

1923

KENYA

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FROM  
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DATE

4th. July 1923

FOR CIRCULATION

SUBJECT

Mr.

Mr.

Mr.

Asst. U.S. of S.

+ *W. H. Reed*

13/8/23

Perm. U.S. of S.

Perm. U.S. of S.

Secretary of State.

GRAIN ELEVATORS AND GOLD STORAGE  
AT KILINDINI

Encloses memo. by Dr. of Agric. is of opinion that the institution of a Grain Elevator is premature at this stage of the Colony's develt, and that the provision of further Gold Storage facilities should be left to private enterprise

(Previous Paper)

MINUTES

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It is useless to consider whether project further, but I think on for you base that if any private enterprise wants to help filling a the old storage matter is open to them as they could handle this away - unless a number of exportable rest exists, & probably, even then - I don't press it.

*See by [unclear] 20 OCT 1924 [unclear]*

Subsequent Paper

200/25357

see R.D. 20614

24 (Gold Storage)

(Gold Storage)

see K. 6519 F. (Main)

at one.

H. J. R.

13/8/23

Memorandum  
dated 12-2-23.

left to private enterprise, the present needs being served by existing plants. This advice is set out in detail in a Memorandum prepared by the Director of Agriculture a copy of which is attached.

3. The General Manager agrees with the views therein expressed and in the layout of sidings and yard is keeping in view the future needs in regard to a grain elevator.

I have the honour to be,

My Lord Duke,

Your Grace's most devoted  
and most obedient servant,

*J. A. V. Hartnett*

GOVERNOR'S DEPUTY.

...  
...  
... the ...  
...  
... office at

No. J.3/17/662

Copy.

Department of Agriculture,

P.O. Box No. 133

Nairobi, 12th February, 1923.

The Hon'ble  
The Colonial Secretary,

INCLOSURE

*Kenya*  
in Despatch No. 103 of 4 7 19 23

94

GRAIN ELEVATORS AND COLD STORAGE.  
Your 3407/24/68 of 17.11.1923.

As directed I conferred with the S.A. Trades Mission which recently visited this Colony; and I have seen the minutes of the late General Manager Railway's thereon, in addition I made some enquiries into this matter during my leave in England, and I am acquainted with the enquiry and representations made in South Africa which led to the adoption of Grain Elevators in that Country.

2. The whole subject of "Grain Elevators" is dealt with in a comprehensive manner in the Grain Elevator Committee's Report of the Union of South Africa (1918) and in the Report of the Consulting Engineer (Mr. Littlejohn Phillip, O.B.E., 1919) employed by the South African Government; also in covering reports by the General Manager, South African Railways (Sir Wm. Hoy). These reports are available here for reference if desired, and I now propose to quote from them.

3. The advantages to be derived from an Elevator system may be admitted and are given in the Committee's report referred to above as follows:-

- A. Saving in Cost of Bags.
- B. Saving of transport Railage, and Sea Freight on Bags.
- C. Safe Storage.
- D. Economical Drying and Conditioning of Grain.
- E. Economy of Space.
- F. Economy of Handling.
- G. Avoidance of Waste in Handling.
- H. Rapidity of Handling.
- I. Improved Facilities for Financing Crops.

- J. Elimination of Disputes re Weights & Quality.
- K. Release of Native Labour.
- L. Better & Cheaper Grading.
- M. Pooling of Grain for Rail Transport Purposes.
- N. Milling & other Manufacturing Facilitated.
- O. Transportation of Grain at times convenient to Farmers.

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4. The points of primary importance which should receive consideration at the present time in Kenya are:-

- a. Whether elevators, if established, should be conducted by private enterprise or by the Government?
- b. Is the time opportune for the establishment of Grain Elevators in Kenya?

5. In connection with 4(a) the Committee's report, referred to above, reads :-

318. "The evidence was practically unanimous in favour of Government ownership and operation of the elevator system. It is, therefore, considered unnecessary to give a complete analysis of the relative advantages and disadvantages of private and Government ownership.

319. In South Africa, the Railways and Harbours being owned and operated by Government, there would be strong economic reasons in favour of the elevator system being operated by the Government.

320. The Railways and Harbours officials, and practically all experienced witnesses, were emphatic in their objections to placing the port elevators in private hands, it being considered essential for economical and smooth working at the port that the elevators there should be operated by the Government.

321. The country and port elevators should form one complete system administered by the same authority; otherwise, the following disadvantages would result :-

- a. Disputes would occur about responsibility for loss or damage discovered after leaving the country elevator.
- b. expense would be incurred in providing checks and counter-checks between the country elevator, the Railways and other elevators;
- c. the grading at a private country elevator would not be final.
- d. the warehouse receipts issued by a private company at a country elevator would not have the same negotiable value as a receipt issued by a Government Department operating the whole of the elevators.
- e. the advantages of the pooling system would be lost.

328 cont.  
no/

Government elevator, subject to the following conditions:-

- a. That the design and location of such elevator shall be approved by the Government.
- b. That the Government shall have the right to take over such elevator at a valuation to be agreed upon failing which the value shall be determined by arbitration.

