

1938

Kenya

No. 38071

SUBJECT

CO 533/491

*Land and Agricultural Bank*

Previous

38128/1/36

1937

38216/2/36

Subsequent

1939

C1, Financial

1. Cash Dec 20

To 12 copies of Report on the Board of  
the Land & Agric Bank for 1934

(Spaced to balance)

65 38 (5000/1/25)

2

2 Capt Anderson (East African Standard)  
Encl with comments press extract on  
hand Bank Report.

Capt. Anderson  
letter of 18.6.38

Mr. B. J. ...

I must pass this to you. The proceedings of the 1932 delegation have of course been recorded, but I do not think they matter. The Land Bank money has not been vested, but in any case, the point is, of course, that Capt. Anderson still wants the shilling resolved. He told me when he was out here that he was going to raise the matter again.

See  
9.6.38  
4788

As he mentions this in his memorandum should perhaps see I must I suppose send a short reply. That will do then. The letter has been duly seen - you off by that time please Captain  
Office  
18.6.38

Sir C. Bottomley

Seen. Mr. D. Austin has put up the annexed dft. of an act in case you would like to dispose of this now.

A. Maw  
28.6.38

Received for action on 18.6.38

2. To Capt. Anderson 2 ansa

Report of the Board of the Land and  
Agricultural Bank of Kenya, 1937.

Page 36

During the year 91 mortgage loans were registered and issued aggregating £123,190 and 36 short term loans aggregating £9,198. The total of loans issued amounted to £177,000.

20 mortgage loans and 12 short term loans aggregating £21,750 and £1,880 respectively were repaid. ~~Some amounting to £17,000 have been repaid.~~

2. Once again payment by instalments by mortgagors has been disappointing, but this is again attributed to unavoidable crop and price conditions rather than to circumstances within the control of individuals.

3. Land values. Standards have had to be revised in certain areas now realised to be unsuitable for coffee.

4. Five properties were acquired during the year by foreclosure or otherwise, making a total of 15 since the inception of the Bank. Five of these properties have been disposed of.

5. Paragraph 50 contains interesting remarks regarding the future of commodity prices.

6. Appendix 4 gives a précis of the report on the administration of the Agricultural Advances Scheme. Paragraphs 15-18 and 22 give the present position which seems pretty bad but is only to be expected.

7. Paragraphs 13-19 on soil erosion are of interest.

*W. H. H. H.*

*Sir Frank Strickland*

*Mr. Clouston*

*Sr. John Campbell  
Mr. Coates (2x3)  
To see*

*Pl. 21.12.38*

*W. H. H. H.*

8.7.38.

*W. H. H. H.  
147*

4

The bank is clearly not going to have an easy time. 1937 was, broadly, "a good year"; but there are various passages in the report which indicate some uneasiness as to the future. A good deal of emphasis is again laid on price conditions, the desirability of a more constant price level, the revision of valuations, and so on.

The amortisations, of principal and interest due for payment at the end of September, made up to the end of each respective year--given on page 8, para: 39--are interesting. The realisations have fallen each year, for both principal and interest--more for principal than for interest, as one would have expected. There is a clear warning to mortgagors in para: 38 as to the effects of failure to pay. One seems to detect a note of considerable uneasiness running through the report.

I make it that 40% of all the money lent--704,400--has gone towards the discharge of existing mortgages. A 161,031 has been devoted to permanent improvements, the <sup>purchase of</sup> ~~purchase~~ of additional acreage, and the maintenance of existing properties. Almost exactly half the total falls under the last item--maintenance. Only a 40,490 has been applied to permanent improvements--to me a disappointing figure. The purchase of stock item--48,141--is almost identical in amount.

2. We shall not see how things are going for some considerable time; but the prospects seem to me--so far as one can judge at this early stage--on the information given--considerably less favourable than they were.

The 13th: July, 1938.

*Handwritten:*  
13/7/38

I agree with Sir J. Campbell that the Report is not very cheerful reading as the prospects for the future are not encouraging.

There is much marginal land in Kenya under coffee & this is being revalued. Synthetic fertilizers is not an impossibility and maize cannot possibly continue as a crop permanently under Kenya conditions unless it forms part of a system of mixed farming.

J. A. Shiridala  
1937

Not a very bright picture. 1937 was the best year for some years & 1938 will hardly come up to it. It is true that maize & butter prices are strong & synthetic very strong; but these are the smaller items; of the two big items of coffee & sisal prices are better described as bad to shocking.

G. L. Mearns  
1937

M. Pugh to see the above minutes &

Put by  
A. T. M.  
18.7

Explains financial position of the Land & Agave Bank and hints that the approval of Treasury may be obtained by raising of balance of loan authorized by Order No. 12 of 1936. State matters.

sent as separately

In the last para of the dep at (5) on 38128/38, in which the raising of a new loan of £700,000 is proposed, the Gov states that proposals for meeting the capital requirements of the Land Bank and of local authorities will be submitted at an early date. In this respect approval is sought to raise the balance, namely £250,000, of the loan authorized of £625,000 authorized in 1936, this sum of £250,000 to be needed used by the Land Bank. Treasury approval is required.

There appear to be ~~two~~ distinct points which require attention: -  
(1) Is it wise to add to the Colony's debt at all? This point is referred to in para 3 of the dep on 38128/38, and the same considerations apply in this case as that the Gov admits that difficulty in justifying increases to the debt - burden to finance as much of their work as

cannot be put off by borrowing "short"  
until 1946. This however concerns  
the method of raising the loan rather than  
the desirability of raising the loan at all.  
On the other hand of certain developmental  
works are regarded as essential it is fairly  
plain that a loan will have to be  
raised, as there is no other source of  
supply for new capital at present available.

(2) Assuming that further loan  
commitments are to be made, is the  
Land Bank a suitable purpose for  
the expenditure of new capital? In  
spite of the Gov's optimistic tone in  
his deep <sup>from the previous minutes on the</sup> it is difficult to avoid  
the conclusion that giving another  
quarter of a million to the Land Bank  
would be very risky.

(3) Finally come the question of  
the method by which the extra £250,000  
is to be raised. This is  
mainly a matter of financial  
expediency & might usefully be  
referred to the EA for advice.

With regard to (2) there is  
one argument in the despatch  
which it is difficult to follow.  
At the end of para 4 it is said

that "character of the possible of raising  
capital more cheaply was than in 1930."  
The remunerative employment of new  
capital will improve the general financial  
position of the Bank by offsetting "the adverse"  
effect of the high rate of interest payable  
on the first block of Land Bank capital.  
It would seem that as far as the first  
block of capital is concerned the financial  
position of the Bank can be improved by  
one means only, namely an improvement  
in the business position of the farmers to  
whom that capital has been lent.  
make new loans at a cheaper rate may  
make us obvious by ~~raising~~ the fact  
that many of the new loans are  
irrecoverable in raising the proportion  
which they bear to the total of loans  
made, but the new loans will not  
anyway directly affect the security of  
the old credits.  
The new loans can improve the financial  
position of the Bank is not a direct set-  
off of losses can be found unless we are  
successful than the ~~at~~ at  
meeting their interest payments. The  
new loans likely to be difficult to  
realise.



See minute on 58128/38

J.P. Bannin  
27/8

11 AUG 1938

To L.A. - do. 12 AUG 1938 do.

7. Crown Agents. 22nd August, 1938.

Submits Gibson's as to the best arrangements for raising loan, if decided upon.

8. To Kenya Conf (2) 20/10/38  
(Draft on 2807/17/38)

Note of meeting at the Treasury on 9th Nov. 38.

DESTROYED UNDER STATUTE

Copy on 28128/38

Govt Sec 84 inf. 18/11/38  
Requests early approval to raising of  
because of authorized loans for Land Bank

Mr. John Campbell's criticism  
met the Commission  
with the will be disappointed but the  
Commission will endeavor to see the loan

26/11

Sir C. Parkinson.

The draft speaks for itself - particularly paragraph 2. The Governor will not like it: but common prudence leaves us no alternative. I have attempted to strengthen paragraph 5 of the draft.

The Kenya Government is still hard put to it to make financial provision for the bad debts arising from the Agricultural Advances Scheme of 1930 - see 38011/37 and /38. The statistics of defaulters makes it look as if the Land Bank may go down the same slippery slope. To raise another £4 million for it in the face of this history would be (as Dr. Johnson said of a second marriage) a triumph of hope over experience. Lord Harlech said in his minute on 38011/37 that he hoped that the lesson of the Agricultural Advances Scheme would be learned. It looks as if this hope too has not been realized in Kenya.

Proceed to the Treasury.

H. J. 1.12.1938

Mr. James states 3 certain things in the first 3 lines of his minute. It is, however, doubtful to take the first line

and 2/12/38

10. To Kenya Conf. (1/2 P.Q.) 6 Nov. 10.12.38

(449/1000)

C. O.

38071/38.

Mr. Freeston. 26

Mr.

Mr. J. Campbell 25/11/38

X Mr. A. J. Dawe 1.12

Sir H. Moore.

Sir G. Tomlinson.

Sir J. Shuckburgh.

X Permt. U.S. of S. 3/8

Parly. U.S. of S.

Secretary of State.

Downing Street.

10. December 1938.

Handwritten initials

GOVERNOR.

Sir,

I have etc. to acknowledge the

receipt of your confidential telegram

No. 184 of the 18th November, regarding

the additional capital desired for the

Land Bank and to inform you that the

representations made in your

confidential despatch No. 134 of the

12th July have received my attentive

and sympathetic consideration.

I am fully alive to the valuable part played by this institution in the

economics of European farming in the

Colony, and I should be glad to assist

in extending its usefulness if I can

first

Question and answer in No. 1. 38071 P.Q.

Copy sent to Hays 17 on 39 file

(9)

CONFIDENTIAL

FURTHER ACTION

G.O.

38071/38.

Mr. Freeston. 26

Mr.

Mr. A. J. Dave. 1/12

Sir H. Moore.

Sir G. Tomlinson.

Sir J. Shackburgh.

Permt. U.S. of S. 3 f 8

Parly. U.S. of S.

Secretary of State.

Downing Street.

10 December 1948.  
~~November~~

DRAFT. conson.

Sir,

KENYA.

I have etc. to acknowledge the

CONFIDENTIAL.

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GOVERNOR.

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Question and answer in  
No. 38071 P.Q.

Copy sent to ... 170 39/40

(4)

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part played by this institution in the

economics of European farming in the  
Colony, and I should be glad to assist

in extending this usefulness if I can

FURTHER ACTION.

could  
first

first be satisfied that its finances are in a reasonably sound condition.

2. It was with considerable misgiving, however, that I studied the last Annual Report of the Bank, and the special Report prepared by the Chairman of the Land Bank Board which was enclosed with your despatch under reference.

I was disturbed to learn from a former document that whereas at the end of 1935 the percentages of payment of principal and interest were 79.29 and 87.47 respectively, two years later the corresponding figures were 70.47 and 84.44. From an analysis of the Chairman's Report dated the 26th May, it appears that no fewer than 116 borrowers, out of a total of ~~600~~<sup>601</sup>, were on the 31st ~~December~~ last more than twelve months in arrear with their payments, and that a respectable high proportion of cases were classified as "deteriorating", or "hopeless".

3. It will no doubt be agreed that 1936 and 1937 were in many respects good years for European agriculture in Kenya: the operations of 1938

are

C. O.

Mr.

Mr.

Mr.

Mr. A. J. Dater.

Sir H. Moore.

Sir G. Tomlinson.

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

are unlikely to be <sup>have been</sup> successful and the outlook for the future is none too bright. I cannot conceal from myself the possibility that the percentage of arrears at the close of the present year <sup>even</sup> may be higher than that of twelve months ago.

DRAFT.

Bring in here  
change on sheet  
"B" below  
W.S. on 3/14  
m 2/18/35

4. When in 1935 I invited the sanction of the Lords Commissioners of the Treasury to Sir Joseph Burns' proposal for additional capital for the Land Bank, I was able to assure Their Lordships that the degree of punctuality shown by the borrower was at that date very satisfactory. To-day my position is not so fortunate; and I should indeed hesitate to urge upon Their Lordships the wisdom of providing further loan <sup>loans</sup> monies to an institution which (for reasons admittedly beyond the control of the Board) stands to lose a substantial portion of the public monies already placed at its disposal.

FURTHER ACTION.

5. If you are in a position to re-assure

to assure me that my misgivings are ill-founded  
(possibly when the complete accounts for 1938  
are available) I ~~should be happy to~~ <sup>shall be pleased</sup> consider <sup>further</sup>  
the possibility of increasing the Land Bank  
capital. In the meantime, however, I have thought  
it necessary to excise the £250,000 in question  
from the total of new borrowing for which  
immediate Treasury approval is being sought.

6. I take this opportunity of  
enclosing copies of a recent question on the  
subject which was addressed to me in the House of  
Commons and of my reply.

I have, etc.

C.O. <sup>17</sup>

- Mr.
- Mr.
- Mr.

Mr. A. J. Dugg  
Sir H. Moore  
Sir G. Tomlinson  
Sir J. Shandburgh  
Permt. U.S. of S.  
Parly. U.S. of S.  
Secretary of State.

**DRAFT.**

**FURTHER ACTION.**

B

In paragraph 16 of the  
confidential despatch of the 22nd  
September which you wrote in your  
capacity as High Commissioner for  
Transport regarding the £5 million  
liability, you said that a serious  
deterioration in the financial  
position of the Colony may be imminent.  
It is obvious that, in the event of  
a depression, the Kenya Government  
would be in a very awkward situation  
as creditor of the agricultural  
industry. The number of defaulting  
borrowers from the Land Bank would  
increase. Foreclosure would simply  
bring into the hands of the Bank a  
number of unproductive properties  
and the more it exercised its rights  
in foreclosing the more unsaleable  
would those assets become. Moreover,  
the political obstacles to foreclosure  
on any large scale in a time of  
depression are manifest. The  
Government.

Government may therefore find itself liable

to meet heavy charges on account of a  
collapsing Land Bank at the moment when

its chief source of revenue is contracting.

It seems clear that the Kenya Government

is not in a sufficiently strong financial

position to run these risks.

(Signed) MAL JUMWA

Note of a meeting held at the Treasury on the 9th November, 1958 to consider various questions relating to Kenya.

Present:

Mr. Freeston	}	Colonial Office
Mr. Walker		
Mr. Boyse		
Mr. Thomas		
Mr. Hale	}	Treasury
Mr. Inch		
Mr. Jones		

1. £84 millions debt to Exchequer.

Mr. Freeston first enquired whether the Treasury accepted the view that the liability of this debt now rested on the Kenya and Uganda railway in view of the Order in Council of 1925.

Mr. Hale agreed that the claim lay primarily against the railway and he then asked what objections there were in principle to repayment of the debt.

Mr. Freeston and Mr. Walker stated the reasons why the Colonial Office considered that the debt should be waived. They held that on historical, economic, financial and political grounds (both as regards the territories concerned and the railway) the claim should not be pressed and it was subsequently decided that these arguments should be elaborated and forwarded officially to the Treasury for consideration and submission to higher authority.

Mr. Freeston drew attention particularly to an answer given in the House by Mr. Harcourt in 1914 (copy attached).

Mr. Freeston then referred to a suggestion that had been made by the High Commissioner for Transport that the railway should make a defence contribution of £500,000 to the Exchequer and that this should be regarded as in

Note of a meeting held at the Treasury on the 9th November, 1938 to consider various questions relating to Kenya.

Present:-

Mr. Freeston	}	Colonial Office
Mr. Walker		
Mr. Joyce		
Mr. Thomas		
Mr. Hale	}	Treasury
Mr. Inch		
Mr. Jones		

1. £54 millions debt to Exchequer.

Mr. Freeston first enquired whether the Treasury accepted the view that the liability for this debt now rested on the Kenya and Uganda railway in view of the Order in Council of 1925.

Mr. Hale agreed that the claim lay primarily against the railway and he then asked what objections there were in principle to repayment of the debt.

Mr. Freeston and Mr. Walker stated the reasons why the Colonial Office considered that the debt should be waived. They held that on historical, economic, financial and political grounds (both as regards the territories concerned and the railway) the claim should not be pressed and it was subsequently decided that these arguments should be elaborated and forwarded officially to the Treasury for consideration and submission to higher authority. Mr. Freeston drew attention particularly to an answer given in the House by Mr. Harcourt in 1914 (copy attached).

Mr. Freeston then referred to a suggestion that had been made by the High Commissioner for Transport that the railway should make a defence contribution of £600,000 to the Exchequer and that this should be regarded as in



satisfaction of the debt. He felt, ~~appreciated~~ whether this suggestion would commend itself to the Secretary of State.

Mr. Hale recalled the Nigerian precedent, but said that he doubted whether a defence contribution from a railway was very appropriate. Mr. Walker thought it might be possible for the Colony to make the payment and take a corresponding receipt from the railway in respect of the assets that the railway took over from the Colony.

Doubts were expressed as to whether the Railway could afford to pay as much as £2 million and Mr. Hale said that he would be prepared to recommend acceptance of an offer of £250,000 if such an offer were made formally. It was for the Colonial Office to consider whether such a payment should be directly related to the debt or in the form of an unrelated contribution to defence.

