

1930

38171

CO 533/468
KENYA

38171

Maize Industry.

Previous	R. 297	21/7		
	R. 309	4/6		
	Mulashin	5/8		
	M. Claver	5/8		
1935				
Subsequent	M. Dastin	6/8		
	297			
	See exhibit!			
	M. Claver	15/5		
	S. C. Campbell	16/5		
	S. C. Botterby	16.		
	R. 309	22		
	M. Hood	22		
	S. C. Botterby	22.		
	R. 309	-		
	297	4/6		
	R. 309	=		
	297	7/6		
	R. 309	12/6		
	R. 297	21/6		
	Mulashin	29		
	305	4/7		
	299	4/7		

C.I. Agrie. - 1. Note by Mr. Cheer on his visit to Kenya -
Maize Industry.

Mr. Cheer called & discussed maize for an hour & 20 minutes.

The burden of his story was that maize (Dry one was out of step but our (Brazil) maize) was an economic crop in certain areas of Kenya, but that the world price of maize ~~was~~ was uneconomic, because the Argentine subsidized exports. He therefore wanted the B. of T. in their negotiations with the Argentine to abolish the subsidy.

We explained that this was quite impossible & that the U.K. was not injured by getting maize from the Argentine at a lower cost price.

The life ~~the~~ attached ~~of~~, which may be partly
G. L. H. Pearson

13/5

Yes, his idea is the old one that - Kenyan interests are important enough to induce this country to alter its arrangements even in big matters like Trade agreements with Argentina - I had to say I did not think this was the case and that a proposal which would upset maize here in order to help a few (admittedly by no means all) Kenya maize growers would stand a chance. He was clear interesting and perceptive - a clever man and able to think
J. S. G. Flood

15.5.

He said we were too pessimistic over maize: as regards his question on the attached sheet it might be as well to put them to the B. of T. privately. Some perhaps. There is printed info available covering most of the ground, but the questions lead to ~~more~~ little practical conclusion.

G. L. H. Pearson
18/5

C.I. Agric.

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G. L. H. Pearson
15/5

I agree. I am in no sense an expert as regards maize; but it does seem to me, on the evidence available (and I have been looking into this matter for a long time now) that maize is not an economic crop for Kenya.
The 16-5-36.

16/5/36
his work, but there are some places where the yield should be good enough.

It would be a waste to help the Chees by getting the info he wants from B. H. I can say how much is available there.

16/5/36

I am afraid that our minutes have not been put in clear. I have even some were put primarily for the purpose of embarrassing, an undertaking in which I at any rate should be reluctant to cooperate. They really end nowhere, except to a suggestion (which we refused to associate ourselves with) but ^{we should} ask B. H. of I. to tell the Argentine Delegation in the course of the present (very difficult) trade discussions that if they did not put up the price of their maize we would put a duty on it as far as to ensure that consumers in this country should pay more for it in one way or another.

G. S. T. Langa
21/5

by agreement of authority on the way

The Flood

Mr. Hadden has collected a mass of information in reply to the Chees's questionnaire. But in view of Mr. Chees's mistake of the 21st day you will perhaps think it unnecessary to pursue the search.

C. Rossiter
27/5/36

See C. Bottomley

I think we might as well tell Mr. Chees that he will find most of the info he wants in the D.O.T. report & the B. of I. returns - giving him some of Mr. Hadden's views. Then he will be able to say we ignored his statement and practical suggestions. I don't want to be temperate with him, admittedly he tried to embarrass us, but ultimately he thinks (or pretends to) that Kenya is important enough to spend all the negotiating with Argentina in which we had been very distinct and lively - but he is entitled to be heard.

John Howard, the Board should be than been useful, done in another way, and I think we might go on from the flood aspects.

16/5/36

3 *So. S. is Chees (no memo) (3/0) = 2 JUN 1936*

1. Cheer.-----s/o----- 4th. June, 1936.
 AOKA.No.3 with thanks; comments on the competition
 in the maize industry from Argentine, and considers
 that Bill to regulate the internal price should be
 passed in Kenya.

✓ 90 cheer (4 lines) s/o - 28 JUN 1936
 DESTROYED UNDER STATUTE

- 1880/1/4
 6 I.E.C./D.R./G. 27 — 2/5/36
 7 I.E.C./D.R. G. 28 — 7/6/36

Reports on the Grain Trade in
 Argentina

Sent the Spanish copies to
 the Kenya Conf. of the
 Director on 15/2/36/36 Econ.

C.P. Wainwright
 29. 6. 36

J.P. O'Brien
 25/6
 at all

8 To Kenya Conf (4/6/36) A.I. 4 JUL 1936

26. Enr. WP 72 Conf. — 24 June, 1936
 Ref 5 on 1936 file; notes news expressed regarding
 subsidy to maize industry. No. memo on subject
 presented by deputation of the Kenya Farmers' Assn.
 (Co-operative) Ltd., & detail reply made to them.

The fact that the surplus of revenue over
 expenditure at the end of 1935 was in the region of
 £50,000 has no doubt influenced the Kenya Farmers'
 Association to put in this plea for an increase in
 the maize subsidy. It will be remembered that
 approval of the subsidy to the growers (amounting to
 £12,500) was given purely on political grounds. In
 spite of the arguments now adduced it is clear that the
 application for a further subsidy cannot be supported
 from an economic standpoint.

We have been at pains to point out that
 maize is not an economic crop in Kenya and it would
 seem that the recent Agricultural Indebtedness
 Committee shared that view when they agreed that the
 time had arrived when farmers growing maize or wheat
 alone should be encouraged or assisted to change over
 to mixed farming.

The Kenya Farmers' Association is no doubt
 delighted to be able to point out that our forecast in
 March last of the downward trend of maize prices was
 incorrect. Due to the influence of Argentine maize
 prices, East African maize is at present valued in
 London at 21/- to 22/- per quarter. But is this not
 an argument for not extending the subsidy?

