

1930

Kenya

No. 16265

SUBJECT

C0533/401

Measures of Relief to
Agricultural Producers.

Previous

Subsequent

16393/30 (Assistance to
Maize Industry)

16289/30 (Wheat Pool)

See 16352/30 (Maize Marketing
Scheme)

1.a. Trade Office. Recd 26th. July 30

States as to refund of four-fifths of the grading, inspecting and reconditioning charges on maize and wheat, and as to similar action re Post Storage charges.

1. H.Cmnr. Tel. 27. 7th. August 30.

States is discussing with Kenya details of action recommended by the Ely Council with a view to making immediate temporary reduction in the rates on cereals - cost estimated at maximum £35,000 -

2. Gov. Grigg. Tel 264. 7th. August 30.

As to reduction of grading & reconditioning charges & other ~~means~~ means of assistance to cereal industry from Railway Dept.

2 a Gov. no 255 - - 9th August
Amendment to no 2

Mr. Allen:

We have had some talk about this, and I now attach a note. Subject to the observations of Sir John Campbell we can telegraph to the Governor saying that the Secretary of State approves the refund of ^{grading &} conditioning charges which ~~have~~ ^{has} already been approved by the Leg. Council; he also approves of the submission to the Council of a proposal for assistance to the industry to the extent of £35,000, subject to the Governor being able to give an assurance that similar assistance will not be asked for ~~or, if asked for, would not be justified~~ by any other industry, particularly the sisal ^{& coffee} industry; say that if he is unable to give such assurance, the matter would require further consideration. Say that the Secretary of State definitely prefers that the assistance should be given by way of indemnifying the Railway for a further reduction of rates, that it should

be

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xx From the salary funds, by various ~~ways~~ ^{ways} ~~of~~ ^{of} ~~the~~ ^{the} ~~Government~~ ^{Government} ~~to~~ ^{to} ~~pay~~ ^{pay} ~~the~~ ^{the} ~~cost~~ ^{cost} ~~of~~ ^{of} ~~the~~ ^{the} ~~same~~ ^{same} ~~work~~ ^{work} ~~as~~ ^{as} ~~before~~ ^{before} ~~by~~ ^{by} ~~the~~ ^{the} ~~Government~~ ^{Government} ~~to~~ ^{to} ~~pay~~ ^{pay} ~~the~~ ^{the} ~~cost~~ ^{cost} ~~of~~ ^{of} ~~the~~ ^{the} ~~same~~ ^{same} ~~work~~ ^{work} ~~as~~ ^{as} ~~before~~ ^{before} ~~by~~ ^{by} ~~the~~ ^{the} ~~Government~~ ^{Government} ~~to~~ ^{to} ~~pay~~ ^{pay} ~~the~~ ^{the} ~~cost~~ ^{cost} ~~of~~ ^{of} ~~the~~ ^{the} ~~same~~ ^{same} ~~work~~ ^{work} ~~as~~ ^{as} ~~before~~ ^{before} ~~by~~ ^{by} ~~the~~ ^{the} ~~Government~~ ^{Government} ~~to~~ ^{to} ~~pay~~ ^{pay} ~~the~~ ^{the} ~~cost~~ ^{cost} ~~of~~ ^{of} ~~the~~ ^{the} ~~same~~ ^{same} ~~work~~ ^{work} ~~as~~ ^{as} ~~before~~ ^{before} ~~by~~ ^{by} ~~the~~ ^{the} ~~Government~~ ^{Government} ~~to~~ ^{to} ~~pay~~ ^{pay} ~~the~~ 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be limited to this season's crop only, and that he considers that on political grounds it should be repayable, either by way of a levy as proposed by the Board of Agriculture, or by way of a compensating increase in railway rates.

J Eastwood
1830

see also for 10 of my note as to
amount of the draft

1830

This is pressing & the important
thing is to obtain the views of I
of the various members of the committee
before suggesting that the Eastwood
I should have an 1830 Yr.

perhaps to explain that increasing
knowledge is making me increasingly suspicious
as regards proposals emanating from Kenya. I
may be right, or wrong: that feeling is however
largely responsible for the line which I suggest
taking below).