2. Increased borrowing powers for the Colony.

Mr. Hale agreed that the High Commission should be given authority to spend not exceeding £450,000 on re-aligning and regrading the railway between Nairobi and Nakuru. Of this amount approximately £242,000 would be met from loan eventually, but until further loan proposals are settled, the cost would be met from railway funds.

As regards the Land Bank, Mr. Freeston said that the Colonial Office felt some doubt as to the desirability of increasing the capital of the Bank in the present circumstances, and were not in a position to express a view as to whether the proposal to raise £1,000,000 for this purpose (for which powers exist) should be proceeded with.

Mr. Hale said that the Treasury were ready to consider proposals for borrowing for self-liquidating purposes on their merits. His principal difficulty was in

3  
regard to the loan of £750,000 which would not be of a self liquidating kind. The works proposed to be financed by this loan were of a kind that ought to be financed on the Colony's budget as extraordinary expenditure, and continued borrowing for such purposes could only lead to increasing embarrassment.

Mr. Freeston said that the Kenya budget unfortunately never contained sufficient margin to make adequate provision for extraordinary expenditure. The programmes submitted, he thought, could be pruned, but the Barracks and Hospital at Nairobi were really urgent, and the Makerere endowment was a definite commitment. These items amounted to £300,000. The agricultural and road proposals ought probably to be submitted to the C.D.A.C. for consideration.

Mr. Hale suggested and Mr. Freeston agreed that the Colonial Office should inform the Treasury of the minimum amount required by Kenya at the moment by way of loan (including the £242,000 for the railway). In the meantime, apart from the railway, Mr. Hale was not in a position to commit the Treasury to approving borrowing by Kenya for the purposes in question.

5. Colony's contribution to sinking funds.

Mr. Hale invited attention to the somewhat unusual wording of the Prospectus dealing with the issue of the 6% loan of £5 millions 1946/50. "The principal will be payable at par on the 15th September, 1956 by a sinking fund of not less than 4% per annum". These words would lead an investor to assume that the sinking fund would be full at September 1956. He stressed the necessity for keeping faith with the investor, who would naturally rely on the published prospectus, and in addition to the general

desirability of making full provision for sinking funds.

Mr. Walker held that if a Kenya sinking fund were insufficient for the redemption of a particular loan, the ultimate security of the investor was the general revenues and assets of Kenya.

Mr. Freeston offered to seek the views of the Crown Agents on the question raised by the Treasury.

OF COMMONS.

Vol. 61.

25rd April, 1914. (Column 1086)

British East African Protectorate.

28. SIR J. D. RINES asked the Secretary for the Colonies whether any debt against the East African Protectorate is made on account of the Uganda Railway; if not, how does the account stand between the taxpayer and the beneficiary in respect of that undertaking; what is the annual charge upon the Consolidated or other fund for interest; is there any and, if so, what provision for a sinking fund; and how does the account in that behalf also stand?

THE SECRETARY OF STATE FOR THE COLONIES.

(Mr. Harcourt): Under the provisions of the Uganda Railway Acts, advances up to a total of £5,502,500 have been made from the Consolidated Fund for the purposes of construction, and the expenditure out of these advances had amounted to a total of £5,460,394. 5s. 4d. in the period to 31st March, 1913. Repayment of the advances from the Consolidated Fund is being made by instalments of annuities (terminating on 15th November, 1925) at the rate of £319,115 a year, for which provision is made on the Colonial Loans Account, and repayment has been made of certain of the advances, and also of certain of the advances under the Acts.

CONFIDENTIAL (2)

20 October 1948

In connection with my despatch of 6/5 of  
 today's date in regard to certain proposals for  
 financial assistance in aid of the agricultural  
 industry, I have the honor to refer to your  
 confidential despatch no. 134 of the 14th ult, in  
 which you recommended that steps should be taken for  
 the raising of a further £50,000 of capital for the  
 Land Bank. No decision has yet been taken on this  
 proposal, and the arrangements for financing the  
 operations, of which I have conveyed my approval in  
 my despatch under reference, cannot in the meantime  
 be based on the assumption that such an amount  
 will be available.

I have the honor to be,

Sir,

Yours obediently,

COPY.

Original  
38128/38

CROWN AGENTS FOR THE COLONIES,

4, Millbank,

London, S.W.1.

A/1255

22nd August, 1938.

Sir,

I have the honour to refer to your letter of the 11th August, No. 38128/38, enclosing for our observations two despatches from the Governor of Kenya with reference to the raising of £750,000 for new works, in addition to a further sum of £250,000 for the purposes of the Land Bank.

2. As regards paragraph 4(a) of your letter, there is no objection in principle to financing on a short-term basis in anticipation of a forthcoming loan issue and we observe that the Financial Secretary proposes that the necessary legislation should be passed at an early date although authority to issue the loan would not be given for the time being. As to this, we would point out that advances from the Joint Colonial Fund can be made only if, in addition to passing the necessary legislation authorising the issue of a loan, the Government also authorises us to make that issue at any time if we find it necessary to do so in order to repay those advances. In any case, we do not consider that the issue of a loan to repay advances ought to be postponed for so long a period as 7 years. In normal times it has been considered justifiable when financing a programme of construction spread over 2 or 3 years, to borrow "short" until about half the expenditure has been incurred and then to issue a long-term loan to cover the whole expenditure. Since,

however,

however, the probable terms of issue of a loan in the near future may be regarded as favourable to the borrowers, we should hesitate at the present time to recommend "short" financing even to this extent.

3. As regards paragraph 4(b) of your letter, it is quite impossible to forecast now the condition of the new issue market in 1946 and it will still be impossible to do this even in 1943. In the circumstances we consider that plans for the raising of money required during the period 1939/43 should be considered entirely without reference to any conversion issue which may be found advisable in 1946 for the redemption of the 1921 6% loan. In the event of the Kenya and Uganda Railway authorities being prepared to advance the money at special rates, the natural course would seem to be a loan to the Government not "at call" but fixed definitely for repayment in 1946, in which case the appropriate rate of interest would be well above 2%. Even if such an arrangement were acceptable to the Kenya and Uganda Railway, we should still regard it as hardly justifiable from the point of view of the Kenya Government, since it would be open to the general objection against financing works "short" borrowing namely, that it would involve the risk of having to raise the whole amount in 1946 at a high rate of interest.

4. With reference to paragraph 4(c) of your letter, we are not clear what is intended by the phrase "a favourable opportunity" for a public issue for the Land Bank. The issue in 1936 to raise £250,000 for that purpose was of a 3% 25 year stock at par. There is no immediate prospect of obtaining quite such favourable terms in the near future and it may well happen that they may not again be available for years to come. On the other hand,

the present interest level, about 3 1/2%, may be regarded as a favourable one. In fact we do so regard it, but we cannot say whether it will still obtain in 1939.

5. Turning to paragraph 4(d) of your letter, we would observe that the uncertainty as to the terms of issues in the future and the inadvisability of continued "short" financing to provide long-term requirements apply both to the £250,000 required for the Land Bank and the £750,000 required for other purposes. Broadly speaking, there are three courses open for the provision of the £1 million required, namely:-

- (1) To borrow "short" during the whole period of expenditure as suggested by the Treasurer - a course which is inadvisable for the reasons given above.
- (2) To raise the whole amount in advance by the issue of a 25 year loan (this being the longest period we should expect to be able to arrange at the present time), thus making sure in advance of favourable terms, but paying for that advantage the difference between the loan rate and the J.C.F. distribution rate of interest on all money deposited in the J.C.F. pending its expenditure, and
- (3) To spread the borrowing roughly over the period of expenditure.

In all the circumstances, we recommend the third course. For example, it might be decided to borrow £250,000 in 1938 or 1939, and a similar sum in each of the following three years, 1940, 1941 and 1942. It is impossible to say, since the future course of interest rates is unknown, whether such a programme will ultimately prove to be the most economical. But it has the advantage of spreading



the risk of having to borrow "loans" at high rates and of making it impossible to revise from time to time in the light of the current financial position of Kenya the amount of expenditure to be incurred. It would, of course, be open to consideration from time to time if conditions were definitely unfavourable whether the issue of any particular instalment of £250,000 should be reduced or postponed. In this connection, we would point out that there is already power under the 1956 Ordinance to borrow the £250,000 required for the Land Bank and, if so authorised, we could proceed to raise this at an early date. The best method of doing so would have to be considered at the time but might well be by making an addition to the existing issue of Kenya 3, 1956/61 stock on which the Sinking Fund contributions begin in October 1959. The price of issue would, of course, be below par but would be fixed so as to be actuarially, at least as favourable to Kenya as the issue of a new stock on current terms. If this course were adopted, the whole situation could be reconsidered when the £250,000 so raised had also been expended or before then if conditions were especially favourable for another issue.

6. In paragraph 5(d) of the Treasury memorandum enclosed in the Governor's despatch of the 16th June, reference is made to the repayment in 1946 of funds borrowed "short", unless necessity or a favourable opportunity leads to an earlier issue. We venture to emphasise the fact, recognised in that memorandum, that conditions which made it necessary to issue the loan before 1946 might well involve also its issue at a high rate of interest while, as regards an issue before 1946 in consequence of a favourable opportunity, the balance of probability seems to us to be against rather than in favour of conditions occurring during the next few years which would be better

for borrowing than those now obtaining.

7. There is one other point to which reference may be made. When the issue of £350,000 3½-1956/61 stock was made in August, 1956, £200,000 was reserved for applicants in Kenya. If any such reservation is requested in future issues, I have to request that we may be given notice of the fact well in advance.

I have the honour to be, etc.

(Sgd.) J.C. Lamont

for Crown Agents.

38123/38

11 August, 1938.

Gentlemen,

I am directed by Mr. Secretary Macdonald to transmit to you for your consideration the accompanying copies of two despatches from the Governor of Kenya in regard to the desire of the Government of that Colony to raise a new loan of £750,000, principally for the purpose of making provision for the erection of certain urgent public buildings and, in addition, a further sum of £250,000 for the purposes of the Land Bank. It will be observed that in neither case is it proposed to make a public issue in the immediate future.

2. In the case of the Land Bank, the Governor suggests that the requirements for the first year, amounting to £100,000 should be provided by advances from the Joint Colonial Fund pending the raising of the loan; and that, should an opportunity arise for the borrowing of money on favourable terms, you should

be

THE CROWN AGENTS

FOR THE COLONIES.

be authorised to raise the whole of the £250,000 at your discretion.

3. In the case of the proposed new loan of £750,000 the Governor suggests that the cost of the contemplated works should be financed on a short term basis, from the surplus funds of the Colony and by borrowing from the Kenya and Uganda Railways, or from the Joint Colonial Fund, until 1946 when a public issue should be made in connection with the redemption of the Colonial loan of 1921.

4. I am to request that, in preparation for the discussion of these proposals with the Treasury, Mr. MacDonald may be furnished with your observations upon them, and in particular on

(a) the suggestion that, pending one or more public issues, the objects for which these loans are required should be financed on a short-term basis either wholly, or to some extent, from the Joint Colonial Fund.

(b) the question whether conditions are likely to be favourable in 1946 for a new issue to provide not only the £750,000 now proposed, but also for the conversion of the 1921 loan.

(c) the prospects of a favourable opportunity arising

arising for a public issue of the £250,000 required  
for the Land Bank, and

(a) the question whether it would be preferable  
at the same or some other favourable time to raise the  
proposed new £750,000 loan instead of deferring it  
until 1946.

I am,

Gentlemen,

Your most obedient servant,

(Signed) J. J. PASKIN.

38126/38

August, 1938.

Sir,

I am directed by Mr. Secretary Macdonald to transmit to you for the consideration of the Lords Commissioners of the Treasury the accompanying copies of correspondence with the Governor of Kenya in regard to the desire of the Government of that Colony to raise a new loan of £750,000, principally for the purpose of making provision for the erection of certain urgent public buildings and, in addition, a further sum of £250,000 for the purposes of the Land Bank. It will be observed that in neither case is it proposed to make a public issue in the immediate future.

(2) In the case of the Land Bank, the Governor suggests that the requirements for the first year, amounting to £100,000 should be provided by advances from the Joint Colonial Fund pending the raising of the loan; and that, should an opportunity arise for the borrowing of money on favourable terms, the Crown Agents

for

THE SECRETARY,  
TREASURY.

5.12.37.  
21.1.38.  
16.6.38.  
24.6.38.  
18.7.38.

for the Colonies should be authorized to raise the whole of the £250,000 at their discretion.

(3) In the case of the proposed new loan of £750,000 the Governor suggests that the cost of the contemplated works should be financed on a short term basis, from the surplus funds of the Colony and by borrowing from the Kenya and Uganda Railways or from the Joint Colonial Fund, until 1946 when a public issue should be made in connection with the redemption of the Colonial loan of 1921.

(4) It is suggested that, in the first instance, these proposals should be discussed by representatives of the Treasury and the Colonial Office at the same time as the question of the £5½ million advanced by His Majesty's Government for the construction of the Kenya and Uganda Railway. It is expected that a despatch on the latter subject will be received from the High Commissioner for Transport in the near future: and a discussion covering the whole ground should then be possible. In the meantime the Crown Agents for the Colonies are being asked for their observations on the loan proposals.

(5) I am to observe that Mr. MacDonald is satisfied that the greater part of the building

programme

27

programme contemplated in that despatch is a matter of urgent necessity; and, as regards the Nairobi Group Hospital, I am to invite the attention of Their Lordships to the Governor's view that it is desirable to make provision for that part of that building which cannot be described as urgent.

I am,

Sir,

Your most obedient servant,



27  
programme contemplated in that despatch is a matter  
of urgent necessity; and, as regards the Nairobi  
Group Hospital, I am to invite the attention of  
Their Lordships to the Governor's view that it is  
desirable to make provision for that part of that  
building which cannot be described as urgent.

I am,

Sir,

Your most obedient servant,

KENYA  
No. 734



GOVERNMENT HOUSE  
NAIROBI  
KENYA

CONFIDENTIAL

12 July, 1938

SIR,

I have the honour to refer to Mr Thomas's Confidential despatch of the 7th March, 1936, concerning the provision of funds for the purpose, inter alia, of increasing the capital of the Land and Agricultural Bank. As you are aware, power was taken under Ordinance No. IX of 1936 to raise a loan of £625,000 of which £375,000 was issued in August, 1936.

2. The total amount allocated in the Schedule to the Ordinance to the Land and Agricultural Bank was £500,000 of which £200,000 might be placed at the disposal of the Farmers' Conciliation Board. The Lords Commissioners of His Majesty's Treasury approved this allocation on the condition that in the first instance only £250,000 should be raised for this purpose, of which sum £100,000 would be available for the Farmers' Conciliation Board, and that any proposal to raise the balance of the authorised loan should be subject to Their Lordships' prior approval.

THE RIGHT HONOURABLE MALCOLM MACDONALD, M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON, S.W. 1.

*Copy to Treasury - 5  
- 6  
- 6  
Approved (10)  
Copy sent to... 17/7/38*

2.

3. In his Confidential despatch No. 121 of the 26th August, 1937, Mr Pilling reported to your predecessor that it had then become apparent that only a proportion of the £100,000 tentatively earmarked for the Farmers' Conciliation Board would be required by that body, and that consequently £70,000 had been released for Land Bank purposes. The position today is that the Land Bank has absorbed the whole of that £100,000 originally placed at its disposal, together with £40,000 out of the £70,000 subsequently released. It is estimated that the current requirements of the Land Bank will consume the balance of £30,000 within the next three months, and it is therefore necessary to consider now whether additional capital should be provided.

4. You are, of course, cognisant of the financial situation of the Bank as disclosed in the annual reports submitted by the Board. My Financial Secretary informs me that, considering the unusually difficult conditions with which agricultural enterprises in general were faced during the first years of the Bank's life, its financial position is as satisfactory as can reasonably be expected. This view is based on a detailed analysis of

of the Bank's affairs recently conducted by the Board and set out as an enclosure to this despatch. While it may be true that in some cases the Board's confidence, may now be shown to have been misplaced, I am satisfied that today the Board of the Land Bank, with the accumulated experience now at its command, is not only in a position to pursue a conservative policy, but is in fact doing so. A factor which also affects the situation is, that capital can now be obtained at a rate cheaper than that in force when the first instalment of Land Bank capital was raised in 1930. Consequently the remunerative employment of new capital will improve the general financial position of the Bank, in that the adverse effect of the high rate of interest payable on the first £240,000 of the capital will partially be offset.

5. The Board of the Land Bank considers that the whole of the additional £250,000 may be required during the next four years and I trust that you will be able to obtain the approval of the Lords Commissioners of the Treasury to the raising of the balance of the loan authorised by Ordinance No. 71 of 1936. I have instructed the Board that until this approval has been received no commitments should ...

should be entered into which would entail further capital expenditure. In view of this restriction I should be grateful if the matter can be dealt with as one of urgency.

6. As the rate of consumption of new capital by the Bank is comparatively slow, the actual raising of the loan is not in itself a question of immediate urgency. It is suggested that if the Crown Agents are agreeable to such a course, the requirements for the first year which amount to approximately £100, 00 should be provided by means of advances pending the raising of the loan. In a year's time the question would be reconsidered. This arrangement should, it is suggested, be subject to the understanding that, should an opportunity arise, as it did in 1936, for the borrowing of money on favourable terms, the Crown Agents should be authorised to raise the whole of the £250,000 at their discretion.