The Farmers' Association's plea is that a
 subsidy limited to £12,500 will not achieve its
 object. But it is admitted that even if the subsidy
 is increased so as to secure a f.o.r. price to the
 producers of 4/75, the price would not cover the
 average

See No 3
 38/7/36
 See No 18
 38/2/36

average cost of production. They point out that the Argentine Govt. have found it necessary to increase their subsidy to maize growers and that, in fact, the policy of subsidising agricultural production in times of stress is world-wide. But surely in the case of Kenya maize the subsidy must be governed by the Colony's capacity to pay for it from general revenue. The additional subsidy required would amount to £25,000. I suggest that with the best will in the world the Kenya Govt., faced with additional expenditure on defence etc. could not find the sum.

C.P. Brown

4.8.36

They justify their request for a subsidy on the grounds (inter alia) that, having to sell their maize at below cost of production, they are in effect subsidising the consumers of maize (i.e. principally the other industries of the colony - coffee growing etc.) & that it would therefore not be unfair for these other industries to make some return by way of subsidy. The same argument would apply to whether the subsidy were provided from general revenues, or by

means of a scheme which would raise the price of locally consumed maize. This is a plausible argument and, if one grants (a) that there was some justification for the decision to grant a subsidy of £12,500; & (b) that circumstances had changed that that subsidy can not produce the effect aimed at, then does not seem to be any very logical reason why the amount of that subsidy should not be increased sufficiently to produce the effect originally contemplated (subject of course to the same proviso that it was a strictly exceptional measure to cover the extraordinary circumstances of the present situation).

The main case has been put before the committee & some kind of reply is required. I doubt whether it would be sufficient merely to say that the S. of J. is satisfied that a sum of £25,000 would be a fair amount to pay for the maize.

J.P. Brown
5/8

There is no hurry about this; both Mr. Flood & Sir John Langhille, who are closely concerned, will be on leave. WE always knew perfectly well that this was a matter of £12,500 was intended & stated to

* that £12,500 was not produce a fair price of 4.5.30.

our own industry whose only
project of salvation is to lim-
itself to the point at which it
has not yet to export maize.

The real answer, in my view, is
that the Govt felt that the maize
industry had had all the help
they desired & more, but that a
final decision might help them
to get themselves straighter,
but that the time had been
reached when it was necessary
to make clear that it was not
going to be the policy of the Govt
to subsidize industries which
cannot make two ends meet.

It is quite true that maize
prices have gone up, instead of
staying put. The reason is quite
simple, the Argentine bumper
crop has long been seriously
damaged by quite unusual
unseasonable rain, & the U.S.A.,
not having got the rain which
was left behind in the
Argentine at the end of the
had an unusually severe drought.
It is a bit of a task for the
rest of the world, but it is
no indication of the probable
course of prices in future years.
I wait for my Swift.

A. G. T. Casson
5/8/36

Allen

B.M. 1/9.

Alt

J. J. Casson
6/8
at me.

KENYA:

No. 72.

CONFIDENTIAL.



RECEIVED
20 JUL 1936
O. O. REGY

GOVERNMENT HOUSE,
NAIROBI,
KENYA.

34 June, 1936.

Sir,

5 in 1935
file

I have the honour to acknowledge the receipt of your predecessor's despatch No. 8 of the 4th January, regarding the subsidy granted to the maize industry with the object of securing to the growers an export price of Shs. 4/60 per bag for maize delivered free on rail. The subsidy or guarantee is limited to a maximum of £12,500.

2. I have noted the views expressed in Mr. Thomas's despatch that such assistance can only be justified on the understanding that it is temporary assistance designed to enable the recipients to extricate themselves from an untenable position; that the price of maize is likely to remain at a low level; and that, if the fears expressed as to the future of the maize market are justified, it is clear that, except in the highly improbable event of costs of production being reduced, maize in Kenya cannot be produced for export except at a loss.

3. On the 12th June the Governor granted an interview to a deputation representing the Kenya Farmers' Association (Co-operative) Limited, when the deputation presented to him a memorandum a copy of which is enclosed. The effect of the

memorandum

Memo d/ 8.6.1936.

THE RIGHT HONOURABLE
W. GROMBY-GORE, P.O., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWLING STREET,
LONDON S.W.1.

dup. reg'd in 15009/736 (ref. part 6)

6

memorandum is to request that the maximum amount of £12,500 should be increased by a sum estimated at £25,000 to secure to the growers an export price of Shs.4/75 per bag free on rail, in view of the fact that the actual pay-out on export maize to which the present guarantee applies is likely to be only a few cents in excess of the rate of Shs.3/50 per bag, even after taking into consideration the amount contributed by Government under the guarantee, instead of Shs.4/50 per bag as contemplated when the subsidy was granted.

4. The Governor informed the deputation that he was unable to support the application for an increase in the subsidy beyond the figure of £12,500. He explained that the Resolution passed in the Legislative Council on the 30th December relating to the guarantee categorically limited the assistance to £12,500, which all concerned had considered at the time to be a maximum figure, and that it had been recognized that this guarantee was to be the last assistance of this sort to be given to the maize industry, farmers in distress being able henceforth to apply for assistance under the Farmers' Assistance Ordinance, 1953. There had been opposition to the subsidy of £12,500, and any proposal to increase this amount would be opposed locally. The Governor added that in his opinion, in view of your predecessor's Confidential despatch of the 7th March, of the contents of which the deputation had been made aware confidentially, you would certainly not agree to it.

5. The deputation requested Sir Joseph Byrne to forward a copy of the memorandum to you for consideration, and he agreed to do so.

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E.C.

6. With reference to your predecessor's telegram No.130 of the 26th May, stating that considerable objection is seen to the draft of the Maize Control Bill published in the Gazette of the 24th March, I would explain that local criticisms of the Bill are at present under consideration by the Maize Enquiry Committee, from whom the proposals emanated, and that, when a further report from the Committee is received, a despatch will be addressed to you on the matter.