On the same subject Mr. Littlejohn Phillip reports as follows:-

- 67. Any country where the railways and the harbours are controlled by one authority and that authority the Government is in the finest possible position for establishing and operating an elevator system. Such conditions are the sure foundation of success and eliminate many difficulties inseparable from a system of divided control and private interests. In some countries elevators at certain stations have not been a success simply because two or three were put up when there was only business for one - an inevitable result, but caused by permission being given to private individuals and companies to erect as many as they chose and run them as they considered best.
- 68. Divided control generally means different sets of rates, a certain amount of duplication of operations and management, and frequently leads to disputes and misunderstandings.
- 69. Government control in a matter of this sort safeguards the farmer's interests, secures his confidence, and from a banking point of view is invaluable.
- 110. If at any time permission is granted to private enterprise to erect elevators for the public use at any stations at which there are no Government elevators the conditions in the public interest, should be very clear. Such elevators should only be erected under the supervision of the Railway Administration, and be of a general standard design fitting in with the requirements of the system, and be purchasable by the Government at any time, on, say, twelve month's notice after expiration of an agreed period, at a price and on terms fixed before the right of erection is granted. The rates charged for the use of such elevators to be same as those in operation for Government elevators, plus a small fixed addition as a reasonable return for the employment of private capital."

On this question the members of the South African Trades Mission in my interview with them supported these views very strongly, and emphasised the point that with a State owned Railway and port and with the adoption of a grading system it was important that the elevators should be under Government control.

At my interview with Mr. Littlejohn Phillip in London, discussion took place on this point and my note of the interview reads :-

" He held strong views on the subject of private enterprise owning and controlling grain elevators and was strong opposed to it - said it should clearly be in the hands of the authority transporting and grading the grain. - I explained the difficulty which might arise of Government being able to finance a scheme. He said that if driven to the help of private enterprise that should only be admitted provided the site was approved by the Government, plans and construction of elevators were approved by Government, charges for services rendered were levied with approval of Government and generally that strict regulations should be laid down for operations. Instances difficulties in U. S. of America and Canada also that private enterprise in circumstances should be confined to country elevators, also that Government should have power to take over concern at any time on agreed terms".

Elevators may be divided into :-

- a. Port Elevators.
- b. Country Elevators.

The Grain Elevator Committee and Mr. Littlejohn Phillip condemned any proposal to erect port elevators only. It would appear that country elevators are essential and are complementary to the port elevator. In this connection the following extracts from the reports may be quoted.

Grain Elevators Committee.

" After mature consideration it is unable to recommend the erection of elevators at ports only".

Mr. Littlejohn Phillip.

" No system of port elevators without an adequate proportion of country elevators will meet the needs of the situation".

6. The case for Government owned and Government controlled elevators is therefore in my opinion clearly established and if that is accepted then no site on the Kilindini Pier should be granted for the operation of an Elevator by private enterprise, and preferably country elevators should also be owned and controlled by Government, but if rights in respect of them are granted to private enterprise then the conditions stipulated by Mr. Littlejohn Phillip should be laid down.

A suitable site should be reserved at the Kilindini Pier for a " Port Elevator " and in the general

General lay out of the railway lines, yards &c., that end should be kept in view; again in the lay out &c. of inland stations in the chief maize producing areas where "country elevators" may be erected, consideration should be given to these needs which may arise in the future.

7. With reference to 4 (b)

"Practically all the countries handling grain in large quantities have now adopted the elevator system (Grain Elevator Committee). In those countries the grain trade reaches several million tons per annum.

I pointed out to Mr. Littlejohn Phillip at my interview with him that for some time at least the quantity handled in Kenya would <sup>be</sup> very small as compared with the output of other countries and I enquired what would be the minimum capacity of elevators which could be profitably worked and whether elevators of these small dimensions were economically a success: He said that the minimum capacity of a "port" and of a country elevator 800 to 1 000 tons elevator should be about 6,000 tons, and that if they had a turnover of 4 times their capacity during the year the expenditure would be justified.

8. As to cost he quite rightly observed that no close estimate could be given without knowledge as to sites, foundations, materials &c. but <sup>that</sup> roughly it might be estimated that the smallest "port" elevator might cost about £40,000 and that a small but complete scheme of say one port elevator and 1 two or perhaps three country elevators might be provided at a cost of about £100,000. He emphasized that great care should be exercised in designing the original elevators in order that expansion could be provided without wasteful expenditure.

9. The Union of South Africa has undertaken a scheme providing for two Port Elevators and thirty four country elevators at a cost estimated in 1920 at

at £1,442,700, providing for the handling of about 10,000,000 bags of grain.

The export of maize from Kenya at present may be taken at approximately 500,000 bags per annum, and in the absence of a heavy fall in market prices it will probably reach 1,000,000 bags within the next two years.