I have the honour to be,

Sir,

Your obedient, humble servant,

*D. B. Crocker De Nam*

AIR CHIEF MARSHAL

G. O. B. C. R.

32

EXTRACTS FROM A REPORT BY THE CHAIRMAN OF THE  
LAND BANK, DATED THE 26th MAY, 1938

I have the honour to inform you that the Board of the Land Bank have had under consideration the financial position of the Bank and that of its borrowers. The position at 31st December, 1937, may be set out as follows : -

<u>No. of</u> <u>Accounts.</u>		<u>Loan a/c.</u>	<u>Current a/c.</u>	
		<u>Principal.</u>	<u>Principal.</u>	<u>Interest.</u>
		£.	£.	£.
305	No arrears	287,608	nil	nil
104	Only December instalment owing	<u>129,273</u>	<u>1,305</u>	<u>3,888</u>
<u>409</u>		<u>£ 416,881</u>	<u>£ 1,205</u>	<u>£ 3,888</u>
76	Not exceeding 1 year's arrears	75,127	5,746	5,263
67	" " 2 years' arrears	74,517	4,369	7,024
116 82	" " 3 years' arrears	40,513	3,627	6,348
12	" " 4 years' arrears	14,362	1,144	3,228
4	" " 5 years' arrears	7,590	912	2,238
1	Exceeding 5 years.	<u>1,675</u>	<u>600</u>	<u>647</u>
<u>192</u>		<u>£ 213,784</u>	<u>16,098</u>	<u>22,746</u>

Grand total: 601 accounts: Loan a/c. Principal 630,665

Current a/c do 17,507

£ 647,972

Current a/c Interest 22,746

£ 670,718

2. The following table shows the distribution of the ...

the instalment which only fell due on 31st December, 1937, and was unpaid on that date :-

	Current Account	
	Principal	Interest
	£	£
Accounts on which December, 1937, instalments only are owing	1,205	3,888
A/cs with arrears not exceeding		
"    "    "    "    "    1 yr	474	978
"    "    "    "    "    2 yrs	524	1,596
"    "    "    "    "    3 "	327	762
"    "    "    "    "    4 "	134	427
"    "    "    "    "    5 "	45	58
	<u>£ 2,709</u>	<u>£ 7,719</u>

3. Out of a total of £370,000 on which the Bank is paying interest to the Government interest was received in 1937 on £469,708. Put in actual figures the cash receipts for interest during 1937 amounted to £50,531 out of £40,232 actually due. Against an actual receipt of £50,531 the Bank paid out:

Interest to Government	£ 25,565
Administration Expenses	£ 4,881
Less Fees etc.	958
	<u>£ 29,506</u>

There was thus a surplus in 1937 of £1,025 which reduced the accumulated deficiency of past years to £1,501.

7. The Board have made a careful examination of each individual account which is in default either for principal or interest. As a result of an examination made early this year the accounts have been classified under the following headings:

- A. Cases which should meet outstandings during the year ;
- B. Cases which should reduce outstandings during the year ;
- C. Cases which appear to be deteriorating ;

- D. Cases which appear to be successful ;
- E. Cases which have fallen into the Bank's hands by foreclosure or abandonment ;
- F. Cases taken over by the Farmers' Conciliation Board.

8. The results of this classification are as follows

Class	No. of Accounts.	Loan Accounts		Current Accounts	
		Principal	Interest	Principal	Interest
A.	48	50,933	1,782	2,755	
B.	38	72,388	3,133	6,184	
C.	42	46,388	2,132	6,317	
D.	31	38,382	3,557	6,424	
E.	10	18,643	-	1,863	
F.	3	3,153	-	1,133	735
	<u>197</u>	<u>233,190</u>	<u>18,576</u>	<u>33,718</u>	

9. Generally speaking the Bank's security under Classes A and B can be regarded as satisfactory and the same applies to a number of accounts under Classes C and D. It must be expected that certain cases under Classes C and D will eventually pass into the Bank's hands and be added to Class E. The eventual realisation of the properties in Class E may be expected to leave a deficiency for which a reserve provision in liquid form is so far lacking.



C. O.

Mr. Passen 28/6

Mr. Damp

Mr.

Sir H. Moore.

Sir G. Tomlinson.

Sir C. Bottomley. 28/6 f

Sir J. Shuckburgh.

Permt. U.S. of S.

Permt. U.S. of S.

Secretary of State.

S.O. for Sir C. Bottomley

U.S. O

bin kept

Thank you for your letter of the 18<sup>th</sup> of June

and the contents of the E. 2. 1. 1. 1. 1.

to my successor

also I am sure

be as anxious as I

have I been

and in your

judgment

ought to develop

to a purpose

**DRAFT.**

William Clark  
C.O. of Anderson  
East African States  
Minister

**FURTHER ACTION**

Register  
afterwards  
(the copy of the  
and the copy of the  
to the S.O.)

my transfer to a new job  
activity will not prevent  
continuing to have a very lively  
interest in a part of the world  
with which I have been associated  
for so many years

5

THE EAST

# African Standard

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BENTLEYS

*Nairobi*

18th June, 19 38.

Kenya Colony

Sir Cecil Bottomley, K.C.M.G., C.B., O.B.E.,  
Colonial Office,  
Downing Street,  
LONDON, S.W.

Dear Sir Cecil,

Of course it is very naughty of me to trouble your last few days at the Colonial Office with tiresome matters and especially to send you such an impertinent leading article as the enclosed. My feeble excuse is that you are the last person remaining at the Colonial Office who attended all the meetings Grogan and I had there with you and Sir Philip Cunliffe Lister, as he then was. You are also the only person I met on that occasion for whom I retain any respect or hope for the future.

You may recall the indignation that followed the announcement that Grogan and I had suggested that the Secretary of State's intention to give £500,000 to the Land Bank was no solution and that this money would only go down the drain. Well, I am enclosing two articles written whilst I was in England. I am sorry that they are long, but you will see that they have not been inspired by any desire to awaken an old controversy. It was always a mystery to me how it became known so circumstantially and so promptly in London and Kenya that in fact we had refused this gift.

Personally, I think Lord Swinton should be made to acknowledge the error of his judgment and if he was ever to be back in the Colonial Office, I would make him do so. But we must at least rejoice in some of our mercies. My hope is that there will now be a realisation that even backward and primitive people cannot be forced below a certain standard of life by economic forces without some protest.

It seems natural that in the West Indies where all the inhabitants cannot fall back upon the bare subsistence level of the land that this protest should first become apparent, but it would be quite wrong to think that the other parts of the Empire are not equally in need of Royal Commissions if such bodies are to provide the reliefs.

When I saw him, I asked Mr. MacDonald to put the problem comprehensively stated, to such well known authorities as Mr. Reginald McKenna, Sir Robert Horne, or authorities of that standing. The Financial and Economic authorities who may have been called in previously to consultation with the Secretaries of State have not much to be proud of if we are to judge by the results of the past nine years.

Although I have troubled you in this matter I do not really wish to do so, but perhaps your successor may be interested in the early stages of what promises to be a new political development.

My sincere and best wishes to you in your new sphere of activity.

Yours sincerely,

CBA/GVB.

## The East African Standard

FRIDAY, JUNE 17, 1938.

### The Smoke Screen Of A Royal Commission

The House of Commons and the British public were profoundly stirred a few months ago by reports of serious rioting in Trinidad. All parties in the House were agreed that there was justification for dissatisfaction and the Secretary of State for the Colonies was faced with a large number of persistent and pertinent questions. The usual method of dealing with difficult problems, the appointment of a Commission, was resorted to. In due course the Commission reported on the condition of affairs they had found in the Dependency. The report was characterised by a great deal of plain speaking; the Governor resigned on the score of ill-health; and various palliatives were proposed to deal with conditions which were generally admitted to be deplorable.

Hardly had the disturbances in Trinidad quietened down when the peace of the Colonial Office and of Parliament was again interrupted by the prolonged and bitter nature of riots and strikes in Jamaica. It was obviously politically unwise to send out to Jamaica another Commission of similar constitution to that which had already investigated happenings in another Dependency, but something more imposing had to be done, and the action proposed was announced by the Secretary of State in the House of Commons this week. And so it has been decided to send to Jamaica and the West Indies—including Trinidad—a special Royal Commission. The refer-

ence and the constitution of in existence in practically every part of the Colonial Empire. Its development synchronised with the world depression. During that period of economic distress every independently governed country in the world took measures, by altering their monetary and economic policy, to protect their inhabitants—measures which are still in operation. The Colonial Empire alone attempted nothing which might have the effect of tempering the wind to the shorn lamb. There have been serious problems connected with the cocoa and palm oil industries on the West Coast of Africa; there have been troubles in Northern Rhodesia; rioting in Tanganyika, and Nigeria; acute controversy in Zanzibar; a tremendous fall in the purchasing capacity of the cotton growers of Uganda and Tanganyika; distress on the sugar plantations of Mauritius to say nothing of the whole of the West Indies group.

The position in the West Indies, however, is more likely to be acute because of the evolution there of an industrialised section of the population solely dependent on wage earning. In other less advanced territories where the native is still able to rely for sustenance on his land; there are less likely to be conditions of actual starvation as a compelling motive to unrest. Nevertheless the problems are fundamentally the same. For some years, however, Imperial Parliament has seemed to prefer for the colonies administrative programmes which encourage the development of social and medical services to the nth degree, while neglecting the more realistic needs of the human body. To believe, for instance, that at a time of economic stringency the allocation by East African territories of £500,000 from their meagre resources to endow something in the nature of an African University in Uganda is more justifiable than the rehabilitation of the economic prosperity of these countries, is, we think, a typical example of Colonial Office myopia.

The problem calls for a courageous economic and financial policy—a policy which can only be evolved at the headquarters of the Imperial Government. The fact that a Royal Commission will take its leisurely course in reviewing the problems of a particular part of the Empire

# ENQUIRY INTO WEST INDIES AFFAIRS

## Social And Economic Conditions

London, June 15.

The affairs of the British West Indies are to be investigated by a Royal Commission.

Mr. Malcolm Macdonald in the House of Commons last night said that the Government

### Hundred Jews Arrested: No Reason Known

Berlin, June 15. One hundred Jews were arrested in their homes in Berlin yesterday. Their families still do not know where they are or why they were arrested. —(Reuter.)

had decided to set up a commission to study the social and economic conditions of the West Indies. The terms of reference and the constitution of the Commission would require careful thinking out.

The countries coming within the scope of the enquiry would be Barbados, British Guiana, British Honduras, Jamaica, Trinidad and the Windward Islands.

#### Sugar Problems

In the course of a survey of the West Indies position, Mr. Macdonald said that the problems of the sugar industry would have to be settled with the aid of the machinery of the International Sugar Council. Delegates to the Council had a journey to consult their Governments, and would meet again next month. Mr. Macdonald said that he hoped it would be possible to achieve a balance between demand and supply so that prices might be raised to

a reasonable level. The re-establishment of the sugar industry and other agricultural products, however, would not solve all the difficulties and it was no good expecting the Colonies themselves to provide out of their own financial resources for a comprehensive policy to deal with surplus labour and the development of alternative occupations.

#### Cause of Agitation

Recent agitation has been made through unconstitutional channels largely because there was no machinery available for the representation of grievances. The development of trade unionism would be, he thought, a good thing, but it was inevitable that it would be a slow growth. Arbitration machinery would have to be set up. In the meantime there was plenty of material to indicate action on some of the items of policy which he had in mind.

Mr. Macdonald said in most cases the recent unrest was not caused by anti-British feeling. No people in the Empire were more completely loyal than the people of the West Indies. The unrest was a protest against economic distress in the Colonies themselves. He did not think that the local Governments should be charged with complete neglect and lack of oversight, although there was certainly room for further improvement.

#### No "Slum Empire"

Members of all parties joined in the debate and stressed the serious nature of conditions at present obtaining in the West Indies.

Mr. Lloyd George was particularly outspoken and said "We do not want a slum Empire."

#### Precautions Still Needed

In answer to a question the Secretary of State said the situation at Kingston remained quiet and a telegram received from the acting Governor on June 9 reported that the situation generally was quiet in some other places. In other parts of the island, however, unrest continued and precautionary measures were still necessary.

A message to-day from Kingston reports that more troops are being sent to Jamaica in the cruiser "York." —(Reuter.)

If you restrict production you increase the quantity of surplus labour.  
Was there surplus labour before the depression of 1929?

The need for Free Unions is an effect not a cause of desiccation.

What does Mr. Macdonald think of the responsibilities of Secretaries of State who have been warned of the effects of the causes are not removed.

The Hypocrisy of the Unions.

If there is a balance between supply and demand the price remains stable. Price is raised by raising supply other things being equal. Therefore restriction of production is aimed at.

**THE REPORT OF THE LAND BANK**

**THE** Report of the Board of the Land and Agricultural Bank of Kenya for the year 1937 is an interesting but rather depressing document. The Board has now issued Loans amounting to approximately three-quarters of a million pounds of which sum rather more than four hundred thousand pounds has been devoted to the discharge of existing mortgages.

Of these loans nearly £117,000 is invested in the Trans-Nzoia District where the arrears of principal and interest are greater than in any other district and amount to £9,314 out of a total amount outstanding, as at December 31st 1937, of £43,937. Just over £100,000 is invested both in the Usin Gishu District and in the Thika-Ruiru District and rather more than £65,000 in the Nakuru-Njoro District. It is significant that on the £28,315 invested in the Sotik and Kericho districts the arrears amount to £6,214.

The Report states that the payment of instalments by mortgagors has been disappointing "but again it would appear that this can be attributed to unavoidable crop and price conditions rather than to circumstances within the control of individuals. Whatever may be the cause, any reduction in the interest rate charged by the Land Bank is of necessity dependent upon the conversion of the figure shown in the Balance Sheet as Reserve Account from a book entry into a tangible asset. In present circumstances the consideration of any such reduction must again be deferred." Whilst the Board recognises that it must extend leniency to mortgagors in the matter of instalment payments it emphasises that "failure to meet instalments involves the mortgagors in grave risk of foreclosure proceedings."

There is a curious statement in the paragraphs dealing with land values. The Board states that "AS a natural result of the non-success attending coffee planters in certain districts the Board have had to revise their standards of land values in these districts. Apart from the ill-effects of climatic conditions and market prices, experience has only now forced the technical officers of the Agricultural Department to the conclusion that certain areas planted with coffee some years ago are not wholly suited to coffee. While it will grow in such areas the average yield in present market conditions is not sufficient to render the operation an economic one." I consider that the words here printed in italics are misleading. I believe that certain officers of the Department of Agriculture came to the conclusion, nearly three years ago, that the areas in question were definitely not suited to the planting of coffee. I do not believe that facts and figures known to the Coffee Board of Kenya for the past three years lead to the same conclusion. And so I consider that the Board of the Land Bank has not been well advised on this matter and that there has been a deplorable reluctance to face an unpleasant fact, with the consequences that a part of the Land Bank's funds have been invested not to the most useful purpose.

The Report adds: "In a number of instances the acreage under coffee has been reduced by uprooting the trees and the land has been utilized for some other purpose. In such cases the security, which at the time justified a certain percentage of advances made, has been lost."

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**The Report of the Land Bank**

**THE** Report of the Board of the Land and Agricultural Bank of Kenya for the year 1937, discloses that during the year under review 5 properties were acquired by foreclosure or otherwise. Why the Bank should acquire property otherwise than by foreclosure is not stated. The Bank owns eight properties valued at £15,020; two in option, are valued at £5,490; and five properties valued at £4,186 have been sold on terms. The Report states: "It will be seen that these properties involve the lockup of a material item of the Board's capital upon which interest to Government has to be met. It is in other words an actual expense to the Bank of over £300 per annum (at 4 per cent on the first two items totalling £20,311/5/8). In addition to this, a plantation farm growing a permanent high-priced crop such as coffee cannot be left to revert to bush, and the Bank is forced in such cases to find the necessary funds to continue farming operations on a minimum basis in the hope that such operations will be profitable and, at least maintain the capital asset. The present state of commodity prices and the small demand for land give little hope of an early liquidation of this item of frozen capital. The Report points out that in Southern Rhodesia a solution of the problem was found by the Government taking over such properties at loan values and adds, "while the position in Kenya is not so acute in this respect at present, it is suggested that possible relief might be found in connexion with any scheme evolved by the newly formed Settlement Committee." That, I fear, is more of a pious hope than an early prospect. And I also fear that unless the Government is prepared to take early and effective steps to solve the problem of the "marginal" coffee areas the Land Bank will be embarrassed by an increase in frozen capital during the present year. The fact is that this problem has been evaded—there was even reluctance to admit that it existed—and now it cannot be evaded much longer for the toll of financially-derezzed farms amounts alarmingly. It is difficult to avoid the conclusion that coffee is the real bugbear of the Land Bank. The financial troubles of the coffee industry run like a red line of danger through this Report. And I suspect that the Land Bank has become so involved by the decline of economic production and falling in marginal coffee areas that it is unable to play that effective part in financing the development of other farming systems which is necessary to the well of Kenya. In consequence I reiterate my belief that

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Mr.