I have the honour to be,

Sir,

Your most obedient, humble servant,

John Wood

GOVERNOR'S DEPUTY.

NAKURU.

6th June, 1930.

MAIZE SUBSIDY.

Your Excellency,

1. We would like to express our appreciation of your consenting to receive this deputation from the maize industry, fully realising the difficulties with which you are faced and the obstacles you will have to surmount in granting the request we are about to make.
2. Under desperate circumstances the individual instincts to survive at any cost, though selfish in themselves are generally accepted as natural. However, it would be quite untrue to attribute entirely selfish motives to the case we are submitting. A full knowledge of the facts; a real and genuine belief in the economic soundness of the future of the maize industry and the conviction of its absolute necessity to the sound development of Kenya are the dominating factors which, in our opinion, justify the submitting of this memorandum in the hope that it will, after due consideration, meet with your approval.
3. I may briefly review some of the facts relevant to the present position. It will be remembered so far back as 1921, when some real effort was necessary to bring about an improvement in the economic structure of this Colony, the Bowring Committee, as the result of very close investigation recommended that the maize industry should be definitely encouraged. This recommendation was, after due consideration, adopted by Government. At the time it was realised by that Committee and also by Government that the industry could only be established on sound economic lines if

the marketing costs were reduced to a minimum. It was appreciated that the maximum railage export maize could afford to pay was 1/- per bag, irrespective of the distance it was carried; the 1/- per bag flat export rate was therefore introduced, the Government being of the opinion that the importance of the industry to the Colony was such as to justify any export railage costs above 1/- per bag being a legitimate charge against general revenue, and such contribution was made for a number of years. It is to be remembered that it was this Government policy which induced the maize farmer to invest his capital in this particular industry. Were the marketing costs controlled by the Colony to be maintained at the figure of 1922 then, "The inevitably high cost of transport from farm to the ultimate market" could never be used as an argument against the maize industry of Kenya.

4. It is unnecessary to refer to the relation of 1/- per bag of maize in 1921, to the comparative value of 1/- per bag today. However, as a result (and a justification) of the policy then adopted the maize industry grew to be the premier industry from the point of view of acreage. The capital invested in the industry, in implements, labour engaged in clearing and cultivating the land and the building of homesteads, apart altogether from the heavy tonnages exported and the overseas credits thereby created were very material factors in the prosperity which followed the policy of that period.

5. Despite the high prices which for a time ruled, the world maize acreage did not increase, while that of Kenya multiplied itself more than once. The world maize acreage in 1921 was 162,370,000 acres and in 1929, after a period of high prices, was only 160,380,000 acres, while the Kenya acreage increased from 53,395 acres in 1921 to 233,973 acres in 1929. This fact

indicates that under equal conditions this Colony's maize can readily compete on the markets of the world. In the Maize Committee of 1931, and in more than one committee since that date the question as to economic possibilities of maize production in Kenya in competition with those of the other maize producing countries of the world have been the subject of close investigation and on every occasion the result has been definite agreement that Kenya is able to meet any competition on the world's markets given equal opportunity.

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6. You sir, have been kind enough to allow us to read the Despatch, dated 7th March, of the Rt. Hon. J.H. Thomas, late Secretary of State. We would respectfully point out that the actual trend of the market during the short time which has elapsed since that Despatch was written, has shown that that forecast was incorrect. The value of Argentine maize has risen to 18/- and is today 17/00. The Argentine Government has increased the guaranteed price to the growers from 5/3 to 6/- per 200 lbs., at Buenos Ayres, and an entirely new factor, the negotiations for an Argentine - German agreement which, if completed, will result in heavy purchases of maize by Germany, are all events which have entirely changed the outlook during the past three months. We, of course, appreciate the difficulty in forecasting market values, and only mention these points as an indication of the possibility of arriving at a wrong premise on which to found a decision to sacrifice a valuable investment such as the maize industry of Kenya when, by giving it comparatively small financial assistance, it may be carried through a critical period to prove its value in the years to come.

7. The Rt. Hon. the Secretary of State has based the future of the Kenya maize industry upon a forecast

of future Argentine values on the London market; a few facts on this point have, therefore, a definite bearing on the case. It is, of course, realised that the Argentine maize crop is the predominating factor in world maize values, the Argentine exporting 70% of the world importing countries' requirements. Great Britain imports 14 million quarters annually, of which 12 million come from the Argentine. The acreage under maize in the Argentine has only shown considerable increases during the last two years when the grower has received from the Government a guaranteed price for his produce. For the 1934/35 crop this guarantee was 5/3 per 200 lbs., maize and for the 1935/26 crop this guarantee is 6/- per 200 lbs. - It is an interesting fact that to provide the Argentine Grain Regulating Board with funds to meet this guarantee, the Government introduced control of foreign exchange. They purchasing pesos at 17.02 to the £1 and selling at 15.00 to the £1. In two years more than £4,000,000 have been lost by British Railways operating in the Argentine through this enforced exchange alone, and only so late as 21st February of this year, have the Argentine Government entered into an agreement with the British Railways whereby they get a preferential exchange rate of pesos 15.75 to the £1 but to obtain this they have had to agree to a 10% reduction in maize rates, which will mean a reduction of £225,000 per annum in the receipts from maize railways.

At the present time the Imperial Government Argentine Agreement is the subject of very serious criticisms, and there is no doubt that any new agreement concluded will contain articles further protecting the British agriculturalist from Argentine competition. Were it not for the guaranteed price of 6/- per 200 lbs., given to the grower in the Argentine by his Government, made possible

by funds indirectly derived from the British investor, the acreage of maize must of necessity rapidly fall with the consequent natural increase in price, as at the suggested price of 16/- per quarter London, the Argentine grower unsubsidised cannot produce maize economically. There is a growing discontent with the existing Government exchange control and as and when the funds derived from that control diminish or disappear, then the Argentine producer must face the world market on an equality with ourselves, when his acreage will rapidly reduce and ours increase. In the mean time the Argentine Government is drawing funds from the British investor to subsidise the production of maize mainly sold on the United Kingdom market, and forcing the Empire grown product off that market.