10. The South African Trade Mission had no hesitation in expressing the opinion that the volume of our grain trade did not at present justify the adoption of the elevator system and that such increase as could be contemplated would not warrant it for some time to come.

They expressed the opinion that South Africa with its infinitely greater output of grain, might yet find in the light of experience that the cost of the heavy costs which have to be incurred in the elevator scheme is somewhat prohibitive.

11. It has been pointed out that the cost of the elevator scheme is a heavy expenditure which would be met by the Railways in providing for the handling of grain in bulk.

It is pointed out that the cost of the elevator scheme would doubtless be offset by the savings in the handling of the grain, and that the cost of the elevator scheme is a heavy expenditure which would be met by the Railways in providing for the handling of grain in bulk.

The inquiry made by H.M. Customs at the Port of London and at the Corn Exchange in London, it was clear that while some advantage is to be derived if bulk cargoes or large bulk consignments be shipped, bagged consignments were quite acceptable to the trade and the cost of handling them was not appreciably greater.



13. In order to arrive at the capital cost of an elevator scheme for Kenya and to frame estimates of expenditure and revenue, it would be necessary to seek the advice of an authority upon "Grain Elevators". The same authority should advise as to sites, plans, operation etc.
14. When it is considered that the time has arrived for the subject to be examined more closely, then advantage should be taken of South Africa's experience, and as an alternative to employing the services of an independent Consulting Engineer, the South African Railway and Harbour Administration might be asked to lend the services of one of their engineers who has acquired experience in Grain Elevators, their construction, operation etc.,
15. It is advisable also that the producers of the Colony should be consulted in the matter and should accept a share of the responsibility in advising the Government before expenditure is incurred on an elevator scheme. To that end I think it would be helpful if a small deputation were sent to South Africa at some later date when the elevator system there is in running order.
16. While I am of opinion that the provision of grain elevators in the future should be our aim, I do not consider that the time has yet arrived when they are likely to prove financially a success for the reason that the output of grain is too small, but I would strongly recommend that care should be exercised to ensure that in respect of development of the Kilindini Pier Works, and the granting or allocation of sites at the Pier and at country stations, that the provision required for Grain Elevators is not prejudiced and that expenditure which might later be wasted should in the meantime be avoided as far as possible.

17. In other countries a grain export trade has been developed without elevators and while agreeing that great advantages are to be gained from their adoption as soon as the volume of output warrants the service, I am of opinion that the maize export trade of Kenya is not necessarily dependent upon the provision of facilities for handling the grain in bulk.

18. If it should be decided to apply the Agricultural Produce Export Ordinance of 1920 in respect of Maize and to prohibit the export of maize which contains more than a prescribed maximum of moisture, or which is very badly infested with weevils, it is desirable, inasmuch as no local market exists for the absorption of such grain in large quantities, that drying and cleaning plants which could also be used for the destruction of weevils should be available. If grain elevators were provided these plants could be included in the scheme, but in the absence of a "port elevator" they could be provided separately either by Government or by private enterprise.

19. COLD STORAGE.

The case to be made for Government owning and operating Cold Storage Chambers differs somewhat from that of Grain Elevators, as the transportation and handling of export products are not affected to the same degree, and the service is one which falls within the limits of undertakings which private enterprise may be expected to provide. Again the trade will be for some time to come somewhat irregular and a Cold Storage business would have to depend for its success upon other activities than the storage of export products.

20. On the other hand the danger of permitting a private concern to obtain control of the only site or sites eminently suited for the handling of perishable export products is one which should be guarded against.

The volume of the trade for some years to come is not likely to be more than would warrant the establishment of one efficient cold storage plant and accommodation and it is conceivable that if certain rights and privileges were conceded to private interests without proper safeguards, other competitive interests might suffer, indeed they might be refused the necessary storage facilities or the charges levied might be excessive. Again if a considerable export trade in dairy products be developed, official grading may be introduced and proper facilities would have to be provided for that grading in the cool chambers.

21. In Australia and New Zealand there are I believe very few Government owned Cold Storage Plants, but there is a large number owned and controlled by Producers Co-operative Societies and a few by Municipalities - through them the interests of public users are protected and there is sufficient competition to prevent exorbitant charges being levied.

22. It is not quite clear to me what is the position in respect of the cold storage site granted and reserved for Nyama Ltd. I am under the impression that Nyama Ltd. installed a Cold Storage Plant some years ago on a site between Kilindini and Mombasa and that it is no longer used for that purpose.

23. The present needs in respect of cold storage for export products are served by existing plants, and I do not recommend that Government should, at least for the present entertain a proposal to provide and manage a Cold Storage Plant.

24. But developments in respects of the export trade in perishable products should be carefully watched and the interests of the public and producers should be protected. If it should be decided to lease to private interests the site now reserved at Kilindini for Cold Storage purposes the terms should stipulate that facilities be afforded to public users, that suitable accommodation and facilities be provided for

grading

grading, if required, and that the charge for storage and handling be subject to the approval of some independent authority.

Sd/- Alex. Holm.

DIRECTOR OF AGRICULTURE.)

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