There are still some planters who refuse to believe that their plantations need any protection, but it has been very obvious that great quantities of valuable top soil have been lost where no protection has been provided.

Writing of the Kisumu and Londiani district Mr. Conway Harvey states: "The difficulty experienced in procuring an adequate supply of native labour has added greatly to the worries of farmers during 1937, and has led to some pecuniary loss. It is doubtful whether the labour situation has been improved by increased wages, and most employers complain of the steadily diminishing amount of work performed by native employees."

Mr. James Mackay stresses the need for an overseas market in order that pigs may play their proper part in the farming system. And he is worried by the problem of soil erosion in the Nakuru district. He writes: "Pigs have been grazed and fatteners of reasonably good quality have been readily available at 50 cents per lb. dead weight. A properly organised scheme of overseas marketing with cold storage facilities would enable this adjunct of dairying and maize farming to be developed as it should be. "..... The need for soil conservation is very urgent. The majority of farmers recognise this, but really the amount of work done is disappointing. This is due partly to the lack of funds, but chiefly because there is not suitable tackle available to do the job quickly and thoroughly without the loss of a season's revenue from the area to be done. There would appear to be an urgent demand for a contracting firm to construct broad based terraces."

The demand for native labour has increased considerably, wages have risen slightly and the native labourer is much more independent and off-hand, but on the whole there has been enough to go round. Better organization in recruitment, utilization, and terms and conditions of services are called for."

Capt. P. L. Lindsay is despondent about the coffee industry in the Thika, Makindu and Ilmorog districts and considers that the present outlook for the coffee industry is extremely serious, as most estates have now cut down their expenditure to the minimum, and no further economy is possible without detriment to the coffee. "It has been impossible to build up cash reserves and with the present fall in prices only a few estates will be able to make ends meet."

Mr. F. J. Morgan writes a very interesting paragraph about labour and erosion in the Trans-Nzoia district: "Although in some parts of the district there is an undoubted shortage of labour on the whole, I think it is evident that, whilst most farmers could do well with more labour than they are able to obtain at harvest time, the shortage is not extreme and I think the position has improved during the year. From all sides, however, one hears complaints as to the attitude of the native labourer towards his work and employer. It appears that the natives generally are more difficult to handle and are less disciplined than formerly, and that wild wages are increasing as work can be exacted. The system of task work is in fairly general use throughout the district and it is common, I find, for the tasks to be finished between 11 and 11.30 a.m."

...the words on a private expense to ...

There is a curious statement in the paragraph dealing with land values. The Board states that "As a natural result of the non-access attending coffee planters in certain districts the Board have had to revise their standards of land values in these districts..."

The Report adds:—"In a number of instances the acreage under coffee has been reduced by uprooting the trees and the land has been utilized for some other purpose..."

That paragraph is a strange piece of reasoning. I suggest that the original advances were not really justified by the security because reliance was placed in a crop which, in these so-called marginal areas, is only an economic crop when market and climatic conditions are exceptionally favourable.

In the course of his report on the Nakuru District Mr. James Mackay writes: "I anticipate a lot of marginal coffee will be rooted out..."

Writing of coffee in the Uasin Gishu District, Major J. B. F. Adams expresses that opinion that "..... this plantation crop cannot really be considered an asset on many farms much better suited to mixed farming..."

It is strange to suggest that a change over from an uneconomic plantation crop, conducive to land-mining, to sound farming practice has caused a decline of real security of land.

Now there seem to be two basic regional policies to follow. Either the Land Bank must concentrate on the farms involved in the hope of effecting a sale of ways and means must be devised to enable the present manager to farm on sound and profitable lines... or... to provide a Livestock Improvement Scheme on adequate lands as was suggested a week ago in "Conversation Piece." There are several other interesting aspects of the Land Bank Report which I hope to discuss next week.

...the words on a private expense to ...

In the Report of the local representatives of the Land Bank there are several paragraphs which support the argument recently advanced in Conversation Piece that many things are far from well in this land of Kenya.

In the Reports of the local representatives of the Land Bank there are several paragraphs which support the argument recently advanced in Conversation Piece that many things are far from well in this land of Kenya.

Unfortunately for the rest of the district, some of them are already rapidly cutting out forest. Unless the forest is replanted, I fear that the effect will be to cause the occurrence of a second dry season about August-September, which will make the growth of sisals, a six months crop here—a precarious undertaking... I deeply regret that I have to report that practically no progress has been made in the protection of land against the losses caused by soil erosion, and that the number of farmers who provide a source of fodder for use on their own farms has always been a small one.

And as regards to Perithrum, Mr. Hall reports that "Practically all that was planted in this district last season died out completely... On the whole the production of flowers has been rather disappointing..."

...there is not sufficient ...

Capt. E. L. Lindsay is disappointed about the coffee industry in the Thika, Makuyu and Itang districts and considers that the present outlook for the coffee industry is extremely pessimistic, as most estates have now cut down their expenditure to the minimum and no further economy is possible without detriment to the coffee.

Mr. E. L. Megson writes two interesting paragraphs about labour and evulsion in the Trans-Nzoi district. Although in some parts of the district there is an undoubted shortage of labour, on the whole I think it is evident that, whilst most farmers could do well with more labour than they are able to obtain at harvest time, the shortage is not extreme and I think the position has improved during the year. From all sources, however, and heists complaints as to the attitude of the native labour towards his work and employer, it appears that the natives generally are more difficult to handle and less disciplined than formerly, and that whilst work is being done less work can be expected. The system of task work is still fairly general, use throughout the district, and it is common to find the tasks to be finished between 11 and 11.30 a.m. Presuming the boys start work at 6 a.m. the working day is between five and five and a half hours duration. This the Kenya African worker is far ahead of his European brother workers in this respect already. As the farmers are paying more and are less exacting in regard to labour generally, I cannot, I think, be altogether the fault of the farmers. They could help matters forward considerably by co-operating to the extent of fixing a scale of wages and tasks.

Enthusiasm, the Trans-Nzoi farmers are very much alive to the seriousness of this problem, and on many farms anti-erosion measures of one kind or another are in use. What is, I believe, the first contracting broad-base terracing unit in the colony is now operating in the district, and is booked up for over a year ahead. This terracing company charges £7 per mile of standard broad-base terrace, which price includes the survey work. The Agricultural Department has arranged with Messrs. Gailly and Roberts Ltd. working in conjunction with the local terracing company to carry out some costing trials. These are now proceeding with a much larger and more powerful unit than the terracing company is using, and the object of the trials is to find out whether with a more powerful tractor and a larger blade on the grader, terracing cannot be done by contract more cheaply than at present, so that more farmers may be able to afford to terrace their lands.

There is, of course, another and more cheerful aide to the Land Bank's Report. There is occasional mention of progress and confidence and the development of better farming systems. But in general, it is a depressing document, and provides further evidence of the drift and despair which afflicts this land. Many months ago His Excellency the Governor spoke of long-term tolerance of wet conditions was not months ago, but the words are now so familiarly well known. On the whole, however, nothing is coming out of it. It is a sad state of affairs, and it is a pity that it is so. I think the production of flowers has been rather disappointing, and I am sorry to hear that Eastern Africa recently with the approach of the wet season has been the worst. I think it is up in the yield fields, as it is very wet, but in the hills it is very dry, and above the top of the hills, the soil is black, and the level has some pyrethrum. They will be very dry.





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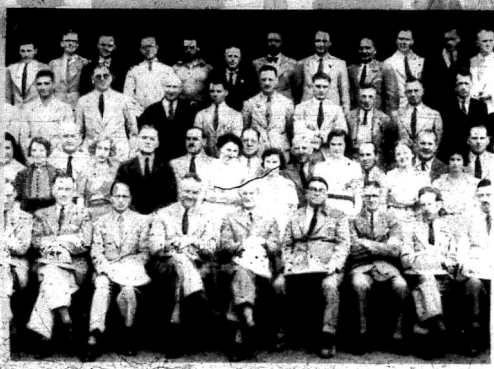
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OF KENYA, 1937

1938.

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# REPORT OF THE BOARD OF THE LAND AND AGRICULTURAL BANK OF KENYA TO HIS EXCELLENCY THE GOVERNOR

For the year ended 31st December, 1937

YOUR EXCELLENCY,

The following Report by the Board for the year 1937 is submitted for Your Excellency's information. The financial statements required by section 47 of the Ordinance have been prepared and are submitted herewith duly audited.

### THE BOARD

1. The Hon. G. Walsh, C.B.E., left the Colony on 14th April, 1937, subsequently retiring from the post of Colonial Treasurer. The Colonial Treasurer is *ex officio* chairman of the Board of the Land Bank, and upon assuming the post of Acting Treasurer, *vice* Mr. Walsh, the Hon. G. Beresford Stooke became chairman of the Board, and has presided over the meetings of the Board since 3rd May, 1937.

2. Major C. M. Taylor retired automatically from the Board on 31st December, 1937, and was re-appointed by Your Excellency for a further term, *vide* Government Notice No. 946 dated 15th December, 1937.

3. Mr. W. C. Hunter left the Colony on vacation in April and returned in October. During his absence Captain F. O'B. Wilson, C.M.G., was appointed a temporary member of the Board, his services in this connexion being greatly appreciated by the Board.

4. Twenty-one meetings of the Board were held during the year, and on each of these occasions the Board also sat in their capacity as Agricultural Advances Board.

5. The attendance of members of the Board at meetings during the year was as under:—

Hon. G. Walsh, C.B.E. (Chairman) .. .. .	6
Hon. G. Beresford Stooke (Chairman; successor to Mr. Walsh) .. .. .	15
E. B. Gill, Esq. .. .. .	20
W. C. Hunter, Esq. (on leave, April to October) .. .. .	10
Major C. M. Taylor .. .. .	20
J. E. A. Wolryche Whitmore, Esq. .. .. .	20
Capt. F. O'B. Wilson, C.M.G. ( <i>vice</i> Mr. W. C. Hunter) .. .. .	10

6. Since the inception of the Land Bank in 1931 the Board has been presided over by four different chairmen. In view of the decision to make certain alterations in the personnel of the Treasury, the Board would like to record its opinion that frequent changes in this important post should, if possible, be avoided. At the same time, they hold the view that the chairman should be a Government representative.

#### STAFF

7. In July the death occurred of Mr. A. B. Caldecott, who joined the office staff as book-keeper in 1931. He had rendered good service during his term of office, and the Board minuted their sympathy and condolence with his family. An additional male junior clerk was engaged on 1st August.

8. In consultation with a Treasury officer a draft scheme, dealing with local leave and periodical long leave for the staff based upon the regulations adopted for the Local Civil Service, was prepared and submitted to the Board. The scheme, with minor amendments, was adopted at a meeting of the Board held on 16th March.

9. The Secretary has continued to serve as a member of the Crown Lands Valuation Board during the year.

10. During the period 4th November to 5th December, Mr. T. L. Hatley was appointed to act in place of the Secretary, who was absent on sick leave.

#### INSPECTIONS

11. The regular inspection of mortgaged properties by the Bank's local representatives was continued during the year and the inspection reports were submitted to the Board for their information. The following figures show the extent of this work as compared with the three previous years:

	No. of Inspections	Total Cost	Cost per Inspection
1934	222	£ 711 16 65	Sh. cts. 64 13
1935	254	740 1 75	58 75
1936	283	644 4 00	47 61
1937	270	707 15 00	55 09

12. These inspections, the cost of which is borne by the Bank, are of advantage to the mortgagor no less than the Bank. Inspectors are frequently in a position to make helpful suggestions when reporting upon a mortgaged property, which are passed on for consideration by the farmer.

#### SOIL EROSION

13. By invitation, Mr. Colin Maher of the Agricultural Department attended a meeting of the Board on 16th March and discussed with them the question of adopting a policy for the whole Colony and initiating practical steps towards the provision of units of equipment for terracing.

14. A letter was later addressed to Government stating that the Board were anxious to give their entire support to any action which Government was able to take to provide a means whereby farmers would be in a position to take defensive measures against erosion.

15. The Board was invited by the Agricultural Department to consider the financing and superintendence of one unit of equipment, but had to decline on the grounds that such action would be outside their powers under the Land Bank Ordinance.

16. A recommendation was, however, sent to Government that an initial unit of terracing equipment should be provided by Government to be operated under the Agricultural Department. While noting with satisfaction a proposal to second an agricultural officer to the work of superintending the campaign for the preservation of the soil, the Board suggested that it would be for the benefit of all concerned if such officer could tour the various European settled areas in company with the Land Bank's local representative.

17. The Board undertook, in the event of the establishment of a terracing unit, to do everything possible in the way of making arrangements for its employment on an economic basis on various properties in which the Land Bank is interested.

18. It was later understood that Government did not propose to consider providing and operating a terracing unit for use on farm properties so long as it was possible for this work to be done by private enterprise at reasonable cost to the farmer.

19. It was however, decided by Government that a soil-erosion survey of certain areas should be undertaken by an officer of the Agricultural Department for the purpose of recommending future action. Consideration of the details of the campaign to be undertaken would then be given by Government.

#### AGENCIES

##### (a) The Central Agricultural Advances Board

20. The Board has continued to act as agent for the Government in the administration of the Agricultural Advances Scheme, and a precise statement of its work is given in Appendix No. 4 of this report.

21. When the Board accepted this agency in December, 1933, the avowed policy was that no new accounts should be opened but that every endeavour should be made to collect outstanding balances and so gradually wind up the business of the Agricultural Advances Board. Where necessary, payments received have been re-advanced; as only in this way could most of the accounts be kept "alive".

22. In considering the accounts for the purpose of the annual report this year, the Board were unable to escape the conclusion that the winding-up process was making little or no progress. Such payments as participants were able to make were being swallowed up in the liquidation of outstanding and current interest charges, and in these circumstances it was impossible to show that any headway was being made.

23. The position was accordingly represented to Government with the strong recommendation that interest charges on all principal outstandings under the Central Agricultural Advances Board cease to be imposed after 31st December, 1937. The recommendation was accepted by Government and approved by the Secretary of State, and it is understood that the necessary legislation will be introduced early in 1938.

24. It is the earnest hope of the Board that this material concession will encourage the remaining participants to make further efforts towards the liquidation of their indebtedness.

##### (b) The Farmers Conciliation Board

25. From the date of the Board's appointment on 21st July, 1936, to 31st December, 1937, fifteen meetings of the Board have been held. Mr. Justice Webb, originally appointed as chairman, was away from the Colony on leave during the period September, 1936, to March, 1937, during which time Mr. Justice Horne acted as chairman.

26. The attendance of members of the Board at meetings during the period July, 1936, to December, 1937, was as under:—

Mr. Justice Horne	6
Mr. Justice Webb	9
The Hon. Treasurer (or representative)	13
H. B. Hamilton, Esq.	10
W. C. Hunter, Esq.	8
R. E. Norman, Esq.	12
A. W. Johnson, Esq.	14
Mervyn Jones	8
Major C. M. Taylor (vice Mr. Hunter, on leave)	5

27. The number of applications received up to 31st December, 1937, was 33; and the following table shows how they were dealt with:—

Applications, received	33
	33
Approved	9
Rejected	19
Withdrawn	4
Under consideration	1
	33

28. The type of farming carried on by the applicants is shown in the following analysis:—

Coffee	7
Coffee and Mixed	3
Coffee and Cereals	2
Coffee and Fruit	1
Cereals	11
Dairying	3
Mixed	4
Sugar	1
Coco-nuts and Kapok	1
	33

29. Applications to the Farmers Conciliation Board are first submitted to the nearest Local Committee for a preliminary examination as laid down in the Ordinance.

30. Local Committees have been appointed at twelve centres under the chairmanship of the District Commissioner (in the case of Trans Nzoia, the District Officer). As in the case of the Board itself, the members of Local Committees receive no remuneration for this work, but their out-of-pocket expenses are met by the fund.

31. The unofficial members of Local Committees are as under:—

*Nairobi*.—P. J. H. Coldham and G. A. Tyson.  
*Thika*.—J. H. Hearle and W. J. Webb, J.P.  
*Machakos*.—C. A. Hill and J. F. Manley.  
*North Nyeri*.—W. Mitton and T. C. C. Lewin.  
*Rumuruti*.—A. Armstrong and E. H. G. Augeraud.  
*Nakuru*.—C. T. Soames and W. Evans.  
*Uasin Gishu*.—R. K. Philpott and H. C. Hill.  
*Trans Nzoia*.—G. W. Reynolds and Q. H. Brown.  
*Nandi and North Kavirondo*.—A. W. Thompson and J. H. Symons.  
*Kisumu-Londiani*.—T. Allen, J.P., and J. F. Pullen, J.P.  
*Kericho*.—W. J. H. George and R. C. Royston.  
*Coast Province*.—W. G. Lillywhite and A. R. Brooks.

32. Owing to the difficulty of fitting the financial year to the crop year, it is impossible at this date to make a detailed report of results so far attained. No distribution to creditors can of course be considered until the season's crops have been not only harvested but sold. Meanwhile, a decision has to be made where asked for, regarding a continuance or of the protection and finance provided by the Board.

33. In these circumstances, the Board in certain cases have ordered the renewal of the Stay Order but authorized advances for 1938 merely to carry on until it is seen that estimates of 1937 crop, justifying the further advances asked for, are later confirmed by facts.

