop has consisted of immature, shrunken, and drought affected beans which have perforce been sold at prices which bear no relation to the price level of fully developed crop which has been grown under normal conditions.

Estates in areas which have been badly affected by drought have this season sold a great part of their crop at prices which have yielded an average in the region of £30 per ton and lower. A return to normal conditions will not only increase the quantities of these crops, but should also increase the values to an economic level.

The quality of the coffee produced by the industry as a whole, apart from the exceptionally poor quality crops produced in badly drought stricken areas, has also in the past few seasons been far below the normal. There is every reason to expect that quality will improve with a return to normal climatic conditions and that a greater proportion of fine liquoring coffees, suitable for the Home trade requirements, will be produced in the future than has been produced during the past drought years.

Although the premium paid for fine coffees as opposed to common coffee is lower than ever previously recorded, a premium does still exist and is paid by the United Kingdom Home Trade. The production of a greater proportion of coffee suited to that trade can only result in higher average realisation for the Colony's crop.

It may therefore be expected, even though there be no rise in world prices, that the coffee crop of Kenya can realise a higher average price than has been realised during the current season. It is possible to estimate that this increase in value amount to at least £10 per ton.

(4) Pests and Diseases. Two major pests, Antestia and Mealy-bug, which have caused serious crop loss in the past can and are being controlled today, and are no longer occasioning loss of crop. The expense of control is still heavy, but there appears to be reason to hope that in the case of Mealy-bug, new methods of control may be introduced which will substantially reduce cost.

Of the major diseases of coffee, Coffee Berry Disease alone is still uncontrolled and still causing serious crop loss. The Department of Agriculture are of opinion that the ravages of this disease can only be alleviated by the expensive process of complete replanting of estates with resistant types of coffee.

(5) The Coffee Planter. The majority of planters came to Kenya without previous agricultural experience. In general, these men are now experienced and efficient and can be counted upon to give highly skilled care to the preparation of their crops and to the cultivation of their estates.

(6) Costs of Production. The costs of production of coffee have been steadily reduced year by year, but there still remain possibilities of further reductions both on the estate and in transport and marketing costs.

Reductions in costs on the estate may not be immediate possibilities, but the possibility of the biological control of Mealy-bug bears mention in this memorandum, as it is a subject which is now being actively pursued by the Department of Agriculture. If success is achieved in this direction, the annual saving to the industry is estimated to amount to 220,000 per annum.

The possibility of reducing transport costs has recently been evidenced by the reductions in railway rates and the industry is now actively pursuing the possibility of securing reductions in freight rates from the shipping companies.

Plantations can be expected to yield larger crops in the future than in the past, on account of fuller development, in expectation of more normal rainfall, on account of control of disease and finally on account of the better farming practices and the greater experience of the planters themselves. Larger crops and better yields per acre will bring about a very considerable reduction in the costs of production.

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industry lie in the potential production of increased crops, the consequent reduction in costs of production and in the well founded expectation that the average price realised for the industry's crop will be higher as a result of the production of better quality coffees.

These prospects are not remote, the more badly an area has been affected by drought, the greater will be the measure of the recovery, and the Coffee Board finds itself completely justified in putting forward proposals which will enable planters who are now heavily indebted to benefit by the recovery which can so confidently be expected.

SECTION IV. SUGGESTIONS FOR THE ALLEVIATION OF THE PRESENT POSITION AND FOR ASSISTING TOWARDS RECOVERY.

The value of an economically sound coffee industry to the Colony is sufficiently apparent to require no elaboration.

The present indebtedness of the industry is forcing estates to unwise economies and unless relief is afforded quickly, estates, which otherwise could recover, will through lack of adequate cultivation lose their potential value to the detriment of all interests.

The four great needs of the industry are as follows :-

1. A financial respite in which to recover from the confined effects of price falls and droughts.
2. The provision of short-term finance on a sound basis.
3. Assistance to complete the development of estates which are not yet economic units.
4. Land Rent revision in certain areas.

It is believed that in all four directions, assistance can be afforded, without undue risk to Government and without upsetting the credit of the industry.

(1) A Conciliation Board.