8. In considering the maize future, it must be remembered that this year's prices are lower than has ever been the case (except during the market collapse of 1896) in history; that maize alternates with wheat in being the greatest crop in the world and that a comparatively small rise in world prices, such as has taken place in wheat during the past twelve months, will make maize production in Kenya a paying industry.

9. In depressed times we are apt to take a pessimistic view. Kenya is looking for new crops to grow and care is necessary if we are not to substitute the shadow for the substance.

10. The question of the duty of a government (the people as a whole) to a particular section of the community naturally arises on occasions of this kind. That under certain circumstances an obligation exists is undoubted. Probably the most outstanding case is the large sums paid in Great Britain annually to the unemployed. It will be agreed that in a case of famine

some contribution should be made from the common revenue to relieve the distress. The next point which arises is as to the justice of making the seller on the local market, (who, of course, hands the charge onto the consumer) contribute something towards the producer who is marketing overseas and providing much needed London credits. Kenya has adopted this undoubtedly equitable policy by the Butter Levy Ordinance and it is interesting to note that in 1934, when the total value of export butter was £41,405, the amount paid by the Government to the exporters was £3,125, and in 1935, with an export of £59,570, the Government paid to the exporters £7,356. Thus during the past two years the butter industry has been subsidised from the general revenue to the extent of £15,161. It is true that the method of collecting this amount is by a cess on local butter sales, but in fact the Government collect this amount which is really paid by the general public. A cess on local maize sales to subsidise export at anything like the same percentage as the butter levy would obviate all necessity of the maize exporter applying for a direct subsidy.

11. The contributions by the general revenue to the maize industry in the past have been direct and fully disclosed, and in the main are shown in the Colony's assets as a loan and a charge against the future of the industry. There is an annual contribution from the general revenue to the coffee industry in the form of technical services which for years cannot have been less than £10,000 per annum. Similarly the stock industry receives substantial annual support from revenue as a perusal of the veterinary vote will indicate. We have no doubt that these expenditures are necessary in the interests of the Colony as a whole, but they are un-

doubtedly contributions from the general revenue for the direct benefit of particular sections of the community 12. If we view the question of a direct maize subsidy from the general revenue in the light of the present position, it is unquestionably justified. Even with the heavy native crop we have had during the past year there has been, of necessity, a considerable consumption within the Colony of European grown maize. It must be remembered that the price at which maize is sold on the local market is reflected in the expenditure imposed on all sections of the community. The greater purchasers, the Natives themselves, the Railway, the Government, the coffee, biscuit, tea and sugar estates, naturally benefit by low prices while the smaller employers of labour down to householder with his house boys derive some benefit. The present price being paid to the maize producer for his product is less than his costs of production, and to the extent of the difference between that cost of production and the price at which he sells his maize on the local market he is subsidising the maize consuming industries by reducing their production costs, and in the case of Government and other purchasers contributing that amount in reduction of their annual expenditure. It is, therefore, an undoubted fact that part of the profit being made by all industries, as well as reduction in Railway and Government expenditure, are derived from the loss incurred by the maize producer. The heavy surplus grown in the Colony and exported at a loss in years of depression such as the present has, of course, a material effect on the local price.

13. It has been argued that the native producer has no production costs, therefore, that portion of the internal consumption which he supplies shows a profit to him, no

matter what his selling price may be. Native grown maize is almost wholly the result of hand labour, from plots cultivated with a hoe, the maize shelled and cleaned by hand and carried to market often several miles in small loads. Surely it cannot be suggested that the native is not entitled to a fair return for his labour. There is also the very important factor, that by loss of soil fertility the native producer is using up his most valuable asset. There can be no doubt that this essential asset is wasting under existing conditions and the miserable price at present being paid the native for his maize leaves him nothing with which to maintain the fertility of his soil. A careful, economic study of the position would show that the native with his primitive method of production is not receiving an economic price for his maize.

14. As all sections of the community, except the maize producers, are benefiting from the low internal price of maize, in fact being subsidised by him, then he has an undoubted case in equity to ask Government to subsidise his production.

15. The policy of subsidising agricultural production in times of stress is world wide. It is true that in the older countries, with great manufacturing industries the amounts contributed to support agriculture, though in themselves large, are in comparison small. However, the principle is established that it is a function of the common revenue to support through times of stress industries which have for any reason a national importance. There is no doubt that this principle is universally adopted. An illustration is the recent Government assistance with the "Queen Mary". In countries very largely agricultural, it is an accepted principle;

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- 9 -

Australia, New Zealand, Canada, all have adopted it. In Kenya, although we entirely exist on the production from the soil, the different branches of agriculture may equally be considered as separate industries, each may in turn be called on to assist the others in cases of urgent need and no industry is so closely related to or more necessary to the existence of the other industries of the Colony than maize.

16. May we refer to the circumstances which lead up to the £12,500 maize export guarantee. You will remember early in November your conversations at Kitale and Nakuru. At Nakuru the figure of 4/75 was stressed as a minimum price at grower's station. As a result of your tour you appreciated the necessity of supporting the maize industry and at the time were prepared to bring the export price up to 4/50 to the grower at his station. Unfortunately, during the time which elapsed between your interviews up country and the bringing into operation of the guaranteed export price, in January 1936, the Canadian market fell in sympathy with the world market and the sum of £12,500, which your advisers earlier considered would be sufficient, if added to the nett overseas price free on rail to bring the return to the grower up to 4/50 proved to be far below the amount required, and although for a short time the internal price improved considerably as a result of the guarantee, it was soon realised that the £12,500 would be insufficient to bring the export price up to 4/50, with the result that prices fell back to about 25 cents above their previous level. The return to the grower from local sales is, therefore, less than was previously anticipated.