1. I suggest that we agree, at once, to the refund of conditioning charges.
2. The Governor's proposals for assistance

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are limited to cereals. The data given in Mr: Eastwood's note, and the broad facts of the situation, make it practically certain, however, that anything given to-day to maize and wheat will have to be accorded tomorrow to coffee and sisal. There may be other claimants also. Press cuttings--received since Mr: Eastwood's note was written--make it clear that the grant of assistance to coffee and sisal is being actively discussed, and that such aid is expected. It is difficult, on the information as to prices and costs which the file contains, to see how aid could equitably be given in the present case, and refused to coffee and sisal growers. Again, the assistance proposed is to be limited to this season's crop. It seems clear, however, that it would be impossible to insist on such a limitation, if prices remain at their present levels. If aid is imperative now, it will be equally imperative later.

3. One reluctantly gathers the impression that the Governor wishes to get his scheme through by presenting it, in fragmentary portions, and in a manner which renders a comprehensive survey of the economic and financial reactions difficult. If the S/S agrees now to aid for maize, wheat, and barley, he will have to agree to assistance to coffee and sisal later: if he accepts this rate reduction proposal, "limited to this season's crop", he will have to extend it to any other crops where prices rule equally low--unless production costs can be materially reduced.

4. My suggestion is that we should point out that the problem must be considered as a whole;

that the S/S cannot approve the proposal made, unless it is quite clear that the circumstances are in fact such that its extension to other products, such as coffee and sisal, is unnecessary, as otherwise neither would full financial liability ^{in the volume} be disclosed, nor would equitable and reasoned distribution of the ~~total~~ sums available in aid of agriculture be possible. Further, the S/S - though ~~most~~ anxious to limit any scheme of this character as rigidly as possible - feels that, unless prices rose materially, or unless considerable reductions were found possible in production costs, it would be ~~most~~ difficult in practice to confine such a system of relief to the present season's crop. The effect of these considerations upon the total cost will require serious consideration, especially in view of the depleted balances. The S/S requests that the matter may be re-examined in the light of these remarks; he would also urge that every effort should be made, by postponing ^{of some} all expenditure not of an essential character, to build up the surplus balance upon which such heavy demands are being made as a result of agricultural depression, ~~which may persist~~ the duration of which ~~is~~ ~~the present estimate for~~ cannot be predicted. If we are to be more accommodating, then Eastwood's proposals may suitably be adopted. My own view is that we would be better advised, taking everything into consideration, to make a stand now; force the Govt. to consider the problem as a whole; and refuse to allow him to "rush" us.

The 12th: August 1930.

Handwritten signature
12/8/30

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Personally, I feel that the claims for assistance on behalf of cereals are at the present moment more urgent than those for sisal or coffee. Prices for Kenya coffee have been sufficiently remunerative in recent years to provide for reasonable interest on capital invested and for the provision of reserves, whilst sisal profits have been likewise generally satisfactory until the present slump. For cereals, however, a state of "emergency" undoubtedly does exist. These considerations do not, however, run counter to the general arguments of Sir John Campbell, and I would support him in the contention that, if assistance to cereals is granted, it will only be a question of time before assistance to coffee and sisal will be urged and would have to be sanctioned. I agree that it is inadvisable to be rushed into the proposal without further consideration. The Kenya Government or the unofficial organizations of the Kenya industries should make every endeavour to secure a reduction in ocean freights, and if this can be secured there would be greater reason for the reduction of railway rates, which is probably the best way of helping the industries.

Handwritten signature
F. R. Shindale

12.8.30.

This was discussed with Sir John Campbell, and I certainly agree with his view that the Secretary of State would be fully justified in looking before he leaps on to this slippery slope. I submit a draft telegram

for

the conclusion that the Secretary of State must satisfy himself that the matter had been considered as a whole and not allow himself to be rushed. If the scheme were agreed, the proposals at the end of Mr. Eastwood's minute of the 11th August might suitably be adopted, i.e. (a) Government assistance should take the form of indemnifying the railway in respect of a further reduction of rates and (b) the amount of the Government assistance so given should be repayable. I think Sir John Campbell drew a clear distinction between a reduction of railway rates and rates as a matter of business and ^a Government subsidy, whether open or disguised, and a matter of policy.

It is pointed out in previous minutes that it is difficult to gauge the amount of relief recommended by the Committee and the assistance to be given by the Government, especially having regard to the fact that the reduction of shipping rates is a matter of, however, urgent and if the scheme is adopted there seems to be neither time nor room for argument over details. In all the circumstances I feel that in spite of the objections the Secretary of State has little option but to agree to the scheme, I therefore submit draft telegram for consideration. I think also that a despatch should be sent confirming ^{the} telegram pointing out the difficulty in which the Secretary of State is placed ^{to the Governor} and not being kept informed as the situation develops, with the result that he is asked for a decision

decision without the full facts being before him, and in this connection, commenting in particular on the omission from the original telegram of any reference to the reduction made in the shipping rates.