It appears that there exists at least one definite possibility of providing, without any delay, a measure of assistance to a number of planters who are at present in difficulties or in a position of insecurity.

It is suggested that there should be established immediately a Conciliation Board for the purpose of arranging composition, either temporary or permanent, between debtors and creditors.

Upon application by either party, the Conciliation Board should meet debtor and creditors and attempt to arrive, by agreement between parties, at a reasonable composition.

It must be made possible to prevent, possibly by stay order, any action being taken by creditors prior to an examination of the case and an attempt at composition by the Conciliation Board. This Board would obtain and would be able to present to creditors and to debtor a completely fair and unbiassed opinion and there would seem to be little doubt but that it would achieve at least a percentage of success in arriving at amicable settlements.

would appear desirable to effect some composition as between the various classes of creditors 'inter se' for the inequitable position has been reached today when unsecured creditors are obtaining priority for payment of their debts by reason of their ability to have recourse to the Courts at the expense of the secured creditors, who are unable to enforce their right without considerable cost to themselves or damage to their security.

A large number of creditors, secured and unsecured, are today being extremely lenient with their debtors, but such leniency is too often a matter of day to day arrangement. The planter has no security of tenure, and although he may be leniently treated by creditors, his urge is to sacrifice the proper cultivation of his estate rather than to run the risk of failing to meet his commitments. A composition arranged for a definite period of time would give an assurance of continued tenure and would thus enable the planter to devote all-energies to the proper maintenance of his estate.

Such proper maintenance is vital in the interest of creditors as well as of debtors.

It is believed that the Conciliation Board could arrange compositions equitable to all parties, could constitute itself as trustee of the estate during an agreed period and thus provide for the debtor the certainty of being able to continue his farming operations for a specified period, and provide for the creditors the certainty of a fair and just share in any profits resulting from such farming operations.

The management and the finance of estates, the subject of composition, should be supervised by the Trustee or an approved agent.

The position of failed planters is such that immediate relief is of vital importance, and unless relief in some shape or form is provided, estates are likely to deteriorate to the ultimate detriment of all creditors. A Conciliation Board, constituted on the lines above indicated, might not be able to find ways of relieving all planters, but that should not preclude an attempt being made, without delay, to remedy the position of others.

The acceptance of this suggestion by the Agricultural Indebtedness Committee does not necessarily involve dropping the consideration of other and wider forms of assistance, but it does provide the opportunity of assisting and giving immediate relief to a number of planters. The adoption of this suggestion further provides the opportunity of obtaining accurate and detailed information as to the indebtedness of agriculturists in the Colony. It is suggested that the information so obtained is likely to be far more accurate and far more valuable than any that is likely to be secured by the hearing of evidence, or by any other means, and even in its failures, it is considered that a Conciliation Board such as has been outlined would be gaining valuable information which will lead to a far clearer view of the position and which would be of assistance to the Agricultural Indebtedness Committee.

If it is found that the Conciliation Board fails to effect reasonable compositions, the detailed information which it will gain, even in its failures, will form invaluable evidence upon which the Committee on Agricultural Indebtedness can base its final conclusions.

The Conciliation Board, if formed, should bear in mind that, as far as the coffee industry is concerned, the main need is a breathing space in which to adjust itself to changed conditions, in which to recover from drought seasons and in which to complete its development.



Compositions could be varied to meet individual cases. Hard and fast rules or principles should be reduced to a minimum, as it is believed that experience alone will enable the Board to discover what types of composition will remedy the position of debtors and at the same time prove acceptable to creditors.

The Coffee Board urges the Committee on Agricultural Indebtedness to give this suggestion, which formed part of the evidence given by the Chairman of the Coffee Board on the 23rd October, the most serious and speedy consideration. In a great number of cases arrangements for the financing of estates for the next year are pending, and it is certain that, if composition between creditors and debtors can be achieved, the possibilities of arranging seasonal finance in these cases will be more hopeful.

(2) Short-Term Finance.

This memorandum has already shown that a very large proportion of the industry is dependent upon and cannot continue to exist without seasonal finance.