17. It will be remembered that at the time the sum

of £12,500 was arrived at, the final figures of the Colony's receipts and expenditure for 1935 were unknown, otherwise we feel sure the amount would have been larger.

18. We have now had some experience of this year's figures and there is every indication that the country's budget will show a credit balance. The improvement has been greater than some of us expected. There can be little doubt that although the overseas price has been low, the exportation of 60,000 tons of maize this year, the petrol and oils consumed in shelling and transporting this heavy tonnage to rail, as well as the importation of gunnies and other costs have circulated money and hence, to some extent, a contributory cause to the improved position.

19. As we said before, the price of maize fell considerably and the result is that the Kenya Farmers' Association have only been able to pay up to 3/60 per bag at grower's station, even after taking into consideration the portion of the £12,500 guarantee, which is likely to accrue to them. There will be a further pool payment but it can only amount to a few cents. It is not necessary for us to go into details after your personal investigation.

20. You realised in November that Shs. 3/60 per bag was a ridiculously low price for maize, being so much below the costs of production that if the figure represents the full amount they are to receive, a number of growers will be ruined, much land will go out of cultivation and farms will be left derelict. The position is serious; some national effort is called for, as the guarantee of £12,500, although greatly appreciated, will

Want
25,000
W. C. ...

not achieve its object. We, on behalf of the maize industry, request Your Excellency to increase the £12,500 to such a figure as will secure to the growers a figure of 4/75 free on rail. Even this amount will not cover the average cost of production.

21. The whole position with reference to Kenya has changed during the past month. Italy has annexed Abyssinia, and declared a strong, forceful colonisation policy which will, at an early date, result in a considerable Italian population being established on our Northern Frontier; the great annual increase in the population of Italy, together with the virtual closing of the United States of America and South American states to her emigrants, when taken in conjunction with the more recent statement of further territorial expansion cannot but be considered as a grave menace to the future of this Colony. This new problem makes it more than ever necessary that the Colony should use every means in its power to maintain those settlers we have on the land.

22. We trust that we have made our case clear and that in consideration of all the facts and the equity of our request, you will be able to give us the assurance of your support.

We have the honour to be

Sir,

Your obedient servants,

THE KENYA FARMERS' ASSOCIATION (CO-OPERATIVE) LTD.,

[Signature]
General Manager.

His Excellency the Governor Brigadier-General Sir Joseph Byrne, K.C.M.G., K.B.E., C.B.

Government House,
NAIROBI.

GENERAL REAL ESTATES INVESTMENT & TRUST LTD.

4

DIRECTORS:
LORD HOWARD DE WALDEN.
LADY HOWARD DE WALDEN.
R. BELLINOHAM.
P. FOWLES.

SECRETARY:
E. W. CHEER.

WINDSOR HOUSE,
VICTORIA STREET,
WESTMINSTER, S.W. 1.

PLEASE QUOTE _____

RECEIVED
12 JUN 1936
GY

4th June 1936.

J. E. W. Flood Esq.,
Colonial Office,
Downing Street, S.W. 1.

Dear Mr. Flood,

I duly received your letter of the 2nd inst.,
together with enclosures, for which I thank you.

The figures of area ~~and~~ Maize in the Argentine
clearly show that Maize production is being encouraged by the
existing arrangements - a 50% increase in 7 years is rather
remarkable. Also the figures of Maize imports into the U.K. for
1935 show that 89% came from the Argentine and only 7% from British
countries, so that an import duty of 3d. per quarter imposed on
Argentine Maize would have provided a subsidy of 3/6d. a quarter
(Sh 1.75 per bag of 200 lbs) on Maize imported from British
Countries.

However, whether anything can or cannot be done
to correct the unfair competition of the Argentine, I am strongly
of the opinion that an Act to regulate the internal price of Maize
in Kenya, on the lines of the Bill which was recently published
for criticism, should be passed without delay.

Yours faithfully,
GENERAL REAL ESTATES INVESTMENT & TRUST LTD.

[Handwritten signature]

(23)

Maize (15)

Copy below

Secretary

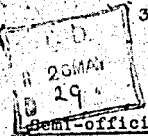
C. O.

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Mr. Grossmith. 21-5-36

38171/36. Kenya.

Mr. *Flood 25*



Mr.

Sir G. Parkinson.

Sir G. Tomlinson.

Sir C. Dolemanley.

Sir J. Shuckburgh.

Prsm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Semi-official for Mr. Flood's signature.

Downing Street.

2 JUN 1936

May 1936.

off 2

DRAFT.

Dear Mr. cheer.....

E. W. CHEER, ESQ.

*(General Road Estates Investment & Trust)
Windsor House, Victoria St. Sw 1.*

*Note.
See with*

see have had a search and

You will remember that after your talk with ~~Clayson~~ and me on the 15th of May you left with us a questionnaire regarding the Argentine and Kenya maize industries. I find

that most of the information that you want can be found in the Report of the

Department of Overseas Trade on "Economic Conditions in Argentine Republic, March, 1935", published by H.M. Stationery

Office at 4/6d., and in the Board of Trade returns.

I enclose a note containing brief replies to some of your questions

regarding

FURTHER ACTION.

regarding the maize industry in the
Argentina.

yours sincerely,

(Signed) J. E. W. FLOOD

21
Mr. Melville.
Mr. Grossmith. 2715

You asked me to look into this question and find out what information was available. Most of the information is to be found in the Report by the Department of Overseas Trade on Argentine published in 1935 - No. 608.