34. The total of advances authorized during 1937 was £8,944, distributed among nine applicants. At the last Board meeting of the year, held in December, advances for 1938 totalling £6,074 were approved.

#### FINANCIAL

35. Of the additional £150,000 Land Bank capital recorded in last year's Annual Report, £100,000 has been drawn during the twelve months under review, while new

loans (exclusive of short term advances) totalling £123,190 were granted and completed over the same period.

36. At 31st December, 1936, the total number of mortgages which had been registered was 516 securing advances of £631,260, and 64 short term loans aggregating £13,825. During the year 1937, 91 mortgage loans were registered and issued aggregating £123,190, and 36 short term loans aggregating £9,198. During the same year 20 mortgage loans were repaid completely, aggregating £21,750, and twelve short term loans aggregating £1,880. To summarize:

	No.	Amount
		£
Long Term Loans, Issued . . . . .	607	754,450
Long Term Loans, Repaid . . . . .	64	66,850
Short Term Loans, Issued . . . . .	100	23,023
Short Term Loans, Repaid . . . . .	21	4,045

37. Payment of instalments by mortgagors has been disappointing, but again it would appear that this can be attributed to unavoidable crop and price conditions rather than to circumstances within the control of individuals. Whatever may be the cause, any reduction in the interest rate charged by the Land Bank is of necessity dependent upon the conversion of the figure shown in the balance-sheet as Reserve Account from a book entry into a tangible asset. In present circumstances the consideration of any such reduction must again be deferred.

38. It has to be recognized as inevitable that the Land Bank to-day will be called upon to extend leniency to mortgagors in the matter of instalment payments. The position of mortgagors is still far from stable, and until the uncertain factor in farming is reduced by a more constant price level the financing of agricultural loans will be fraught with difficulty and risk. The nature and constitution of the Bank demand that risk shall not knowingly be incurred. Relief measures fall outside the business restrictions imposed on and by the Bank and while the Board are prepared to give all the latitude permitted by circumstances and the law, it must be clearly stated that failure to meet instalments involves the mortgagor in grave risk of foreclosure proceedings.



39. Comparative percentage figures of amounts received are given below. These figures are based upon the aggregate amount due for payment at 30th September and collected before the end of the year:—

	Principal		Interest	
	Per cent	Per cent	Per cent	Per cent
1935	79.29	87.47		
1936	74.83	85.47		
1937	70.47	84.44		

40. In considering the balance-sheet item "Interest on Current Account, £26,634/12/33," it should be noted that of this sum £10,428/12/96 is contained in the total of an instalment which fell due on 31st December.

#### LAND VALUES

41. As a natural result of the non-success attending coffee planters in certain districts, the Board have had to revise their standards of land values in these districts. Apart from the ill-effects of climatic conditions and market prices, experience has only now forced the technical officers of the Agricultural Department to the conclusion that certain areas planted with coffee some years ago are not wholly suited to coffee. While it will grow in such areas, the average yield in present market conditions is not sufficient to render the operation an economic one.

42. In a number of instances the acreage under coffee has been reduced by cutting the trees and the land has been utilized for some other purpose. In such areas the security, which at the time justified a certain number of advances made, must now be regarded as having been materially reduced, and any margin of security upon which further advances might have been approved in order to assist the grower to change over to something else has largely disappeared.

43. In addition, it has to be recognized that the Land Bank is called upon to face the general position as it affects all districts, viz. the fact that a large sum of money invested in coffee plantations has shrunk alarmingly. Everybody in any way connected with these investments must necessarily be adversely affected pending the dawn of better market conditions.

44. The question of decreased land values and the effect on the operations of the Land Bank is being carefully investigated.

#### PURPOSE OF LOANS

45. The purposes to which loans issued in 1937 have been allocated are shown approximately in Table 5 with comparative figures of total loans approved. Expressed in percentages, the latter table may be summarized as follows:—

Discharge of existing mortgages	54.2
Permanent improvements	12.2
Purchase of land	23.5
Purchase of stock	6.3
Farming operations	3.8
Purchase of machinery and implements	1.2
	100.0

#### FARM PROPERTIES

46. Five properties were acquired during the year by foreclosure or otherwise (L.R. 1/37, 1/43, 1/74, 1/175, and 2/145), making a total of 15 since the inception of the Bank. Of these, two have been sold under agreements of purchase. This leaves a total of eight properties on hand for disposal (1/37, 1/43, 1/59, 1/74, 1/80, 1/156, 1/169, and 2/96), two are under option (1/112 and 2/137), and five have been sold on terms (1/2, 1/13, 1/58, 1/175 and 2/145). These properties stand in the books of the Bank as under:—

Eight properties on hand	£15,020	10	60
Two properties under option	5,490	15	22
Five properties sold on terms	4,066	5	88
	£24,697	11	70

47. It will be seen that these properties involve the locking up of a material item of the Board's capital upon which interest to Government has to be met. It is in other words an actual expense to the Bank of over £800 per annum (at 4 per cent on the first two items totalling £20,511/5/82). In addition to this, a plantation farm growing a permanent high-priced crop such as coffee cannot be left to revert to bush, and the Bank is forced in such cases to find the necessary funds to continue farming operations on a minimum basis in the hope that such operations will be profitable and at least maintain the capital asset. The present state of commodity prices and the small demand for land give little hope of an early liquidation of this item of frozen capital.

48. In Southern Rhodesia a solution of the problem was furnished by the Government taking over certain properties at loan values. Of 35 farms held by the Southern Rhodesia Land Bank at the beginning of 1935, 33 have been taken over by Government in this way (*vide* Report of the Land and Agricultural Bank of Southern Rhodesia for the year 1936). While the position in Kenya is not so acute in this respect at present, it is suggested that possible relief might be found in connexion with any scheme evolved by the newly formed Settlement Committee.

#### DISTRICT REPORTS

49. Local representatives of the Land Bank have again kindly contributed a short résumé of farming conditions and operations in their various districts, and their reports are embodied in Appendix No. 2.

#### GENERAL

50. In addition to the district reports by local representatives, the following notes have been kindly supplied by Colonel G. C. Griffiths, the General Manager of the Kenya Farmers' Association (Co-operative) Limited, on the general outlook. The memorandum is dated 5th February, 1938:—

*Maize.*—The European crop now being harvested will be approximately 750,000 bags. The quality of maize is rather better than was the case last year. The price on the overseas market has been maintained at a figure from Sh. 27 to Sh. 30 per quarter.

As a result of a reduction in the net return to the grower for sales on the overseas market will show an improvement over last year's figure.

To-day the export value of maize is approximately Sh. 7 per bag, and this may be taken as about the value during the year. There may be a fall during the next two months, but later in the season it appears likely that the price will recover.

Native maize production in Kenya has been higher this year than for some time, and will be certainly greater than last year's crop. So far as can be estimated at the present time, there is likely to be a fair exportable surplus of native maize. These large supplies of native maize are likely to keep the internal price at a figure more comparable with the export parity than was the case last year. It is, of course,

impossible to forecast with certainty the market value of any commodity. The following is therefore only an opinion, based on the most reliable information available.

The world's statistical position with reference to maize indicates a maintenance of at least the present-day prices well into next year, with the possibility of even higher prices if the United States crop, which will be reaped in August, 1938, is not above the average.

The biggest world exporter of maize is the Argentine. Its crop is reaped generally in April or May. The crop reports show that certainly the Argentine crop now growing will be considerably less than the previous season's crop. It is possible that the entire Argentine crop will be only sufficient to supply the normal demand of the United Kingdom, leaving the very big importing countries to compete.

In the past the United States have not been exporters of maize. However, the bumper crop which they reaped in August, 1937, and the comparatively high prices on the European market resulted in a considerable export taking place.

The United States of America are themselves big consumers of maize, and it is unlikely they will have any material export surplus during the coming year if the planting is on the normal scale.

These are the two big factors with reference to world maize prices. It is therefore possible that we may see a considerable increase in maize values next year, and it seems certain that maize planted during the 1938 year, if marketed early in 1939, will realize a price that will show profit to the producer.

*Wheat.*—The wheat position is satisfactory at the present time. From the estimates, pool supplies would appear to be neatly balanced with the demand likely to be received from the mills.

A 10 per cent increase in production during this year would in no way have affected the local price, as the overcarry into next year could still be greater than the present figures indicate likely to be available.

There is an increasing demand for wheat by the mills, and the new planting, that is the 1938 planting, could safely be increased by 20 per cent without affecting the local price, and in fact farmers should be encouraged to increase their acreage under wheat this year.

There is every possibility that the pay-out at the end of this year will be even higher than was the case last year.

It is, of course, realized that the local price is to a very material extent dependent upon world prices, as a considerable proportion of the wheat grown in Kenya is milled into flour and sold at Tanga, Dar es Salaam, and Mombasa. If the world price of wheat falls, the cost of imported flour falls, with the result that the price to the mills for wheat converted into flour, sold in these parts, has to be reduced, thereby bringing down the average pool price. However, the world price of wheat at the present time appears to be firm, and so far as can be estimated no material drop in prices is likely to take place for some months.

Wheat is unquestionably a safe crop to grow at the present time from an economic point of view.

*Pyrethrum.*—The area under pyrethrum, roughly 6,000 acres, could be trebled without any serious effect on the world price of pyrethrum. Kenya is at the present time obtaining a premium of 50 per cent over Japanese pyrethrum on the world's market. This, of course, is due to the stringent grading regulations and care in packing and marketing.

The present price of £105 per ton cannot be looked upon as a permanency. This is an unduly high price. Why pyrethrum is being sold at the present figure is difficult to explain. The Japanese had a very heavy over-carry from the previous year, added to which they had a good crop so far as quantity was concerned this year, though their quality was lower than usual.

We have not yet been able to obtain a satisfactory explanation of the high price ruling to-day. However, were a fall of 30 per cent to take place in the world's price, pyrethrum would continue to be a very sound economic proposition in this country.

*Grenadilla.*—This is a comparatively new crop in the Colony, and a great deal has to be learned before any definite information can be given.

There is one thing quite certain—at anything like Sh. 5 to Sh. 6 per gallon on the overseas market, grenadillas can be grown in this Colony in suitable areas as a distinctly sound economic proposition.

There will be no difficulty in disposing of the juice from the areas at present planted, and so far as can be ascertained considerable increase in acreage can take place without there being any question of glutting the market.

51. The appreciation and thanks of the Board must again be recorded in connexion with the ready assistance willingly extended by various officials and Government departments.

G. BERESFORD STOOKE,  
*Acting Treasurer,  
Chairman of the Board.*

Nairobi.

21st February, 1938.

#### APPENDIX No. 1

The following graphs have been prepared to afford a comparison of the annual quantities and values of the Colony's principal products. Figures 1 and 4 are based on the Customs Department's Annual Reports; Figures 2 and 5 are based upon information supplied by the Kenya Farmers Association (Co-Op.), Ltd., and Figure 3 is based upon information supplied by Messrs. Dalgety and Co., Ltd., on behalf of the Kenya Co-Op. Creamery, Ltd.:—

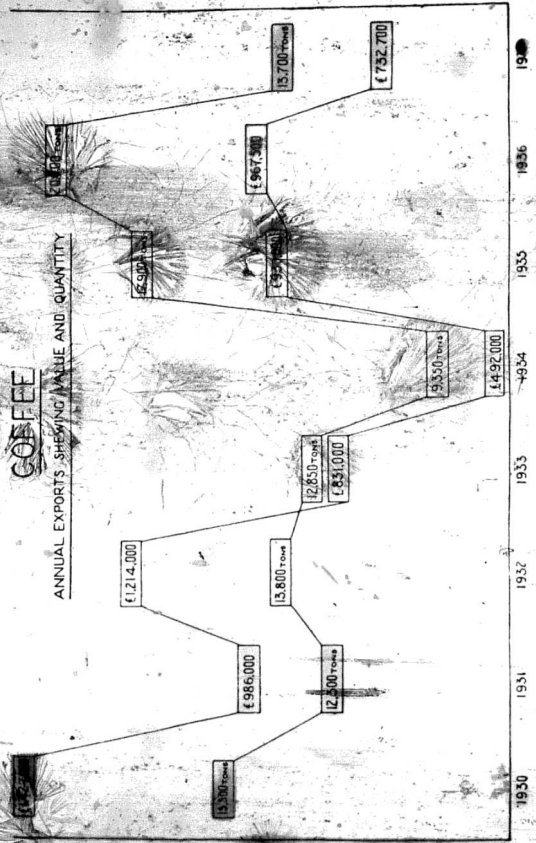


Fig. 1

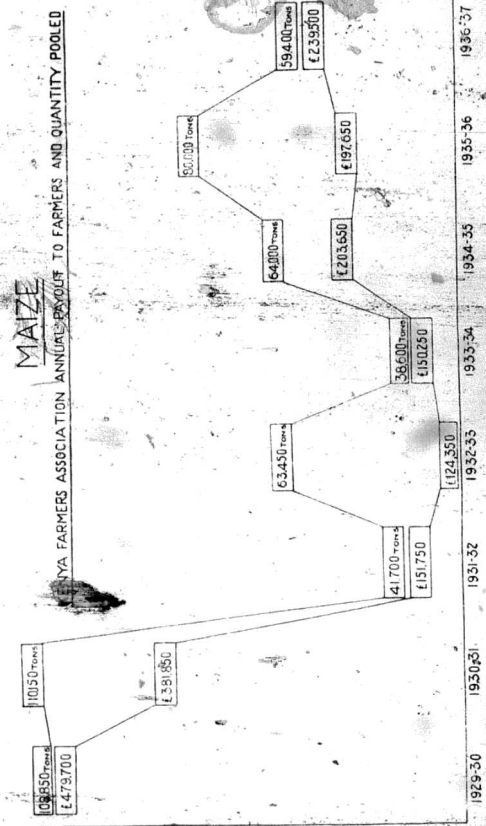


Fig. 2

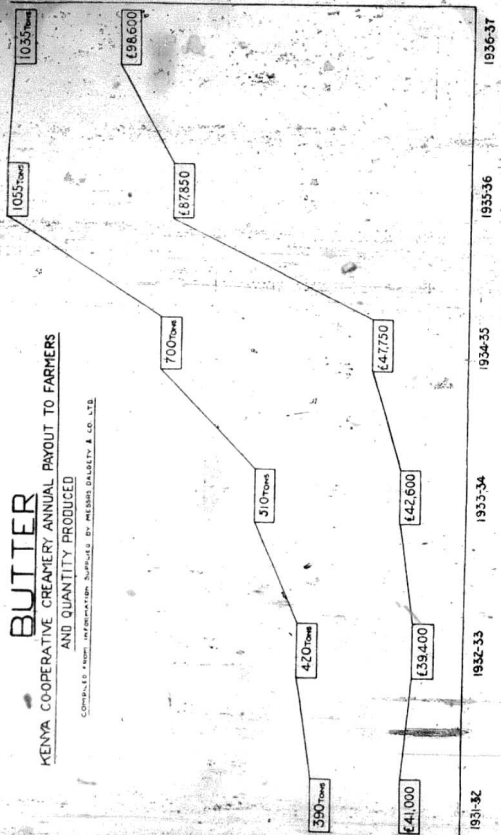


FIG. 3

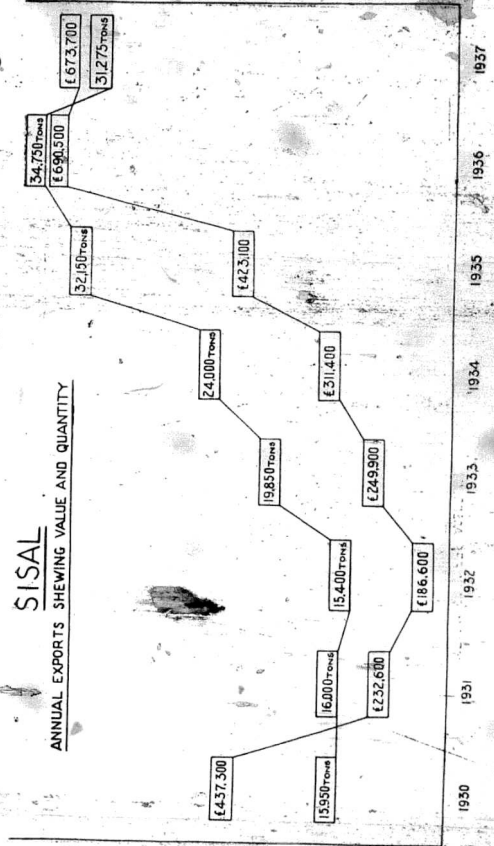


FIG. 4

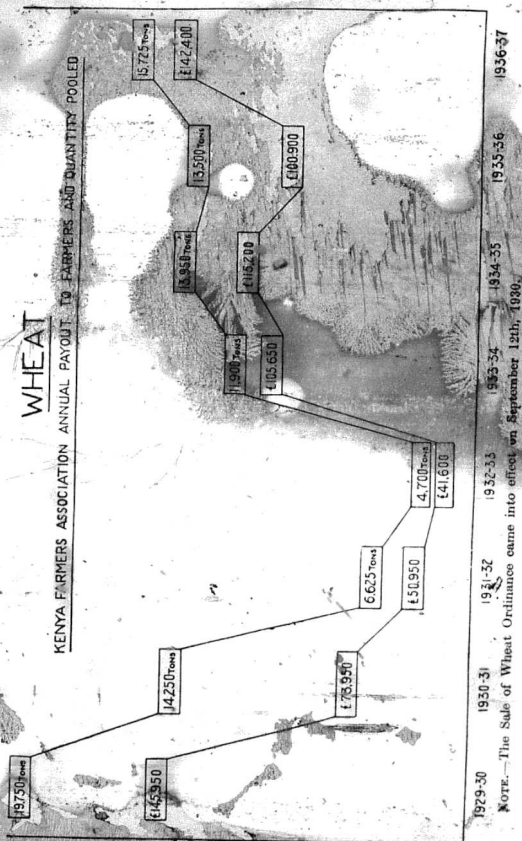


Fig. 5

## APPENDIX No. 2

Reports by local representatives of the Land Bank in the following districts:—

1. Gilgil and Naivasha.
2. Kiambu and Machakos.
3. Kisumu and Londiani.
4. Nakuru.
5. North Nyeri.
6. Rumuruti and Thomson's Falls.
7. Sotik.
8. Thika, Makuyu, and Ithanga.
9. Trans Nzoia.
10. Uasin Gishu.