Until the years 1923 or 1924 the borrowing of seasonal credits was not made unduly easy, but from 1925 onwards planters were encouraged by merchants and by banks to borrow to the limit of their credit, and far too many planters took advantage of the easy money which was available, borrowed to the limit on every ton of coffee produced and had only too frequently spent their profits before their crops were actually sold.

Until about 1924, planters very seldom required any finance before the actual harvest of their crop; finance against actual crop may have been common, but finance in anticipation of crop was uncommon.

The easy money and the urge to complete development combined from 1925 onwards to induce planters to spend the entire proceeds of a season's crop without putting by any reserves for the following season, and, as a result, the system of anticipatory advances grew until a large proportion of the industry was regularly drawing upon merchant houses for the finance of estates several months prior to harvest.

Merchants were repaid their advances and planters' crops were sold, competition as between merchants increased and, for some reason which can probably never be explained, the calendar year from 1st January to 31st December became the financial year. It would be extremely difficult to find a period more unsuited to the coffee industry in Kenya.

It became common practice for planters to borrow and for merchants to lend in January and from January onwards in anticipation of crop to be harvested in the following November. The ordinary and proper order of things was completely reversed, and planters were encouraged by business men to adopt practices which no sound business would ever have contemplated in its own finance. Once the cycle had been started it became almost impossible to stop. The state of affairs as between merchant and planter became truly chaotic, but this state of affairs was so general and the practice so widespread, that to planters who were not business men this wild and unsound method of finance appeared entirely normal and a very great number of the planters in Kenya today have never known any saner practice.

The merchants, having permitted the cycle to start, found themselves powerless to put an end to it without causing hardship to their planter clients and without involving themselves in losses.

Even sound estates are thus being financed on the following lines :- Merchants in January begin the finance of an estate, usually upon an agreed scale which supplies the planter with his own estimated requirements and upon a scale which frequently bears little relation to any crop estimate; advances continue through the year and it is not until May or June, after five or six months of financing, that any reasonable or accurate estimate of crop can be made. Crop may start harvesting in May or June, and possibly a month later sales of early pickings are effected which start the repayment of January advances, but in general the bulk of the crop is not picked until November and is not sold until some time later in the following year. Therefore, at the end of any year planter and merchant are in the following respective positions :-

The planter is owing to the merchant the cost of a year's running of his estate. The merchant is holding the crop, the result of that year's working. The greater proportion of the crop is still unsold and it is therefore necessary to estimate the selling value of the crop, in order to estimate the position of the two parties. Taking the case of a sound estate, it may be assumed that on estimate the accounts are level or show a balance in favour of the planter - a balance, however, which is only estimated and cannot be converted into cash until coffee is sold, possibly several months later.

After estimating the value of coffee prior to sale, and thereby estimating the position of the two parties, arrangements for the following season's finance have to be made. The planter estimates the quantity and quality of a crop which is to be harvested many months ahead, and in many cases before the main flowering has taken place, harvested previous only that rains are adequate, and that pest, disease or climate do not affect the position. The merchant estimates the value of an estimated crop which will be sold in from twelve to eighteen months' time.

Upon this basis arrangements for the next season's finance are arrived at, and it is suggested by the Coffee Board that a less satisfactory basis for all parties concerned would be extremely difficult to evolve.

Had merchants and planters combined to make the crop year the financial year, it is confidently believed that the position of both parties would today be infinitely better. Crop years might have to vary from district to district, but the main part of the coffee-growing areas of the Colony would find satisfactory a year commencing the 1st June.

At this time it is possible to make reasonable estimates of crop, the most important rainy season of the year is over, early crop is ready or nearly ready for harvest, main crop is on the trees in the form of immature cherry and from every point of view the principal dangers of crop loss are past.

Advances made in June and from June to November can be expected to be repaid, in part at least, by the proceeds of sale of early crop and at the end of December the position of planter and merchant is that the planter owes a proportion only of the costs of six months' running of the estate and that the merchant holds the main crop for sale. Finance as between January and June is therefore possible against actual proceeds of sale or by means of advances against crop which is in the process of being marketed. The only estimates necessary are estimated values of crop which is on or about to be put on the market.