No.1

See page 214 of D.O.T. Report. The area under maize for the last 7 available years was as follows:-

<u>Season</u>	<u>Hectares</u>
1927 - 1928	4,346,000
1928 - 1929	4,788,000
1929 - 1930	5,047,400
1930 - 1931	5,575,000
1931 - 1932	5,855,000
1932 - 1933	5,884,000
1933 - 1934	6,514,000

No.2

Exports of maize for the last 6 years are as follows:-

<u>Year</u>	<u>Tonn</u>
1928	6,372,181
1929	5,047,791
1930	4,679,321
1931	9,767,201
1932	7,055,387
1933	5,018,861

No.3

The rates of exchange in Argentine pesos in terms of sterling for the last 10 years could probably be obtained from back numbers of the "Times". [I have not looked into this because obviously it will take some time but if you wish me to do so I will undertake it.] On pages 44-45 of the D.O.T. Report there is a summary of the position between January 1933 and December 1934. See also a graph on page 46. Pages 41-44 are also relevant.

No.4

- No.4 The annexed Table A gives the figures of maize imports into the United Kingdom during the last 10 years.
- No.5 Indebtedness of Argentine to United Kingdom Bondholders. The position seems to be fairly well set out in the D.O.T. Report on pages 36-41.
- No.6 The annexed Table B shows trade between the United Kingdom and Argentine for the years 1926-1935. These figures have been taken from the Board of Trade Returns.
- No.7 See page 124 of the D.O.T. Report which says that the price is \$4.40c per 100 kilograms.
- No.8 This is a statement and not a question.
- No.9 Argentine Exchange Commission. See pages 44-48 of the D.O.T. Report.
- No.10 See page 152 which gives details of the net earnings of the British owned railways in Argentine.
- No.11 and 12 These are only statements and not questions.
- No.13 See page 124 again. Apparently the subsidy is about 60 cents per 100 kilograms. It is assumed that the price of maize is still \$5.80c, and the minimum price as established by the Ministry of Agriculture is still \$4.40c.
- No.14 This is merely a statement of fact.

Part

This was \$5.00 but I don't know what the present price is about \$3.25

W

Fullerton
2/15/36

MAIZE IMPORTS INTO THE UNITED KINGDOM
DURING THE YEARS 1926-1935.

Countries from whence consigned	Quantity Value	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
Union of South Africa including South-West Africa Territory Northern Rhodesia	cwts £	1,845,833 753,625	1,610,335 635,573	3,915,950 1,746,341	4,154,778 1,814,734	4,759,503 1,368,165	820,318 182,250	1,892,154 435,288	1,446,274 513,454	1,157,501 282,185	3,841,692 829,064
Northern Rhodesia	cwts £	- -	10,500 4,525	- -	14,075 6,270	- -	- -	- -	- -	- -	- -
Northern Rhodesia	cwts £	- -	578,977 153,760	250,031 114,522	591,310 247,757	520,568 156,195	937,590 203,207	1,470,604 546,530	777,982 152,088	456,932 117,044	244,203 52,409
India	cwts £	306,739 118,224	652,265 334,928	511,033 133,949	518,710 234,148	807,765 240,357	1,050,808 236,039	156,710 29,401	682,706 143,012	25,960 6,588	70,025 12,647
British India	cwts £	- -	- -	151,886 65,351	7,200 2,968	- -	- -	- -	- -	- -	- -
Australia	cwts £	- -	4,900 1,940	141,480 60,163	- -	- -	- -	- -	- -	- -	- -
Canada	cwts £	55,838 22,290	15,303 7,937	199,733 98,302	463,618 215,956	35,146 12,812	5,460 1,912	44,475 9,538	43,030 5,821	38,376 9,018	- -
Other British Countries	cwts £	5,335 2,365	165 46	15,010 6,224	36,400 15,112	36,144 9,852	30,649 7,690	34 -10	10,024 2,105	15,307 3,486	2,951 822
Total from British Countries	cwts £	2,215,743 876,502	2,870,145 1,158,411	4,968,103 2,224,052	5,789,091 2,536,939	6,149,928 1,767,451	2,644,825 635,995	3,544,287 230,047	2,950,018 619,860	1,870,078 26,110	3,841,692 829,064
Soviet Union (Russia)	cwts £	661,209 240,070	440,801 173,505	5,143 2,184	2,184 89,505	23,530 37,010	659,910 133,998	1,866,894 546,269	1,181,622 227,128	1,385,719 277,220	119,248 23,034
Germany	cwts £	- -	1,966 5,820	40,408 212,095	249,091 110,621	462,341 142,167	387,013 73,188	444,977 59,543	634,016 139,568	462,137 108,086	- -
Netherlands	cwts £	97,798 36,548	357,086 129,177	97,710 14,800	249,091 8,020	462,341 142,167	387,013 73,188	444,977 59,543	634,016 139,568	462,137 108,086	- -
Dutch Possessions in Indian Ocean	cwts £	- -	61,050 21,687	2,890 7,990	952 -	- -	- -	- -	- -	- -	- -
Belgium	cwts £	245,736 93,559	280,233 110,750	299,737 141,665	473,702 212,841	377,704 102,631	511,948 98,087	535,885 77,978	722,932 156,160	924,355 223,857	- -
Portuguese East Africa	cwts £	21,420 8,350	219,228 83,259	283,559 124,705	59,174 25,354	- -	- -	- -	- -	- -	- -
Italy	cwts £	- -	24,860 9,033	- -	3,000 3,320	- -	- -	- -	- -	- -	- -
Romania	cwts £	102,407 39,437	- -	25,498 11,845	164,683 67,650	- -	4,401,371 1,379,279	571,828 125,760	931,412 202,412	3,520,194 709,625	2,011,609 463,980
Yugoslavia	cwts £	2,161,581 860,933	1,251,968 477,039	25,498 11,845	164,683 67,650	- -	4,401,371 1,379,279	571,828 125,760	931,412 202,412	3,520,194 709,625	2,011,609 463,980
Egypt	cwts £	960 480	73,458 30,725	800,173 344,259	98,609 47,594	- -	- -	- -	- -	- -	- -
United States of America	cwts £	1,069,310 435,608	593,830 234,085	1,538,544 719,241	3,642,599 1,642,019	8,730 -4,074	10,109 4,306	272,229 69,863	378,229 94,220	48,316 15,645	- -
Chile	cwts £	62,735 22,755	69,751 25,349	6,220 3,067	- -	- -	- -	- -	- -	- -	- -
Brazil	cwts £	659 220	15,139 4,685	26,722 12,012	128,676 55,545	67,698 22,501	- -	- -	- -	- -	- -
Uruguay	cwts £	34,100 12,412	33,600 12,199	19,500 8,673	25,314 -	- -	- -	- -	- -	- -	- -
Argentine Republic	cwts £	25,069,139 9,281,008	33,639,783 12,870,959	24,601,673 11,014,885	24,200,103 10,534,589	22,314,626 3,419,516	48,235,034 8,838,565	45,581,202 9,833,035	40,859,087 9,105,684	64,170,019 11,683,128	52,233,782 10,753,703
Other foreign countries	cwts £	5,173 1,976	15,471 5,235	48,046 23,802	45,301 19,311	86,308 -	15,192 -	9,787 -	34,808 -	51,506 -	305,134 -
Total foreign countries	cwts £	29,570,025 11,031,274	39,057,825 14,197,685	28,047,789 12,551,889	29,122,516 12,748,186	28,015,744 9,187,405	50,416,506 8,285,100	49,201,782 10,646,973	48,385,610 9,851,498	59,679,985 12,915,565	55,441,762 11,268,657
Total	cwts £	51,783,768 11,907,776	41,927,968 15,338,094	33,015,892 14,775,872	34,960,609 15,882,136	34,164,670 9,934,857	55,231,531 9,919,098	52,746,019 11,466,020	51,315,628 10,271,356	61,350,031 13,333,684	59,503,633 12,183,649