## 1—GILGIL AND NAIVASHA

BY ROBERT HALL, B.A.

On practically every farm in the district the year 1937 has been the wettest since 1930. This has, on the whole, favoured the lower parts of the district, where grazing has been more abundant than during any year since 1917; but the same can hardly be said of farms at the higher altitudes. The drought of January to March was very mild except in one small corner of the Kinangop, where it was so severe as to cause heavy cattle losses. Curiously enough this corner has probably the highest rainfall in the whole district.

The large area at the north end of the district, which has remained empty for so long, has at last been settled. The new arrivals are mostly doing mixed farming, with wheat as the chief crop.

Unfortunately for the rest of the district, some of them are already rapidly cutting out forest. Unless the forest area is replanted, I fear that the effect will be to cause the occurrence of a second dry season about August-September, which will make the growth of cereals—a six-months' crop here—a precarious undertaking.

Probably the most marked change in farming practice is the large increase in the number of farms with a flock of sheep.

I deeply regret to have to report that practically no progress has been made in the protection of land against the losses caused by soil erosion, and that the number of farmers

who provide a reserve of fodder for use in the drought, which always comes sooner or later, has hardly increased at all.

**Cattle.**—Generally, grazing has been abundant, and as prices have been better those farms that kept free of serious disease have prospered; but stock diseases have been more prevalent than usual. Foot-and-mouth disease affected many farms in the Gilgil area, and though many farms had few deaths it took a heavy toll on the herds of farms along the foot of the Aberdares. *B. nodosus* was prevalent through the wetter months, causing some loss of condition in calves of condition in calves. Several farms were attacked with East Coast fever for the first time, most of them for the first time, even where there was no dipping.

**Sheep.**—With the rank growth in the lower areas and the waterlogged condition of the land in the higher, it has been a very difficult year for sheep farmers, but with one or two exceptions, where heavy losses occurred, flocks came through well.

**Figs.**—In spite of better prices, these have not increased.

**Pyrethrum.**—Practically all that was planted in ill-drained land died out completely; the plant's intolerance of wet conditions was not sufficiently well known. On the whole the production of flowers has been rather disappointing, and only recently, with the approach of the dry season, has leeway been made up in the yield picked. Nearly every farm above the 7,500 feet level has some pyrethrum. There will be no reduction in the number of squatters' sheep and goats as long as this crop is remunerative.

**Wheat.**—In the northern part of the district the acreage under wheat has increased considerably, and some good crops of B. 230 and No. 503 are being harvested; but, in accordance with the precedent, by many new varieties issued previously, No. 500, which growers at the higher altitudes were advised to sow, has broken down to rust attacks in this its third year of cropping.

**Oats.**—Are probably grown more for fodder than for grain, but they crop well where the land used is not too rich, and good yields have been obtained on land that will no longer grow wheat.

**Barley.**—Was not grown on many farms, but gave heavier yields than other cereals, and might well be grown to a greater extent for use on the farm.

**Fruit.**—The ruined trees on several farms show what an utter waste of effort and money it is to plant trees without the certainty that they will receive adequate attention, especially for the first few years. Where proper care has been given orchards have cropped well and the quality has been excellent. Prices obtained were much lower than in previous years.

**Fodder Crops.**—The acreage under these remained approximately the same, but some progress has been made in that farmers have now a better knowledge as to which crops do better under their own conditions. Considerable interest is taken in the question of improvement of pastures, but so little is known about it that much experimenting will have to be done to discover the best methods of achieving the improvement so necessary if intensive dairy farming is to make much progress.

## 2—KIAMBU AND MACHAKOS

By P. J. H. COLDHAM

### Coffee

**General.**—The year has been one of great difficulty to coffee planters. The drought, which was becoming serious at the end of the preceding year, continued during January, February and March unabated, with the result that the record crop that at one time appeared likely did not materialize. Very heavy rains fell in April, May and June, followed by nearly four months of drought, which in turn was followed by exceptionally good short rains during November and December. The heavy rainfall, although badly distributed, has been of great benefit to the coffee areas. The subsoil is now soaked to a degree that has not occurred during the past six or seven years, and with reasonable climatic conditions the prospect of producing good quality coffee, which has been so scarce during the past few years, has greatly improved.

After a long struggle through the period of depression and drought the planter was at last on the up grade again, and the general prospects appeared brighter than they had done for some years. Unfortunately at this moment the long-expected Brazilian crash took place, and it appears likely that, in the absence of some world-wide scheme of restriction on production, the planter will have to accommodate himself to even lower prices than were ever before expected. The only successful way to achieve this object is to produce larger crops of better quality coffee.

**Cultural Methods.**—In these coffee areas cultural methods are being improved year by year, and the process is being

gradually accelerated, thanks in large measure to the enthusiasm and help of the Government coffee research team. It is more than ever essential, if they are to survive the Brazilian crisis, that planters should take full advantage of any new methods that may improve the quality and yield. There are still a few planters who lag far behind the rest in the cultivation and management of their plantations, and they will stand little chance of survival unless they improve their methods.

**Soil Erosion.**—The very heavy rains during the past year have proved the efficiency of the contour ridges and wash pits as a method of controlling erosion. There are still some planters who refuse to believe that their plantations need any protection, but it has been very obvious that great quantities of valuable top soil have been lost where no protection has been provided.

**Crop Prospects.**—The prospects of a good coffee crop in the coming year are on the whole excellent, and should help to some extent to combat the heavy fall in prices. If the home Government would increase the import preference on coffee the position of the industry in Kenya would be greatly improved.

### KISUMU AND LONDIANI

BY THE HON. CONWAY HARVEY, M.L.C.

**Climate.**—Rain has, as usual, been well distributed throughout the year, but about 15 per cent above the average has fallen, which proved to be too much for maize and coffee in some areas and added greatly to the cost of weeding. At no time during 1937 has there been a period of ten consecutive days without rain.

**Title Deeds.**—Arrangements were made during the year for the conversion of 99-year leases to 999-year leases under the Crown Lands Ordinance, 1915, in respect of a considerable number of titles in this district, with the attendant saving of 5 cents per acre in annual rent, which constitutes an appreciable saving in expenditure on large farms, apart from other benefits when the time comes for reassessment.

**Native Labour.**—The difficulty experienced in procuring an adequate supply of native labour has added greatly to the worries of farmers during 1937, and has led to some pecuniary loss. It is doubtful whether the labour situation has been improved by increased wages, and most employers complain of the steadily diminishing amount of work performed by native employees.

**Erosion.**—Practically all farmers are fully alive to the importance of conserving their rich surface soil, and effective anti-erosion measures have been taken by those who plant permanent and semi-permanent crops. Maize farmers have also contributed to the erosion campaign by contour ploughing and head drains.

**Coffee.**—Although a number of planters at Fort Ternan, Koru, and Songhor have secured good crops, excessive rain in other parts operated adversely to good yields, and a considerable area of uneconomic coffee has been abandoned. The tendency is to reduce acreage and to work the balance more intensively. A great many permanent shade trees have been planted during the year, while the manufacture of con. post is a matter of routine on many estates.

Experimental work on coffee berry disease by the Department of Agriculture, in collaboration with local planters, is being done at Sotik and Nandi, and planters in areas susceptible to this disease are devoting their attention to a gradual conversion to resistant types.

**Maize.**—A larger area was planted up during 1937, but too much rain during the growing season led to yields below average, though even 11 bags per acre, which was secured, is above the average for Kenya. The improvement in market prices will probably encourage people with suitable land to devote more attention to maize during the coming year, though the high prices for immune working oxen, ranging from Sh. 80 to Sh. 100, will handicap many who desire to extend.

**Mixed Farming.**—Quite a number of landowners have started dairying on a small scale, and the satisfactory results so far achieved encourage them to extend their activities in this direction as circumstances permit. This district is pre-eminently adapted to stock farming, with its great variety of sweet grasses, abundant rainfall, generous shade, and genial climate. Many farms have a carrying capacity of one beast to two acres, which can easily be increased by pasture improvement and paddocking.

A few farmers grow fruit as a useful side-line, while a number of extremely promising experimental plots of passion fruit have been established. Another side-line at Nandi has been the production of nicotine tobacco, the financial result of which is being watched with interest, while a few small plots of groundnuts on a commercial scale have been planted.



**Wheat.**—On a reduced acreage, the production of wheat at Lumbwa and Londiani has been slightly better than last year, and there is room for extended planting of this remunerative cereal. Harvest is not yet over, but the crop appears to be of good quality.

**Pyrethrum.**—The area under this crop is steadily increasing at Lumbwa, Londiani and Nandi, where good yields are now secured and growers are wisely devoting their attention to careful selection of robust plants which crop well and uniformly.

Generally speaking, apart from market uncertainties and labour difficulties, indications justify a degree of optimism so far as farming in Nyanza is concerned during 1938.

#### 4. NAKURU

By JAMES MACKAY

Rainfall, which is probably the most decisive factor in farming operations, has been satisfactory during 1937. Planting proceeded in season and growth was continuous and unchecked through lack of moisture.

"Army worm" destroyed fairly large acreages of maize and wheat in their early stages of growth, but in most cases it was possible to replant, and some excellent crops of replanted wheat have been reaped.

Maize generally throughout the district is a very good crop, and some bumper crops are being harvested. The Kenya Farmers' Association pool price last year of Sh. 7/20 per bag was the highest pay-out for a considerable number of years, and compared with Sh. 4/42 the previous year. Overseas values have risen considerably and charter freights have fallen, so the prospects of a good return for maize now being reaped are much better than we have known for many years.

Good crops of wheat are the rule. It has not been very troublesome, and "Take-all" is being overcome by rotation of crops.

In the lower altitudes more wheat is being grown as a rotation crop with maize, and in the higher altitudes oats, barley and pyrethrum, etc., are taking their place in rotation.

Certain varieties of wheat emanating from the Plant Breeding Station appear to be fairly resistant to rust and consequently more sure croppers.

Plant-breeding services are to be augmented by the appointment of an additional plant breeder, which is all to the good. The one great snag to wheat growing is the incidence of rust, and if good-yielding wheats suitable to the various altitudes can be produced then the wheat farmers would be on a very much better wicket. At present it is still rather precarious.

Prices have been, rather more remunerative, but there is still room for improvement.

Pyrethrum is now extensively grown throughout, and is doing very well indeed over 7,000 feet. There are large acreages planted in Molo and Mar Summit areas, and provided labour is plentiful it is a very remunerative crop at anything round present prices of between £90 and £100 per ton.

Sisal estates did good business during the first half of the year, but recently demand has fallen and prices have eased off considerably.

The Passion Fruit Ordinance, controlling the marketing of the juice overseas, has been promulgated during the year, and now there are plantations throughout the district, and these are gradually increasing in size and number. An up-to-date extracting factory is about to be erected at Kitale, with an expert from New Zealand in charge.

The juice now being produced is finding a ready market locally and overseas.

Coffee is the "Cinderella" at present, and with the drop in values which has taken place most plantations will find it difficult to make ends meet. I anticipate a lot of marginal coffee will be rooted out. This will be all to the good, as some other crop which would be more profitable, perhaps passion fruit, could be planted in its place.

Cattle on the whole have done well during the year, although there were one or two bad outbreaks of rinderpest and several cases of mild foot-and-mouth disease.

Dairying is ever on the increase, particularly in the arable areas, and cows are now not only looked upon as cream producers but also as producers of manure for the fertilization of maize and wheat lands.

Pure-bred bulls in use have increased very considerably, and there are now very many good animals in use, and the scrub bull is in the minority.

There have been many importations of bulls, and the pedigree breeders have experienced a sharp demand.

Butterfat prices are at a remunerative level, and the monthly cheque coming in is a very useful adjunct on most farms.

Pigs have been scarce, and baconers of reasonably good quality have been readily saleable at 50 cents per lb. dead weight. A properly organized scheme of overseas marketing, with cold storage facilities, would enable this adjunct of dairying and maize farming to be developed as it should be.

Sheep are increasing in numbers, and Romney, Cotswold, Suffolk and Merino crosses all show adaptability to certain conditions existing in the Nakuru district. They are doing particularly well on wheat stubble lands and also seem to thrive on maize stubble.

Artificial insemination from high quality rams is being practised in some instances and the improvement, at little cost, in the quality of lambs is most marked.

Wool and mutton prices have been remunerative, and the sheep branch of the mixed farm has been a profitable one.

The need for soil conservation is very urgent. The majority of farmers recognize this, but really the amount of work done is disappointing. This is due partly to the lack of funds, but chiefly because there is not suitable tackle available, to do the job quickly and thoroughly without the loss of a season's revenue from the area to be done. There would appear to be an urgent demand for a contracting terracing unit to construct broad base terraces.

The demand for native labour has increased considerably, wages have risen slightly and the native labourer is much more independent and off-hand, but on the whole there has been enough to go round. Better organization in recruitment, utilization, and terms and conditions of service are called for.

Altogether, mortgagors to the Land Bank in this district have made progress during the year. There have been many preceding lean years, however, and a lot of leeway to be made up in repairs and renewals, so that there is not yet much more actual cash on hand.

There have been several land transactions during the year, and generally speaking there is a much more optimistic feeling about.

## 5—NORTH NYERI

By A. PAICE

The new Nanyuki Creamery building was opened at rail-head at the end of May. It is a well-designed building of steel and concrete with tile roof, and is a vast improvement on the old one.

Butterfat supplied in 1937	668,890 lb.
Butterfat supplied in 1936	717,485 lb.
Average pay-out for January to November, 1937	88.27 cents per lb.
Average pay-out for January to December, 1936	70.84 cents per lb.

Messrs. Shaw Bros. and Matthias having closed their creamery as from 31st December, 1937, there will doubtless be a large increase in butterfat sent to the Nanyuki factory of the Kenya Co-operative Creamery Ltd. from farmers in the Ngobit area.

Rainfall for the year has on the whole been good, though a bit patchy, and cattle have kept good condition.

A good deal of interest is being shown in artificial insemination, and several farmers are using this method both for cattle and sheep.

Sterility in bulls is causing some anxiety and several bulls in the district have been proved impotent. It is to be hoped that experiments now being carried-out at Kabete and the Government Experimental Farm at Naivasha will throw some light on the disease which causes this sterility and offer some means of prevention or cure.

In the Naro Moru area, wheat planted for the big rains suffered badly from a new variety of rust; this wheat was mostly 58 F.L.I. Approximately 800 acres (principally Sabanero wheat) were planted for the short rains, and this is now coming into ear and promises well.

In North Kenya pyrethrum is doing well, and several farmers are increasing their acreage of this crop.

At lower altitudes there has been a good deal of loss amongst sheep owing to Nairobi sheep disease, worm infestation and streptothricosis. At the higher altitudes sheep have done well.

There have been a few sales of land at satisfactory prices, but the tendency seems to be for established farmers to increase their holdings, so that there is little farm land available for newcomers.

## 6—RUMURUTI AND THOMSON'S FALLS

BY A. ARMSTRONG

The past year could almost be termed a good one. The rains in most cases were sufficient, and even in those sections where they were light there was no question of scarcity of grazing.

Prices have been satisfactory in most cases, but wool, which made good advances during the year, has now dropped lower than ever.

There is a shortage of good beef steers throughout the country, which can be partly accounted for by the drought years we went through when the death-rate was high and the percentage of births was low. This condition will probably persist for a year or two. The consumption of meat is increasing among the natives, and will continue so long as they get fair prices for their crops.

Dairying has had a good year, and Thomson's Falls Creamery still maintains its good name for its products. The pay-out is regulated entirely by the London market.

I am informed that disease generally has not been serious, and East Coast fever in the higher altitudes is on the decrease as dipping and hand-dressing are now the order of the day. A certain amount of sterility among the cows is causing concern to some dairymen.

Wheat growers had fair crops and fair prices, and pyrethrum was very satisfactory, but labour troubles are arising, and even on pastoral farms a demand for higher wages is being felt.