By the end of May the exact position of both parties in respect to the year's working is known, and further, it is again possible to gauge with accuracy the prospects of the following season.

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It requires no further elaboration to show that satisfactory financing of estates is far more possible if the crop year and the financial year are the same.

The main difficulty that today confronts the industry in relation to its seasonal finance is therefore to find a way of bridging the gap which exists between the time at which advances are accustomed to start and the time at which they should start. This gap is the key to the whole position and crop finance will never be on a sound basis until it has been bridged.

A return to more normal seasons with the resultant increased production will enable the more fortunate planters in the course of time to place their finance upon a sounder footing without assistance, but in the majority of cases, if finance continues on the present basis, the position will be unchanged by January 1937 and neither planters or financiers will be any better off.

The industry as a whole would benefit tremendously if this gap could be bridged immediately, and the effect would be to place the seasonal finance of coffee on a sounder basis than has been the case for very many years.

It is therefore suggested, as meriting the most serious consideration, that arrangements be made by Government to provide finance for this five month period, and that whenever possible, such loans should be on a long term basis.

The amounts of such loans to individuals would be comparatively small, and by arrangement and agreement with mortgagees it should be possible for adequate security to be provided without prejudice to other interests.

The following figures will serve as a rough guide as to the total finance required and as to the loans likely to be required by individual estates.

It has been shown in Section I of this memorandum that in the season 1934/35 a sum of £20,598 had been advanced between 1st January and 30th June, 1934, against 87.8% of the crop. In other words, this means that advances had been made at the rate of approximately £10,000 per month for the first six months of the year.

The number of planters to whom such advances had been made in 1934 totalled 194. Of these, 108 were small producers whose average annual crop was under twelve tons and whose drawings had in the main been correspondingly small. The remaining 76 planters were producers of average annual crops of over 25 tons, and with a total average annual production of some 3,800 tons.

These 76 planters on 30th June, 1934, owed to their agents or bankers a total sum of £145,108, but of this sum £112,578 was accounted for by shortfalls carried forward from the previous season and by crop of the previous season which was then still unsold. It is therefore to be seen that to these planters the sums actually advanced against 1934/35 crop totalled only £33,470. An average figure of about £440 per planter and of less than £9 per ton of the average total production.

On the same basis, the total drawn by the 108 small producers was £27,129. The average amount drawn by each of the smaller producers amounted to approximately £250, but the total average annual production was only some 800 tons and the average amount advanced per ton was over £33. These estates, however, generally speaking are only in the early stages of production

and the crop for their next season (1934/35) was estimated at over 1,150 tons.

Detailed figures showing the position of each individual planter are in the hands of the Chairman and Secretary of the Agricultural Indebtedness Committee, but it will not be amiss again to draw attention to the fact that these average figures do no more than present a general picture.

It is however shown that in the year 1934 a total sum of approximately £60,000 was advanced during the first six months of the year in respect of 87.8% of the total production, and it may therefore be estimated with reasonable accuracy that to bridge the gap during the first five months of 1935 in respect of the total production will require approximately the same sum.

If this finance can be made available and if loans in respect of the first five months of the year can be secured on a long term basis, a most important step will have been taken towards the establishment of a sound system of coffee crop finance. Loans made during this period should be restricted to the absolute minimum necessary for proper cultivation and maintenance of estates, and the body responsible for the administration of the loans, should arrange for competent supervision both as to farming and accounts over all estates to which loans are made.

It appears possible that, in a number of cases, some composition with creditors will be necessary before loans such as are suggested can be made; if this proves to be the case, it is obvious that Conciliation Board and the Executive Board should endeavour to work in close co-operation, in order to avoid any duplication of supervision.

At the end of May, 1935, it should be possible to estimate with reasonable accuracy the prospects of each estate for the coming season. The finance of crop from that time on should present little difficulty, but in view of the necessity which will still exist for supervision of management and finance, it is believed that it would be advantageous to the Executive Board, as lender of the early season loans, and to the Conciliation Board responsible to creditors and to growers, if it could be arranged for the Executive Board to continue to provide any finance required in anticipation of crop, and at the same time to continue to provide or to arrange for the necessary supervision.