TRADE BETWEEN THE UNITED KINGDOM
AND ARGENTINE FOR THE YEARS 1926-35.

Year	Imports from Argentina	United Kingdom Exports to Argentina	Re-exports to Argentina	Total Exports
	£	£	£	£
1926	67,503,081	23,074,409	575,501	23,649,910
1927	75,495,859	23,931,858	609,544	27,601,502
1928	76,788,917	31,209,870	663,553	31,773,511
1929	82,443,945	29,074,250	608,135	29,672,585
1930	85,635,755	25,234,173	442,006	25,676,179
1931	52,744,214	14,785,407	270,023	15,055,490
1932	50,035,873	10,662,363	202,272	10,864,635
1933	41,607,023	15,073,149	214,167	15,287,256
1934	47,029,521	14,654,653	248,923	14,903,551
1935	45,724,256	15,832,921	343,078	16,176,699

1. Acreage under Maize in Argentine 1926 - 1936.
2. Maize Exports from Argentine 1926 - 1936.
3. Rates of Exchange Argentine Peso in terms of Sterling 1926 - 1936.
4. Maize Imports into U.K. showing countries of origin 1926 - 1936.
5. Indebtedness of Argentine to U.K. Bondholders:-
 - (a) Government
 - (b) Railways and other private undertakings.
 - (c) Amount of Loans on which interest in arrears.
6. Volume of Trade between U.K. and Argentine 1926 - 1936.
7. What is the present guaranteed export price of Argentine Maize - ?
Equivalent to Sh.5.00 per bag Kenya Station.
8. It is understood that the Argentine Rlws. have given a 10% reduction on Maize Freight rates in consideration of receiving a sterling exchange rate of 15.75 instead of 17.03. 17.03 - 15.75 = 1.28 which is equivalent to an increase in sterling of 8.1%, so that the net reduction in rate from the Rlws. point of view is 2% although the Maize grower benefits to the extent of the full 10%. Difference comes out of exchange fund.

9. Argentine Exchange Commission:-

It is understood that the Argentine Govt. buys the sterling proceeds of 90% of Exports at 15 pesos to £ and sells the sterling so acquired at a rate fixed by the Central Bank. The selling rate is round about 17.00 pesos and from November 1933 to August 1935 it is stated that the profit arising amounted to 197,800,000 pesos.

This profit is apparently used for:

- (a) Public debt services.
- (b) Subsidies to National Industries (including Maize)
- (c) Creation of Exchange fund - part being used for grain elevators.

10. It is understood that the Mitre Bar provides that British owned Railways are to be free from all taxation. The exchange manipulations of the Argentine Govt. involve those Railways in heavy losses, which it is claimed is equivalent to taxation.

11. From the attached copy of answers to a questionnaire, dated from the British Embassy, Buenos Aires, 2nd Aug. 1935, and notes thereon, it would appear that Maize is decidedly an economic crop for a considerable acreage of land in Kenya.

Unit

12. Do the exchange manipulations of the Argentine Govt. afford directly or indirectly a subsidy to Argentine Maize growers?

The following is what appears to be happening:-

- (a) An Argentine grower sells a given quantity of Maize for export to U.K. for £1.
- (b) The Argentine Govt. purchases the £1 from grower for 15 pesos.
- (c) The Argentine Govt. sells the £1 to an importer of U.K. produce or goods for 17 pesos.

If £1 is worth 15 pesos then it would seem that British imports are being taxed $2/15 = 13\%$; if £1 is worth 17 pesos then the Argentine Maize grower is being taxed $2/17 = 12\%$.

13. The guaranteed export price referred to in para 7 above is a direct subsidy. What does this subsidy amount to?

14. The projected provision of silos will enable maize to be carried over from one season to another, which will probably tend to weaken the market.