J. H. H. H.

21/8/30

I agree. The telegram for Kanga makes it clear that it is recognized that coffee & sisal are in a totally different category

F. A. Shikhole

21/8/30

I have attended the last part of the Congo draft. The terms of the agreement can be discussed with less obscurity by debate than in a telegram.

J. H. H. H. 21.8.30.

(The Governor's draft and J. H. H. H.)

S. J. Shale

I have not had time to study this carefully, and, as it has to go to you now, I think it better not to express an opinion, especially as I did not see former draft.

T. D. S. 22.8.30.

P 22/8

6.
7.

L Gov. Kenya Tel No 150.
H. Cr. - - - 8 } 22/8/30

Draft initialled. (One sound reason why we should, at present at all events, envisage repayment of the subsidy is that this ought to impose a most necessary brake on such proposals. We all dislike these special measures, I think; and if the industry expects that repayment will be deferred, it will be more cautious in its advocacy of them.)

22/8/30

Ca. 10 - 100 - 10

to Secretary

to be ready to see me any time please

thous
24/11/31

to B. C. G. in my presence and assistance to my presence.

26.1.31

Mr. Bartwood

Please see your minute of 26/1/31. (1726/31 attached.)

thous
12/6/31

Mr Allen

(write this up) be put in view of the fact that 1726/31 k. - no { 2 (C) of the result: (see para 2)

12.6.31

That relates to the maize but of which the total cereal mtd was £35,000. The amount was taken up in para 7 (b) of No 13 of 16088/30 & will be seen from the bill to No 1 of 17227/31 that the whole of the mtd is now being included in the surplus balance to be available.

13/6/31
at once

HW

6
7

L Gov. Kenya Tel no 150. } 22/8/30
H. Cr. - - - - 8 }

Draft initialled. (One sound reason why we should, at present at all events, envisage repayment of the subsidy is that this ought to impose a most necessary brake on such proposals. We all dislike these special measures, I think; and if the industry expects that repayment will be enforced, it will be more cautious in its advocacy of them.)

22/8/30

10 - 10 - 10

Sections
likely to be
in these

hours
24/11/31

to be in by 1st June next.
to assist to merge
your go.

26.1.31

In. Cartwood
attached.)

Please see your minute of 26/1/31. (1726/31)

Alhambra
12/6/31

Allen

(I think a fair way to be put by in view of the fact that of us: 1 on 1726/31 k. - no f 2 (c) or the rest: (see quote)

12.6.31

That relates to the maize part of but the total cereal subsidy was £35,000. The part was taken up in the 7 (b), of the 13 2 16088/30 & will be seen from the bill to no 1 of 17227/31 that the whole of the subsidy is now being included in the surplus balance to be available.

13/6/31

13/6/31

at once

HW

C.O.

Mr. Allen 28/8/30

Mr. Parkinson 29.8.30

X Mr. J. Campbell 29/8/30

X Sir C. Bottomley 30.8.30

Sir J. Shuckburgh

Sir G. Grindie

Permt. U.S. of S.

Party. U.S. of S.

Secretary of State.

X.16265/30 Kenya.



8.8

S4

Downing Street,

August, 1930.

10 Sep.

for consen.

DRAFT.

Sir,

KENYA

NO. 692

Gov. GRICE.

(b) I have the honour to confirm my telegram No. ¹⁵⁰ of the 22nd August in which I have acquiesced in your proposal to invite the Legislative Council to agree to the appropriation from surplus balances of a sum not exceeding £35,000 as a temporary measure of assistance to the grain industry, in order to ensure continuance of cultivation and sowing on an adequate scale. I informed you in my telegram that I accepted your proposal on the understanding that the relief to be granted would be limited to the present season's cereal crops, and I also stated that I entirely shared your view that the assistance should take the form

Reconsider with 10/9/30 the letter

of indemnifying the Railway in respect of
~~an additional~~ *an additional* reduction of rates equivalent *cut*
~~to the reduction~~ *costing up to* £3,000

conditionally recommended by the Railway
Advisory Council, as reported in your
telegram No. 234 of the 15th August, and (2)
in your Transport telegram No. 10 of the (1)
same date.