There have been some deals in land, but not to any great extent. Apparently confidence in the future is still lacking, or our conditions do not appeal to the newcomers. There are holdings of various kinds for sale.

A few more years like 1937 will make a great difference for the better in this part of Kenya.

## 7—SOTIK

BY COLONEL J. K. MATHESON

*Weather Conditions.*—The year 1937 has been one of the wettest on record. At one station rain was recorded on 232 days, on one of which the fall amounted to 5.46 inches. On three recorded stations, where the average fall up to 1936 was 56.29 inches, the average fall during 1937, was 65.50 inches.

*Farming and Cultural Conditions.*—The abnormal rainfall, although beneficial in some ways, has added appreciably to the cost of weeding and other farming operations. The sun-drying of coffee has been unuly prolonged, and the quality of the bean depreciated thereby. Such measures as have been taken to prevent soil erosion have been severely tested and the weaknesses of some of them exposed, but where broad-base terracing has been properly carried out this system appears to have been the most effective method of soil preservation. A marked improvement has taken place in the standard of cultivation. This may be accounted for by the fact that farmers in this district now recognize that the future of the district lies in small cultivations and extensive pastures.

The change-over from a single crop to mixed farming and dairying, referred to in my last annual report, has made steady progress; and although the recent fall in the price of coffee has come as a serious financial blow to most farmers, progress is in evidence throughout the district, changing not only the appearance of the land but the outlook of those engaged in its cultivation.

*Communications.*—Transport is still the main obstacle to be overcome, and in this connexion it should be noted that no other settled district in the Colony has such an extensive and expensive road transport to burden their production. During his recent tour, His Excellency the Governor interested himself in our transport problem, and it is hoped that some measure of relief will be granted to the district during 1938.

*Labour.*—Owing to a serious outbreak of malaria in the Lumbwa and South Kavirondo districts and to the encouragement given to the Luo to grow cotton in the Kisumu-Sondu area, labour has been more difficult to obtain than it has been for many years past. The malaria outbreak was aggravated by the fact that so little hospital accommodation exists and that no effective steps were taken to provide and administer quinine. As regards the cotton, the native will no doubt realize, when he comes to dispose of his crop, that a fixed wage is more remunerative than doubtful private enterprises.

*Live Stock and Dairying.*—Apart from an outbreak of foot-and-mouth disease which caused the loss of sixteen head of stock on one farm, the live stock industry has made steady progress. The experiment with pure-bred and high-grade stock has proved successful; and the owner of this herd is confident

that he has found in this branch of farming one that he can recommend with confidence to other farmers in the district. Unfortunately, very few can command the necessary means to purchase the equipment and stock required to set up in the same manner, and most people will have to be content with the slower process of grading up their native herds. The Co-operative Society are fencing on a large scale with Mauritius thorn, which grows well, even on the hill lands, and makes a cheap and effective natural fence. Experiments are also being made with sheep, which should do well on the hill pastures.

**Coffee.**—Among the farms in which the Bank is interested there has been a reduction of 130 acres of coffee during the year. This is 50 per cent of the planted area. It is probable that further reductions will be made, but generally the remaining plantations are grown under suitable conditions and, subject to some hope of an improvement in market conditions, they will be retained. On most farms good crops have been reaped this year, and as a result of the scrapping of unproductive areas the average yield has nearly doubled, and some planters have obtained yields of six cwt. and over.

**Grenadilla.**—The early experiments with this crop have proved that the vines will grow easily and, given good cultural conditions, will bear good crops of fruit. The Sotik preparation has created its own particular market and is much in demand by the local and export trade. Farmers here are confident that, provided present prices are maintained, the growing of grenadilla will ultimately lead to their economic recovery. On the farms in which the Bank is interested 220 acres have been planted during 1937.

**Geranium.**—Good reports have been obtained regarding the geranium oils produced. There are two stills being built.

**Ramie.**—The possibilities of this crop appear to have been over-estimated by those responsible for its introduction. Plantations have been completely abandoned, as it has been found that ramie fibre cannot be economically produced until some satisfactory decorticator is invented.

**Tobacco.**—Experiments with high nicotine content tobacco indicate that the growing of this crop will prove a remunerative branch of mixed farming.

**Pyrethrum.**—Although it is generally believed that the heavy weed growth and the relatively small yields obtained in this district will make it economically impossible to grow

pyrethrum for export, several farmers are persevering with it, as they can grow it profitably for their own use and that of other local people on their coffee plantations. But if prices remain at their present level, pyrethrum may become an exportable product.

**Personnel.**—During the year under review, two farms have been abandoned, the occupants having left the country to obtain employment elsewhere. The remainder are carrying on confidently, hoping that their various new enterprises, particularly dairies and grenadilla, will enable them to recover from the losses which most farmers have had to incur. The depression in coffee crops is causing unwelcome financial losses, but notwithstanding that there is a healthy opinion that next year or two will see the district enjoying the prosperity which many years ago attracted them to settle in it.

#### 8—THIKA, MAKUYU AND ITHANGA

By CAPT. F. L. LINDSAY

Except for the present slump in coffee prices, the year 1937 has been a fairly good one for the majority of planters.

The rainfall has been well over average, but the months of July, August and September being completely dry ones the quality of the crop has been adversely affected.

Pests and diseases have not been so prevalent as formerly. Mealy bug and Antestia were active only over small areas.

Labour has been exceedingly difficult to obtain since the middle of the year, especially male labour, and a certain percentage of this year's crop must have been lost. This shortage of labour cannot be put down to low wages, as estates who were in the happy position of being able to pay well were also unable to obtain their requirements.

I consider that the present outlook for the coffee industry is extremely serious, as most estates have now cut down their expenditure to the minimum, and no further economy is possible without detriment to the coffee. It has been impossible to build up cash reserves, and with the present fall in prices only a few estates will be able to make ends meet.

#### 9—TRANS NZOIA

By F. L. MEGSON

1937 proved to be a good year for most Trans Nzoia farmers, as their principal crop, maize, though not as large as that of the previous year, realized a much more satisfactory

price. Undoubtedly many farmers made a profit on their 1936 maize crop (harvested in 1937). The 1937 crop now being marketed is a good one, and it seems reasonably sure that the price will be satisfactory also, so many farmers must be congratulating themselves that they were not panicked out of maize during the depression, when so much was talked of this being an uneconomic crop for Kenya.

*Wheat.*—The vintage marketed in 1937 was a record for the Trans Nzoia, about 15,000 bags. As the price was good, this is a sign of an improved state of affairs in the district. It is probable that the 1937 crop, now being marketed, will be a smaller one, there being more land under maize again.

*Coffee.*—The crop marketed in 1937 was a smaller one than that of the previous year. As most Trans Nzoia farmers grow coffee in conjunction with other crops, such as maize, wheat, etc., the fall in coffee prices does not affect the district adversely to such an extent as might otherwise be the case. The 1937-38 crop appears to be a heavy one, which makes the fall in prices the more unfortunate to those solely engaged in coffee planting.

*Pyrethrum.*—There are a number of farms on the Mount Elgon slopes where pyrethrum is being grown successfully, and production is increasing.

*Sunflowers.*—Sunflowers are being increasingly produced, usually on lands which require a change from maize, or on lands which for some reason or other the farmer has been unable to prepare in time for maize. The crop does very well in the district, and though the market price fluctuates considerably with each consignment sent home, it is becoming an important one and is not unremunerative.

*Passion Fruit.*—A number of farmers are trying out this new industry, but it is too early yet to write about it from the economic aspect. It seems certain, however, that the Trans Nzoia is well suited for the production of this fruit, and it is to be hoped that it will prove to be a paying alternative crop to those of maize, wheat, sunflowers, etc.

*Cattle.*—There are few actual cattle on dairy farms in the Trans Nzoia, but increasing numbers of farmers are working up small herds and the production of butterfat is on the increase. In part of the Cherangani area several farms are in process of turning over to dairying as the main or sole activity. The

establishment of a creamery at Kitale would be a great encouragement to this industry, and undoubtedly this will come in due course.

*Labour.*—Although in some parts of the district there is an undoubted shortage of labour, on the whole I think it is evident that, whilst most farmers could well do with more labour than they are able to obtain at harvest time, the shortage is not extreme, and I think the position has improved during the year. From all sides, however, one hears complaints as to the attitude of the native labour towards his work and his employer. It appears that the natives generally are more difficult to handle and are less disciplined than formerly, and that whilst wages are increasing less work can be exacted. The system of task work is in fairly general use throughout the district, and it is common, I find, for the tasks to be finished between 11 and 11.30 a.m. Presuming the boys start work at 6 a.m., the working day is between five and five and a half hours' duration. Thus the Kenyan African worker is far ahead of his European brother worker in this respect already. As the farmers are paying more, and are less exacting in regard to work than formerly, the unsatisfactory state of affairs in regard to labour generally cannot, I think, be altogether the fault of the farmers. They could help matters forward considerably by co-operating to the extent of fixing a scale for wages and tasks.

*Erosion.*—The Trans Nzoia farmers are very much alive to the seriousness of this problem, and on many farms anti-erosion measures of one kind or another are in use. What is, I believe, the first contracting broad-base terracing unit in the Colony is now operating in the district, and is booked up for over a year ahead. This terracing company charges £7 per mile of standard broad-base terrace, which price includes the survey work. The Agricultural Department has arranged with Messrs. Gailey & Roberts Ltd., working in conjunction with the local terracing company, to carry out some costing trials. These are now proceeding with a much larger and more powerful unit than the terracing company is using, and the object of the trials is to find out whether, with a more powerful tractor and a larger blade on the grader, terracing cannot be done by contract more cheaply than at present, so that more farmers may be able to afford to terrace their lands.

*Conclusion.*—It seems certain that 1938 will prove to be another year of progress for the Trans Nzoia in that the price of maize remains firm and the 1937 crop, which will benefit by this price, is a good one. By the reduction in indebtedness

consequent upon the good prices in 1937, by improved farming methods, economies, and the effort to build up a cattle industry and thus get into more mixed farming, the Trans Nzoia farmer is surely strengthening his position and can, provided no major disaster overtakes him, look forward to the future with more confidence than heretofore.

#### 10—UASIN GISHU

BY MAJOR J. B. F. ADAMS

*Rainfall.*—From the following table it will be seen that 1937 was quite an abnormal year. Rainfall measured at District-Commissioner's Office, Eldoret:—

	Average over 22 years.		Above		Below	
	1915-36.	1937.	Average.	Average.	Average.	Average.
January	0.68	0.41	—	—	0.27	—
February	1.81	0.69	—	—	1.12	—
March	2.82	3.77	0.95	—	—	—
April	5.06	9.21	4.15	—	—	—
May	5.58	8.13	—	2.55	—	0.45
June	4.33	6.39	2.06	—	—	—
July	6.40	8.78	2.38	—	—	—
August	6.47	8.84	0.37	—	—	—
September	3.46	0.14	—	—	3.32	—
October	1.76	1.85	0.09	—	—	—
November	1.78	5.87	4.09	—	—	—
December	0.89	—	—	—	0.89	—
Total	41.04	49.08	—	—	—	—

*Wheat.*—This is the largest wheat-producing district in the Colony. For this crop ploughing and subsequent cultivation normally takes place in January to April; seeding in May to July, according to variety and altitude, and harvesting in November to early January. From the above table it will be seen that proper preparation of the land in April, with a total of 9.21 in. rainfall (4.15 in. above the average), was very unsatisfactory if not impossible.

— Since the days of locust visitations, the seeding of four months' wheats has been more popular, as against the old-time popular six-months' Equator. The seeding of four months' varieties takes place in July. This year, with a total rainfall in that month of 8.78 in., or 2.28 in. above the average, seeding could not be carried out properly, the land being far too wet.

On 10th September, without any warning, the rain simply vanished.

In November, instead of the usual 1.78 in., we had 5.87 in., or 4.09 in. above the average of 22 years. I reported to

you specially on 22nd November that three inches had fallen over the week-end and that losses might be serious.

The harvest of early wheat and oats was in full swing, and losses of about 20 per cent. were sustained.

I am not quoting these figures as a climatic phenomenon only, but because, combined with the failure of anyone to produce satisfactory rust-resistant wheats, it has, in my opinion, done more than anything to determine most cereal farmers to decrease their cereal acreages and to increase their devotion to dairying, sheep and other live stock.

In my 1936 report I stated: "Although only a few herds have been started on a big scale during the year, almost every farmer is going into the question or has made a small start with dairy cattle, pigs, poultry, etc."

This year's experience has settled the matter and, largely with Land Bank assistance, a large majority of farmers are now aiming at the example, quoted in my 1936 report, resulting in the monthly cheque from "side-lines" paying the running costs of the farm and leaving the proceeds of the main crop, wheat, oats, maize, coffee, etc., to meet loan interest and for capital expenditure, purchase of cattle, development, etc.

Although I am certain there will be a substantial reduction in the acreage of wheat seeded next year, there is no reason why the net total yield should show a decrease, as by running cattle in conjunction with the farming of cereals the quality of the crops produced should more than balance the decrease in quantity of acreage.

The shortage of native labour and the rise in price of implements and spares have also influenced farmers to decrease their cultivated acreage, and the late November rains have ensured good grazing right through the usual dry spell for the stockmen.

Many wheat farmers have abandoned harvesting with the header harvester and reaper thresher and the subsequent burning of the straw, as practised in Canada and Australia, where there is insufficient water and grass for dairying, and have reverted to the reaper and binder, as they realize their wheat and maize fields must have humus, which they can apply in the form of compost made from their maize stalks, wheat and oat straw, and their cattle manure.

*Maize.*—On the average the season has been a good one for this hardy annual, and farmers are increasing their yields

by better attention to seed selection, though the wet November spoilt a considerable quantity being harvested or lying on the ground.

*Pyrethrum*.—This is another popular crop that brings in the monthly cheque, but it does not grow successfully at under 7,000 feet and requires a lot of labour.

*Grenadilla*.—This crop is still rather in the experimental stage, but an increasing number of farmers are planting up acreages of ten acres or so, and closely watching the few large estates that have over 100 acres. It requires a considerable initial outlay in material for trellises, and the rise in the price of wire has delayed planting up. Depredations by both natives and monkeys, who are both very fond of the fruit long before it is ripe, are also a serious menace.

Some farmers who have growing wattle plantations are using their "thinnings" for the erection of their trellises, without using any wire, and nails are the only material they need to purchase.

*Wattle*.—A few farmers are planting up large rotation acreages, and the majority of wheat and maize farmers are planting small acreages as a renovation crop on old worn-out lands.

*Coffee*.—I am rather ignoring this crop in my report, as in this district, with the exception of a few farms with pockets of real coffee soil, and with to-day's prices, this plantation crop, entailing heavy monthly expenditure for labour, etc., and with a return at the end of the year only, cannot really be considered an asset on many farms much better suited to mixed farming. Large reductions in acreages may be expected.

*Erosion*.—Anti-erosion terracing operations are on the increase in the hilly localities, but as the majority of the land in the district is very flat, damage from erosion is not serious.

*Labour*.—There has definitely been a shortage throughout the district, especially in the Kipkarren area nearest the gold mines, and at present coffee farmers have less than half their normal requirements for coffee picking.

The large gangs of native labour employed on sisal estates and also by the District Council on road maintenance, both at much higher wages than paid by the farmer, make it more difficult for the latter to obtain casual labour. Squatter labour is probably the worst and relatively the most expensive

in the world. It is only available at all on account of the better grazing on alienated land than in the reserves; few of the men want to work and all they want is grazing for as many head of stock as they can get and sufficient money to pay their poll tax. Residential labour minus stock is the thing to be aimed at, and this will come in time, as in South Africa.

*Applications*.—Thirty long term and eleven short term applications have been approved during the year. Nine applications have been rejected, and six loans have been repaid in full.

With a very few exceptions, Land Bank funds have been made good and proper use of and benefited both farmers and through them the commercial community.

*Agricultural Advances*.—No further advances were sanctioned for 1937.

*Farmers Assistance Ordinance, 1936*.—The second meeting of the Local Committee was held on 8th January, 1937, and six meetings were held during the year. Six applications were dealt with and recommended, of which two were approved by the Farmers Conciliation Board.