- Q. 1. Average acreage of individual farms
- A. This is calculated at 100 to 300 hectares. 250 - 750 acres
- Q. 2. Ownership, i.e. whether peasant owned or the proportion owned by large companies or firms with paid Managers.
- A. The proportion of land owned by important proprietors, not necessarily companies, is approximately, 75%.
- Q. 3. Average yield per acre.
- A. 1.1 metric ton per hectare in 1932. Approx. 5 bags per acre
- Q. 4. Cost of production per acre.
- A. The average cost of production is from \$35.00 20/- to 25/- per acre to \$40.00 paper per hectare, which includes preparation of land, sowing, gathering of crop, maintenance of colonist and his family, etc. but not cost which, in general, is given as \$20.00 paper per hectare, although the figure varies according to the district. 11/8 per acre.
In the case of large estates, the land is generally colonized, the owners handing over land, housing, accommodation, seeds, animals, tools, etc., to the farmer (colono) in return for a percentage of the harvest.
- Q. 5. Method of cultivation, whether by tractor or oxen.
- A. Both horse and tractor are used. Lately owing to the propaganda made by the Argentine Rural Society, horse traction has in many places replaced the tractor.
- Q. 6. Average haul from farm to railhead and cost thereof.
- A. The average haul is calculated at 15 kilometres, 9 1/2 miles. whilst the cost averages from \$2.00 to \$3.00 paper Kenya probably per ton. about the same.
- Q. 7. Average cost of haul from railhead to port.
- A. For the year ended 30th June, 1932, the average haul per ton of maize for this Company was 197 kilometres, the ordinary waggon load rate for this distance being \$7/21 paper per ton. 10/4 - Kenya 11/-
- Q. 8. Port and storage charges.
- A. These are estimated at \$2.20 paper per ton.
- Q. 9. Ocean freight.
- A. 13/9 for complete ship. Freight from Kenya is higher.
- Q. 10. Whether there is in operation any means of Government subsidy.
- A. None, except the issue of seed free for those who have suffered hardships through circumstances outside of their control.

Q.11. Whether the majority of farms are entirely under maize or whether there is in operation any system of mixed farming.

A. Strictly speaking, no system of mixed farming exists, crops being grown according to the suitability of the soil. In the maize growing zones, a percentage of land is reserved for fodder sufficient only to maintain the colonist's animals. In the venado Puerto district, the chief crop consists of maize which occupies 35% of the cultivated areas, wheat 20%, linseed 10%, the remainder being dedicated to other cereals and alfalfa.

Q.12. Storage facilities provided at the station of rail- ment and at the port.

A. Facilities for storage at the railway stations in the interior are either non-existent or consist of small warehouses frequently sheds belonging to the railway companies, which are intended primarily for storage during short periods only, of grain which is on its way to the port of shipment. Owing to the lack of adequate accommodation, grain is frequently left for weeks at a time piled up in sacks in the open covered over by a tarpaulin. This method is also seen at the ports, although at Buenos Aires, Rosario and Bahia Blanca, there are elevators belonging to shippers and the railway companies, as well as private warehouses, some of which are available for hiring. An elevator of 80,000 tons at Bahia Blanca belonging to the Southern Railway has been in active operation since June 1932 but another of a similar capacity at Rosario built by a co-operative company completed at about the same time has hitherto been very little used, and at the moment completely empty. A Bill was introduced into Congress by the Argentine Govern- ment last year and is now awaiting discussion, to authorise the construction of a country-wide system of elevators at a cost of some £10 millions.

In Kenya there are storage facilities interior Railway Stations a very limit storage facilities the coast.

Note: The only assistance at present received by growers from the Argentine Government is in the form of credits granted by the Bank of the Nation under an arrangement made recently for the special purpose of saving maize growers who have suffered damage from the locust invasion, which devastated wide areas in the north last summer.

The "pegged" rate of exchange is at present just under 14 Argentine paper dollars to the £1 sterling.

Visit to Kenya - March/April, 1936.

9. MAIZE:

I saw several of the Directors of the K.F.A. and discussed with them and also with H.E. the Governor and other Government Officials and settlers the question of the present very low price of Maize.

It seems probable that the maize pool this season will work out at about Sh.3.50 per bag. at which price maize cannot be grown in Kenya. The question arises as to whether Maize is an economic crop in Kenya. Sh.3.50 is a reasonable estimate of the future price

(and H.E. informed me that he was so advised). Maize is not an economic crop for Kenya, but I am not at all convinced that such is the case.

The world market in Maize is controlled by the Argentine, where present costs of production are stated to be the equivalent of Sh.6.50 per bag f.o.r. Kenya

station. At the present time the Argentine Government are subsidising Maize producers, to such an extent I am informed as to induce them to put additional acreage under maize. The subsidy is apparently provided by

exchange manipulations, e.g. buying sterling at 15 pesos and selling at 17 pesos; and these exchange manipulations during last year resulted in a profit of £10,000,000.

A large amount of British capital is invested in the Argentine, and it is stated that on £174,000,000 of this capital no interest at all is being paid.

By reason of the balance of trade position existing between the Argentine and the U.K. the U.K. are in a good bargaining position and this year the

Argentine trade Agreement is due for revision. I undertook to take up this matter with the Colonial Office with a view to representation being made to the Argentine Government to reduce or remove the subsidy on against Maize produced in the Empire. If such representations are ineffective a small duty on Argentine maize imported into the U.K. would provide the necessary funds to correct the position. Seven-eighths of the maize imported into the U.K. during 1934 came from the Argentine.

There has recently been published for criticism a Bill to regulate the internal price of maize, the basis of which is the compulsory exportation of maize surplus to domestic requirements. This appears to be a practical scheme and should tend to raise the local price to the world price plus freight from the coast. It is unfair to maize producers that owing to lack of co-operation between European and Native growers and Indian merchants, local consumers should get their maize at less than cost. Local consumers should realise that such a position cannot continue and that if European producers are eliminated their maize supplies will ultimately cost them more.

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 10/12/34
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 J

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