If this suggestion can be adopted, it should assist to reduce the general costs of administration and will certainly reduce the costs to the planter of the necessary supervision.

This brings the argument to the point where mention should be made of the scheme for short-term crop finance, which has been under consideration and investigation by the Coffee Board, and in this connection reference should be made to the Annual Report of the Coffee Board - 1935 (pages 30 to 34 and pages 145 to 158). The position with this scheme may briefly be summarised as follows :-

The Coffee Conference of 1935 instructed the Coffee Board to continue negotiations for the provision of seasonal finance, owing to the dangers which exist of curtailment of existing finance, through reasons connected neither with the coffee industry nor with the Colony of Kenya, and also owing to the desire for an alternative source of finance entirely unconnected with the marketing of the crop.

The scheme as presented to Conference was not intended as in any way a solution to the problem of Agricultural Indebtedness, and simply outlined a sound method of crop finance, which however involved the assumption of a joint and several liability on the part of all coffee planters, in that a liability would exist to contribute to an export tax to secure Government in the event of any default.

The assumption of such liability by planters could only be contemplated under the greatest possible safeguards, and for this reason the Board's suggestion was that the maximum limit in the case of anticipatory advances should be 30% of the conservatively estimated value of estimated crop. Such crop estimates would have to be carefully investigated by a reputable and competent Visiting Agent and it was further contemplated by the Board that, to safeguard the interests of those planters who assume a liability, regular supervision would be necessary.

It had always been the hope of the Coffee Board that funds obtained under this scheme would be administered by the Land Bank.

The Coffee Conference requested that the Coffee Board should prepare a fully detailed scheme and submit the same to planters by referendum. As the Board made it very clear at Conference that finance offered under its proposals would only be available at the beginning of the crop year - "when the blossom has set and the bean has well advanced sufficiently to make a reliable estimate possible" - no such referendum has yet been issued and the Coffee Board has been exploring means whereby the assumption of a joint and several liability by planters who make no use of the finance can be avoided. The formation of the Agricultural Indebtedness Committee has also given rise to the hope that the gap period between January and the beginning of the crop year may be bridged.

A further difficulty which also appeared necessary to overcome is the objection by merchants, who are today financing a part of the crop. These merchants, whilst making no objections to the provision of alternative finance in anticipation of crop, do object strongly to the provision by the Coffee Board of finance against harvested crop, as they contend that such finance is an essential and legitimate part of their business. This merchant attitude is understandable and, possibly, has some justification, but from the point of view of the Coffee Board it has objections in that a division of finance as between merchants and the Board must obviously increase the cost of the administration of the Board's finance. The percentage costs of the administration of any such finance scheme must vary in inverse ratio to the total amount of money loaned, and the larger the total sum handled, the lower will be the percentage cost of administration.

In connection with supervisory visits to coffee estates, it will be as well to note at this stage that the costs of supervision are considerably increased if special visits and consequent travelling expenses are incurred in each case and that the costs can be considerably reduced by arranging for groups of estates in the same district to be visited during the same tour. The Executive Board and Conciliation Board in joint control of such supervision should be able to make economic arrangements with a minimum of difficulty.

For these reasons the Coffee Board would be prepared to withdraw its own proposals for the provision of alternative seasonal finance, if it can be assured that the provision of such finance is under serious consideration by Government.

This section of the memorandum has now dealt with the general aspects of seasonal credits, but it is still necessary

to deal with the position of a number of planters who are likely to find themselves without means of financing their estates in January next. The necessity for finding a solution to this problem is vital and immediate.

Merchant firms who have hitherto encouraged premature financing have at last realized the unsoundness of this procedure and the impossibility of continuing on the present basis. A number of planters have already been notified by the merchants that no finance will be forthcoming in January, 1936. These planters, in most cases, will, in June 1936, with their 1936/37 crop in sight, see a sound proposition for finance, but it is quite impossible to advance on the 1936/37 crop in January, 1936. If these planters can secure money to carry them over the gap from January to June, there is every reason to hope that in June 1936 it will be possible to make the necessary advances on the 1936/37 crop.