## APPENDIX No. 3

TABLE 1.—APPLICATIONS RECEIVED

1937	LONG TERM LOANS <sup>5</sup>		SHORT TERM LOANS	
	Number of Applications Received	Amount	Number of Applications Received	Amount
		£		£
January	13	19,030	8	1,790
February	11	15,900	6	1,605
March	9	14,150	2	800
April	11	14,295	12	3,240
May	9	9,850	2	1,000
June	10	6,475	4	1,000
July	6	5,970	3	540
August	11	13,320	1	250
September	6	5,350	7	1,810
October	9	13,161	4	1,700
November	23	21,852	4	1,400
December	14	17,926	7	1,910
TOTALS	132	£157,279	60	£17,635

TABLE 2.—APPLICATIONS RECEIVED—AMOUNTS APPLIED FOR DURING 1937

FOR LOANS OF:	No.	Amount
£1-£500 .. .. .	44	
£501-£1,000 .. . .	34	
£1,001-£1,500 .. . .	22	
£1,501-£2,000 .. . .	8	
£2,001-£2,500 .. . .	5	
£2,501-£3,000 .. . .	12	
£3,001-£3,500 .. . .	2	
£3,501-£4,000 .. . .	1	
£4,001-£4,500 .. . .	1	
£4,501-£5,000 .. . .	3	

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TABLE 3.—ANALYSIS OF APPLICATIONS DEALT WITH DURING THE YEAR 1937

No.	Amount		No.	Amount
36	£ 53,830	Brought Forward from 1936.		£
132	157,279	APPLICATIONS RECEIVED IN 1937		
		Considered by Board	144	180,508
		Withdrawn Before Consideration	7	10,550
		Awaiting Valuation, etc.	17	19,951
168	£211,109		168	£211,109
144	180,508	CONSIDERED BY BOARD.		
3	34,000	Awaiting Completion, 1936.		
		Granted and Completed	91	123,190
		Granted		
		Awaiting Completion	27	29,219
		Declined by Applicants.	14	15,940
		Rejected	40	66,219
172	£234,568		172	£234,568

TABLE NO. 4.—ANALYSIS OF APPLICATIONS FOR SHORT TERM LOANS DEALT WITH DURING THE YEAR 1937

No.	Amount		No.	Amount
1	£ 150	Brought Forward from 1936.		£
60	17,655	APPLICATIONS RECEIVED IN 1937		
		Considered by Board	53	15,895
		Withdrawn Before Consideration	2	300
		Awaiting Valuation etc.	6	1,610
61	17,805		61	17,805
53	15,895	CONSIDERED BY BOARD.		
4	1,200	Awaiting completion from 1936.		
		Granted and Completed	36	9,198
		Granted, Awaiting Completion	4	1,100
		Declined by Applicants	3	700
		Rejected	14	6,097
57	£17,095		57	£17,095





TABLE No. 7—ANALYSIS OF ACCOUNTS IN DISTRICTS

DISTRICT	LOAN ACCOUNTS		CURRENT ACCOUNTS	
	Principal not yet due at 31-12-1937		Outstanding as at 31-12-1937	
	No. of Accounts	Amount £	No. of Principal Accounts	Interest £
Mad. Naivasha, etc.	27	24,632	11	
Kisumu and Limuru	20	29,388	11	
Kisumu .....	21	11,826	15	831 611
Laikipia and Lumbwa	4	1,733		42 93
Makuyu and Mitubiri	27	30,706	13	984 1,179
Molo and Mau	12	9,552	1	20 75
Nairobi, Machakos, etc.	18	22,628	6	756 936
Nakuru, Njoro, etc.	68	65,290	26	1,325 1,627
Nanyuki and Taita	12	7,562	2	30 58
Nyeri and Naru Moru	14	18,326	2	472 122
Songhor, etc.	38	38,281	27	1,573 2,424
Sotik and Kericho	29	28,315	22	2,448 3,766
Thika and Ruiru	56	100,594	28	2,401 2,891
Thomson's Falls, etc.	23	24,486	14	916 1,516
Trans Nzoia	126	116,775	75	3,153 6,161
Uasin Gishu	116	100,477	41	1,352 3,487
	601	630,665	296	17,303 26,634

THE LAND AND AGRICULTURAL BANK OF KENYA  
REVENUE AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1937

Corresponding 31-12-1937	Expenditure		Revenue	
	£	s. d.	£	s. d.
21,670 19 96	To Interest on Capital Ad- vanced .....	559 19 96	Salaries and Wages .....	9,100 3 74
2,954 13 46	.. Bankers' Fees .....	547 19 96	.. .. .. .. ..	422 0 40
365 15 00	.. Salaries and Wages .....	2,785 18 68	.. .. .. .. ..	124 10 00
83 56 00	.. Travelling Expenses .....	202 4 00	.. .. .. .. ..	171 07 80
88 16 12	.. Printing and Stationery .....	30 7 51	.. .. .. .. ..	
159 13 40	.. Rent, Rates and Taxes .....	310 2 04	.. .. .. .. ..	
304 6 94	.. Depreciation .....	40 6 76	.. .. .. .. ..	
69 19 92	.. Staff Amenity Fund .....	20 12 32	.. .. .. .. ..	
27 5 90	.. General Expenses .....	60 0 00	.. .. .. .. ..	
9 00	Bad Debt Written off .....	81 0 30	.. .. .. .. ..	
10 35	Balance Being Excess of Revenue over Expenditure for the Year	10,235 8 30	.. .. .. .. ..	
22,688 12 65		43,430 14 76	43,169 14 75	

Examined:  
A. C. HANDS,  
Auditor.S. THORNTON,  
Secretary.G. BENSFORD STOOKE  
Chairman  
S. P. GILL, A.C.A.Members  
of the  
Audit  
Board

THE LAND AND AGRICULTURAL BANK OF KENYA  
BALANCE SHEET AS AT 31st DECEMBER, 1937

ASSETS		LIABILITIES	
£	s. d.	£	s. d.
Corresponding Bank Balances at 31.12.1937	24,697 11 70	Cash as Voted	750,000 0 0
Loans	20,511 5 52	Cash Allocated to Farmers	30,000 0 0
Land	4,186 5 58	Conciliation Board	750,000 0 0
Buildings	24,697 11 70	Cash Received	670,000 0 0
Furniture	50 9 00	Sundry Deposits	54 4 00
Motor Cars	385 5 70	Valuations Fees	30 17 00
Less Depreciation	48 6 70	Valuations Expenses	73 2 00
Minor Cans	5 8 00	Valuations Advances	3 10 00
Post Office	53 14 00	Land Grants Received in Advances	612 11 68
At National Bank of India	287 7 72	Sundry Advances	981 6 46
In Hand	6 17 61	Portion of Loans Unissued	1,765 2 61
	284 5 33	Sundry Creditors	673 10 00
	£ 704,428 18 39	Balance at 31st December, 1937	117 3 15
		Add: Balance in Credit of Revenue and Expenditure Account for Year to Date	31,870 18 63
			£ 479,428 18 39
			£ 479,428 18 39

Examined: A. C. HANDS, Auditor.  
S. THORNTON, Secretary.  
D. STOOKE, Chairman.  
E. GILL, A.C.A., Members of the Board.

APPENDIX No. 4

PRECIS OF REPORT BY THE BOARD OF THE LAND AND AGRICULTURAL BANK OF KENYA ACTING AS AGENTS FOR GOVERNMENT IN THE ADMINISTRATION OF THE AGRICULTURAL ADVANCES SCHEME FOR THE PERIOD 1st JANUARY TO 31st DECEMBER, 1937

DEFINITION OF CLASSES

I. As hitherto, accounts are classified under various headings, which are defined as under:—

*Class A.II.*—Farmers who may be expected to pay advances in full if assistance continued.

*Class A.IV.*—Doubtful cases, where results have been disappointing, which, however, show prospects of recovery in time, but where the farmer will certainly go under if not assisted further.

*Class A.V.*—Cases governed by special considerations, where the commitment to the Board is large and where recovery depends on production being maintained.

*Class A.VI.*—Cases formerly included in B.II who had made arrangements with merchant houses for finance, the sudden cessation of which at the end of 1935 necessitated the resumption of advances by the Board.

*Class B.I.*—Cases where repayment will be made in full during the coming year without further advances.

*Class B.II.*—Cases where arrangements have been or will be made with merchant houses to finance future operations on terms satisfactory to the Board.

*Class B.III.*—Cases where no further advances are required or recommended, but in which time should be given for repayment, with a reasonable hope of eventual recovery.

*Class B.IV.*—Cases where results have been disappointing and where no further advances would be justified, but where time should be given to the farmer to make other arrangements if he can, in the bare hope that the Board may recover more than if they took immediate action.

*Class B.V.*—Definitely bad cases, where the Board recommends realization when a favourable opportunity occurs.

## ADVANCES IN 1937

2. The recommendations made by the Board in their Report for 1937 were approved by the Secretary of State as follows:—

Advances to 12 cases (A.II, A.IV, A.V, and A.VI) ..	£7,401
Administration expenses ..	1,000
Against unforeseen emergencies ..	3,000

The total authorized expenditure was therefore .. £11,401

3. Of the amount of £7,401 sanctioned to 12 cases £7,090 was eventually credited to participants' Adv. Account.

4. Of the advances authorized above (£7,090), £4,775-6-3 was issued to participants during the year, leaving an undrawn balance of £2,314-13-6d.

5. Of the £3,000 authorized for unforeseen emergencies £603-19-39 was issued under the Board's authority.

## ANALYSIS OF ACCOUNTS

6. On 1st January, 1937, there were 53 names on the books of the Advances Board, classified as under:—

	No. of Accounts.
Class A.II .. .. .	5
Class A.IV .. .. .	2
Class A.V .. .. .	2
Class A.VI .. .. .	5
Class B.I .. .. .	5
Class B.II .. .. .	19
Class B.III .. .. .	13
Class B.IV .. .. .	—
	53

7. Of these, ten cases (Classes A.II, A.IV, A.V, and A.VI) received assistance from the Board in 1937. From 1st January to 31st December, 1937, advances made to these ten participants amounted to £4,775-6-36. (Note.—This figure does not include amounts paid from the sum authorized for unforeseen emergencies.)

## REPAYMENTS

8. During the period under review, repayments by all classes amounted to:—

Principal .. .. .	£6,717	19	26
Interest .. .. .	3,850	6	06

Total .. £10,568 5 32

9. This amount was collected from the following classes:—

SUMMARY OF ADVANCES AND RECOVERIES,  
1st JANUARY to 31st DECEMBER, 1937

ADVANCES		RECOVERIES		
Jan.-Dec. 1937	Class	Principal	Interest	Total
£ s. d.		£ s. d.	£ s. d.	£ s. d.
1,709 10 60	A.II ..	2,005 19 13	272 5 37	2,278 4 50
682 8 63	A.IV ..	501 10 53	191 2 10	692 12 63
900 0 00	A.V ..	988 1 56	350 3 61	1,338 8 17
1,488 7 13	A.VI ..	429 2 74	419 12 4	848 14 78
—	B.I ..	—	4 06	4 06
—	B.II ..	81 3 06	816 16 94	898 0 00
—	B.III ..	1,926 5 05	1,060 7 63	2,986 12 68
—	B.IV ..	785 13 13	209 15 37	1,495 8 50
4,775 6 36	—	6,717 19 26	3,850 6 06	10,568 5 32

10. The following table affords a comparison of the position as at 1st January and 31st December, 1937:—

DATE	No. of Accounts	AMOUNTS OWING		
		Principal	Interest	Total
		£	£	£
1-1-37 ..	53	84,085	11,250	95,335
31-12-37 ..	48	77,284	11,282	88,566

11. The reduction in the number of accounts is accounted for as under:—

- 3 Accounts repaid in full.
- 4 Accounts written off as bad debts.

## EXPENSES

12. For the year 1937 administration expenses were £911 compared with £920 for the twelve months ending 31st December, 1936.

## COLLECTIONS

13. During the year 1937 interest collections from participants amounted to £3,650 and £34,18-0-0 was earned on

the Bank's account with the National Bank of India Ltd. Recoveries in respect of bad debts previously written off amounted to £19. The gross revenue therefore amounted to £3,904-12-33, and after deducting administration expenses, £911, the net revenue of £2,993-6-33 was paid to the Treasury.

#### PRESENT CASH POSITION

14. The balance at the National Bank of India Ltd. on 31st December, 1937, was £5,279-10-81.

15. Since 1st January, 1937, three participants have repaid advances and interest in full, amounting to:—

Principal	£518
Interest	30
Total	£548

#### BAD DEBTS

16. Since 1st January, 1937, four debts have become bad through foreclosure by mortgagees. The amounts to be written off are:—

Principal	£4,327
Interest	66
Total	£4,995

#### AGENCY STATEMENT

17. An audited copy of the Central Agricultural Advances Board Account for the year is attached hereto.

18. With a view to facilitating the final winding up of the Advances Scheme, the Board during the year made representations to Government that interest charges on all advances should cease as from 1st January, 1938. These recommendations received the sympathetic support of Government and the Board are gratified to be able to record that the Secretary of State has intimated his approval of the proposal. The Board anticipates that the chief effect of this measure will be to restore hope in a number of cases where the progressively increasing interest item threatens to assume such proportions as to render the outlook, in the eyes of the participant, not worth fighting against.

An amended Ordinance, giving effect to the above, will be introduced into Legislative Council in due course.

#### RECOMMENDATIONS

19. In their preliminary report the Board recommended that authority be given as under:—

(a) To make advances in 1938 to nine cases in Classes A.II, A.V, and A.VI to the extent of £4,953.

(b) To incur necessary cost of administration not exceeding £800 in 1938.

(c) To write off bad debts amounting to:—

Principal	£4,326	15	13
Interest	666	9	28
Total	£4,993	4	41

20. The Board further recommended that a sum of £1,000 be placed to their order against unforeseen emergencies.

21. The Board are grateful to be able to record that the Secretary of State has telegraphed his approval of these recommendations.

#### BAD DEBTS

22. Since the date of the Board's recommendations referred to in paragraph 19 (c) above, circumstances have arisen which render it probable that the amount to be written off in one case will not be so large as was anticipated. It is proposed therefore to postpone the write-off in this case until the exact amount of the loss has been ascertained. The bad debts which will be written off as at 31st December, 1937, will therefore be three in number and the amount reduced to:—

Principal	£3,946	14	48
Interest	574	14	67
Total	£4,521	9	15

THE CENTRAL AGRICULTURAL ADVANCES BOARD  
BALANCE SHEET AS AT 31st DECEMBER, 1937

LIABILITIES		ASSETS	
	£	s.	d.
Treasury Balance as at 31-12-36	90,463	9	61
Less Bad Debts Written off	3,946	14	48
Interest Earned	15,872	18	45
Loss Received	3,885	4	06
Sundry Creditors:			
Deposits	92	18	55
Land Office	1	10	00
	£	98,508	18 07
		94	8 55
Cash at National Bank of India, Ltd.	£	88,919	7 54
		9,279	10 34
		88,919	18 37

REVENUE AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1937

EXPENDITURE	£	s.	d.
To Administration Expenses	911	6	00
Balance being Excess of Revenue over Expenditure for Year	2,993	6	33
	£	3,904	12 33

REVENUE	£	s.	d.
By Interest on Advances	2,300	0	00
Bank Interest	36	14	00
Bad Debt Recoveries	557	10	00
	£	2,993	12 03

CENTRAL AGRICULTURAL ADVANCES BOARD  
CASH ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1937

RECEIPTS	£	s.	d.	PAYMENTS	£	s.	d.
To Cash at Bank, 31-12-36	3,847	18	76	By Advances Made	2,500	0	00
Repayments of Principal	6,717	19	20	Commitments	6,717	9	36
Interest on Advances	3,839	6	70	Contingencies	4,076	0	00
Bank Interest	34	18	00	Treasury - Balance	990	0	00
Bad Debt Recovery	19	8	27	Expenses	910	18	00
Deposits	209	3	70	Administration Expenses	910	18	00
				Cash and Advances	6	10	00
				Sundry Deposits	976	4	47
				" Withdrawal from Deposits	5,273	19	31
				" Cash at Bank, 31st December, 1937	14,297	13	36
					3,994	9	23
					972	5	00
					276	4	47
					5,273	19	31
					14,297	13	36

Examined:  
A. C. HANDS,  
Auditor.

S. THORNTON,  
Secretary

G. BRADFORD STOOKE,  
Chairman  
of the  
E. B. GILL, A.O.S.,  
Secretary

FARMERS' CONSOLIDATION BOARD  
BALANCE SHEET AS AT 31st DECEMBER, 1937

LIABILITIES		ASSETS	
Treasury—Cash Advances	£ 168 8 31	Principal	£ 5,277 14 10
Interest Earned	102 9 04	Steady Debtors	5,327 18 27
Less Received	.. .. .	Balance being Excess of Expenditure over Revenue	5,327 18 27
Bank Overdraft	.. .. .		£ 6,200 18 44
	£ 6,000 0 00		£ 6,200 18 44

REVENUE AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31st DECEMBER, 1937

EXPENDITURE		REVENUE	
To Salaries	£ 740 4 00	By Interest on Advances	£ 97 0 04
Supervision	176 4 00	Bank Interest	5 9 00
Traveling Allowances	123 10 75	Balance forward	933 9 07
Printing and Stationery	10 16 08	Revenue over	1,065 9 11
Interest Paid	2 18 83		
General Expenses	15 00		
	£ 1,035 9 11		£ 1,065 9 11

CASH ACCOUNT FOR THE PERIOD ENDED 31st DECEMBER, 1937

Receipts		Payments	
To Cash from Treasury	£ 6,000 0 00	Authorized	£ 7,007 9 54
Repayments of Principal	1,735 10 44	By Advances Made	6,943 15 45
Interest on Advances	97 0 04	Administrative Expenses per Revenue and	1,055 9 11
Bank Interest	5 9 00	Expansures Account	
Bank Balance 31-12-37	224 19 17		
	£ 8,062 18 65		£ 8,062 18 65

Examined:  
A. C. HANDS,  
Auditor.

S. THORNTON,  
Secretary.

G. BERE-FORD STOOKE,  
Chairman.  
E. B. GILL, A.C.A.,  
Members of the Board.