The estates which are being dropped by the merchant firms are not necessarily hopelessly involved, but it can only be discovered by an examination of individual cases to what extent these estates are worth assisting in the bridging of the gap between January and June, but it may be assumed that some will be worthy of assistance over this gap. Once June, 1936, is reached each estate becomes a matter for consideration in the light of actual crop in sight for the 1936/37 season.

If it is agreed that suitable estates should be assisted over the gap from January to June and if it is found impossible to arrange for the provision of security for loans on a long term basis, it is suggested that in these special cases it will be advisable to continue loans on the basis of crop and chattels mortgage security. It is not believed that more than some 25 estates will find themselves without finance, and assuming that all are worthy of assistance, it is to be seen from the figures above given that the total sum involved would be not only an average of some £400 per estate at the maximum, or a total sum in respect of 25 estates of £10,000 for the five month period.

(3) Assistance to complete the Development of Estates which are not yet economic units.

The returns to the Coffee Board questionnaire of June, 1934, reveal the following figures in relation to estates in categories E, F, and G:-

Category	No. of Estates	Total Area under Coffee.	Avg. Area of Coffee per farm.	Avg. Production per farm - Tons	Total additional area suited to Coffee per category
E	134	14,067	105	11	22,316
F	68	5,245	77	5	9,980
G	135	5,949	44	2	16,254
<b>TOTAL</b>	<b>337</b>	<b>25,261</b>	<b>75</b>	<b>6</b>	<b>48,550</b>

These figures are in themselves sufficient to show that the majority of estates in these categories are not yet developed to a stage which will enable them to face the future as economic units.

A number of estates in the above categories are situated in up-country districts and coffee planting in some cases is only one of several farming activities. The remarks to follow do not concern themselves with these cases, but only with those estates

which are suited for the planting of coffee alone.

The Coffee Board is of opinion that a coffee estate requires from 150 to 200 acres under coffee before it can be considered as a truly economic unit. The acreage required to achieve economic maintenance and cultivation varies from district to district and it is difficult to lay down any hard or fast acreage, but the opinion is expressed that small estates of 100 acres or less can only be economic if they are most favourably situated in the most favoured of coffee growing districts.

There appear to be two possible means by which these small estates can become self supporting :-

(a) By an amalgamation of neighbouring estates to give a larger area of coffee under one central management. The main difficulty apparent in this solution to the problem is that of the several owners of the individual estates prior to amalgamation, one only can receive the appointment as central manager, and the others would perforce have to find some other means of earning their livelihood.

An amalgamation does however appear to be the only possible solution in the case of a number of estates which are so heavily committed as to preclude the raising of any further funds to continue development.

(b) By the provision of further capital to the Land Bank which will enable that body to make loans for the purpose of assisting the completion of development to an economic acreage, in suitable areas. It is possible that a number of the 337 estates in these categories will be found to be too heavily involved already to permit of further loans being made, but as at 30th June, 1934, there were 108 of these estates entirely free of all commitments.

These 108 estates had 7,165 acres of planted coffee, produced an average crop of 571 tons per annum and estimated that in the next season they would produce a crop of 705 tons. In addition to their planted areas, they estimated that they had a further 11,188 acres suitable for coffee. It is thus to be seen that loans assisting the further development of these estates alone would be of the greatest benefit and would to a large measure ensure that these estates continue solvent.

Land Bank loans in this connection would, of course, only be made in the case of estates which have additional acreage suitable for coffee in proved coffee growing areas.

The Coffee Board urges that every possible endeavour should be made to expedite the provision of further funds for the Land and Agricultural Bank of Kenya.

(4) Land Rent Revision. /

LAND RENT REVISION.

A measure of assistance peculiar to estates situated in districts where the proportion of arable land to total acreage is small would be a revision of Land Rents by Government.

The main coffee growing areas of the Colony have a high proportion of their total acreage suited to coffee and the burden of land rents is not excessive, but it will be realized that upon estates which require a total area of 2,000 acres to provide 200 acres of coffee land, the burden of rent charged is very high indeed. These up-country areas are already faced with a number of other disadvantages, and the Coffee Board urges that the question of Land Rents in these areas should be revised with a view to reducing rents to a figure which the land can afford to carry.

FOR THE COFFEE BOARD OF KENYA.

(Sd.) R. S. WOLLEN.  
CHAIRMAN.

NAIROBI.  
25th November, 1935.  
RSW/YW.



APPENDIX to Memorandum  
on Agricultural Indebtedness.

THE COFFEE BOARD OF KENYA.

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NOTES ON  
MORTGAGE SUMMARY STATEMENT.  
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The following notes on the mortgage position will assist in an understanding of the Mortgage Summary Statement.

- (1) Under the heading "Total Mortgage Principle" are included debenture issues.
- (2) In a number of cases, estates owing money under the heading "Other Principle Commitments secured on title deeds or security other than crop" have no advances from agents, and these loans, although not secured on crop, are actually floating overdrafts which are reduced upon realisation of crop. The amounts under this heading are owed to Banks and Agents.
- (3) Of the 379 estates included in the Mortgage Summary Statement, 25 have no mortgage and no debt to Banks. Of the balance of 353 estates, 50 have Bank overdrafts only and no other commitments.

The danger of basing calculations too much on average figures is evidenced by the following individual statements :-

Ex Class 3 - Category A.

Ref.	Mortgage Principle.	Inter-est.	Per ton Commitment on Interest Charges.	Next Crop Estimated.	Per ton Commitment on Interest Charges.
207	227,000	21,745	25.0	475 tons	23.7
226	41,148	904	5.4	245 tons	3.6

In the case of reference 226, a moratorium already exists in respect of 224,000 of the mortgage principle and the estate possesses a further 2,000 acres of land suitable for coffee.

The following further individual statement from other classes will also evidence the great variation which exists and the necessity for examining every individual case :-

Class 2.

Cate-gory.	Mortgage Principle.	Interest.	Per ton Commitment On Interest Charges.
A	28,000	2480	28.8
B	21,250	1,100	16.4
C	18,000	1,440	25.6
D	35,000	3,450	48.0
E	15,000	1,200	40.0
	500	30	1.8
	10,000	600	35.5

The greater number of estates in categories E, F, and G are situated in up country districts. Of the 121 farms in these categories in Class 2, only 18 are situated in districts to the East of the Rift Valley.

The total number of estates in categories E, F, and G in the four classes included in the Mortgage Summary Statement is 329. The total acreage under coffee is 18,096, or an average of 79 acres per estate.

As the owners of these estates advise that they possess an additional 37,362 acres of land suitable for coffee, it is evident that plantings are a long way from completed. Of the 18,096 acres under coffee, 8,227 acres are as yet not fully productive, 3,020 acres are still under three years old, and a further 5,198 acres are between the age of three and six years.

The estates in these categories are therefore still in the early stages of development.

Nairobi,  
25th November, 1935.  
RGW/vw.

MORTGAGE SUMMARY STATEMENT.

Class	Category	No. of Estates	Total Acreage under Coffee as at 30/6/34 Acres	Average production Seasons 1931/32 1932/33 1933/34 Tons	Total Mortgage Principle	Interest Payable as at 30/6/34	Avge. Rate approx. %	Other Commitments secured on title deeds or security other than crop.	Interest Calculated at 6%	Total Principle	Total Interest	Principl. Commitment per acre under Coffee.	Interest Commitment per acre under Coffee.	Int. Commitment per ton of Average Production.	Data	
															Int. Calculated at 3%	Int. Commitment per ton at 3%
					£	£		£	£	£	£	£	£	£	£	£
A		6	1,881	417	1,300	73	5.6	11,307	578	12,607	751	6.70	0.40	1.80	441	1.00
B		5	1,425	311	53,000	3,725	7.0	7,050	423	60,050	4,148	42.14	2.91	13.34	2,102	6.76
C		12	2,760	508	57,300	3,908	6.8	10,255	615	67,555	4,523	24.47	1.54	9.90	2,364	4.47
D		35	6,384	857	74,397	5,507	7.4	26,775	1,607	101,162	7,109	15.87	1.11	8.29	3,541	4.13
E		43	4,222	405	61,936	4,167	6.7	33,810	1,430	85,772	5,597	20.31	1.09	13.87	3,007	7.42
F		28	2,089	147	47,522	3,167	6.7	9,725	404	54,247	3,522	25.97	1.71	24.34	1,899	10.22
G		50	2,173	80	66,049	4,976	7.5	8,038	490	74,078	5,432	34.09	2.50	17.40	1,597	10.41
TOTAL		179	20,954	2,725	361,469	25,513	7.1	93,986	5,639	455,471	31,158	21.76	1.44	11.37	11,947	5.88
A		7	2,017	387	71,148	2,972	7.1	6,266	376	77,414	3,348	38.36	0.89	4.01	2,709	3.46
B		12	2,597	485	34,547	2,321	6.0	6,885	344	24,056	1,765	11.97	0.87	4.53	842	2.17
C		22	4,520	654	75,653	5,520	7.2	14,528	872	49,123	3,861	18.99	1.23	7.99	1,719	3.55
D		25	2,747	322	39,793	2,415	6.0	8,400	304	84,001	6,024	10.43	1.30	9.50	2,942	4.62
E		9	649	40	3,440	226	6.6	10,440	336	15,890	852	21.39	1.33	21.30	1,515	6.65
F		17	723	30	15,643	1,174	7.5	3,85	5	15,761	1,179	20.67	1.55	30.30	486	12.15
TOTAL		60	16,829	2,372	257,448	15,648	6.5	60,092	3,005	307,540	19,653	18.27	1.17	7.33	10,764	4.03
A		3	3,080	326	39,800	2,962	7.4	2,011	541	42,811	2,503	23.46	1.68	10.74	1,708	5.24
B		2	618	83	7,211	566	7.2	12,076	725	19,307	1,291	32.18	2.09	15.56	700	8.43
C		4	1,381	169	30,825	2,331	7.6	725	25	30,825	2,551	20.13	1.52	13.20	1,079	6.32
D		19	3,050	437	69,955	5,004	7.1	4,261	350	24,216	5,260	24.56	1.72	12.03	2,598	5.94
E		22	2,544	261	46,501	3,132	6.8	2,990	279	49,327	3,311	19.37	1.30	12.68	1,725	6.61
F		6	551	36	18,994	773	7.0	560	36	11,594	804	21.85	1.52	22.37	406	13.88
G		7	433	11	9,616	695	7.2	305	24	10,015	719	22.86	1.64	65.36	351	31.91
TOTAL		65	10,792	1,323	215,396	15,463	7.1	29,545	1,761	244,739	17,224	22.68	1.50	13.02	8,567	6.47
A		1	750	78	16,000	1,120	7.0	2,500	150	18,500	1,290	24.67	1.72	16.54	648	8.56
B		1	360	55	10,550	750	7.7	-	-	10,550	750	29.30	2.08	13.64	369	6.71
C		3	775	114	30,128	2,180	7.2	-	-	30,128	2,180	38.87	2.61	19.12	1,054	9.24
D		9	1,738	239	45,000	2,956	6.9	8,500	510	51,500	3,466	29.63	1.99	14.50	1,803	7.55
E		11	1,337	126	41,485	3,048	7.3	12,175	730	53,660	3,778	40.13	2.82	29.98	1,878	14.90
F		3	265	13	24,500	1,565	5.5	122	7	24,622	1,372	92.91	5.18	105.54	862	66.31
G		11	639	21	15,400	1,178	7.7	-	-	15,400	1,178	24.10	1.84	56.09	539	25.66
TOTAL		39	5,864	646	181,063	12,617	7.0	23,297	1,397	204,360	14,014	34.67	2.39	21.66	7,153	11.09
GRAND TOTAL		379	54,419	7,366	21,015,392	270,241	6.9%	2196,718	211,802	21,212,110	282,042	222.28	21.23	29.81	242,426	25.76

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 Agricultural Bank of Kenya Ltd.  
 Public Accountants  
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