I also made it clear that although
I have acquiesced in your proposal, the
assurances given in your telegram No. 234
of the 15th August do not ~~entirely~~ *entirely* (1)

~~remove~~ *relieve* the representations which I ~~feel~~ *feel*
in regard to the proposal which led me
to telegram No. 10 of the 15th August. (4)
August in order to elaborate certain
points on which the Inspector was objec-
tive, and to add to the fact that the ~~prob-~~ *matter*
~~has not been fully considered in all its~~
aspects. I note that in your telegram

dated the 16th August you state that (b)

the points to which I referred were not overlooked, but ~~your~~^{that} consideration of space precluded their mention in your previous telegram. But you will appreciate the difficulty in which I was placed through my not having been kept informed as the situation developed, and consequently ~~having~~^{being asked} to take a decision without the full facts being before me. In particular I may refer to the omission

(2)

from your first telegram No.254 of the 7th August of any mention of the reductions of ocean freights reported

(5)

in your later telegram No.264 of the 16th August. This was, of course, a material fact, especially in view of the reference in your Transport

(1)

telegram No.27 of the 7th August to the precedent furnished by the reduction of rates ^a of Uganda cotton

wishes in the matter. It appears to me that the position of the Transport Administration ~~and the~~

as part of the Colonial Government in such a matter is not quite the same. It is a

statutory requirement that the transport services shall be administered on

business principles, due regard being had ~~for example~~ ^{and industrial} to agricultural L

development by means of cheap transport;

and if, in accordance with these principles

it is decided ~~that~~ in view of possible

re-actions on future imports and con-

sequent loss of railway revenue, that the

balance of advantage lies in a temporary

reduction of railway rates to meet the

special, and it is hoped, transient,

conditions. I see no reason why in

this case, any more than in the case of

the reduction of cotton rates in 1927,

a specific refund should be required

by the Transport Administration. The

question

(Section 13 of Ordinance 15 of 1927)

question of a Government subsidy to the industry stands, however, on a different footing, since it involves political as well as economic considerations; and, having regard to those wider considerations and also to the fact to which I have referred, that no subsidy was paid by the Government of Uganda in the case of cotton in 1927, I am, as at present advised, of opinion that any amount appropriated from the surplus balances of ^{the} Colony ^{for} the assistance of the ~~cotton~~ industry, should, as recommended by the Board of Agriculture, be ultimately repaid by the industry, though not necessarily in the form suggested by the board. The question of the form of repayment is one on which I shall await your views. I agree that whatever form may be adopted, the position of the native growers to which the Board referred should receive special consideration.

I have, etc.,

(Signed) PASSFIELD.

O.O.

16265/30/Kenya.

Mr. Allen

24/8/30

Mr. Stockdale.

2/8/30

Mr.

Sir C. Bottomley.

24.8.30.

Sir J. Shuckburgh.

Sir G. Grindle.

Permt. U.S. of S.

+ Parly. U.S. of S.

+ Secretary of State.

24/8

[1]

92.

11
7
Coded & sent
5.0 pm.
22.8.30
[Signature]

DRAFT. TELEGRAM

HIGH COMMISSIONER,

~~NAIROBI.~~

Nghlcoma

Nairobi

No. 8 Your telegram No. 27.

I agree reduction of cereal rates
in respect of present season's crops
only up to cost not exceeding
£70,000, one half being reimbursed
by Government of Kenya. See my
Kenya telegram No. 150 X

X Fill in
No. in companion
draft.

24/8

G. O.

16265/30/Kenya

6. 12

Mr. Allen 21/8/30

Mr. Stockdale 21/8/30

Mr.

X Sir C. Bottomley 21.8.30

Sir J. Shuckburgh.

Sir G. Grindle.

Perm. U.S. of S.

+ Parly. U.S. of S.

+ Secretary of State.

For conson. re
Minutages
22/8

[5]

No 150.

Your telegram No. 264.

Coded & Sent
5.0 p.m.
22/8/30
[Signature]

DRAFT. TELEGRAM

GOVERNOR,

NAIROBI

I note your assurance that no justifiable demand for similar assistance from other industries is to be contemplated, and that you do not anticipate any necessity for continuance of assistance to cereals after the present season. Therefore, although these assurances do not entirely remove my apprehensions, I feel that in all the circumstances I have no option but to acquiesce in proposal to invite Legislative Council to agree to appropriation ^{not exceeding} ~~in respect of~~ £35,000 from surplus balances, ^{the} ~~an~~ I understand that relief is limited to present season's cereal crops. I entirely share your view that this assistance should take the form

24p

of indemnifying Railway in respect
of additional reduction of rates, and as I
see = distinction between Government
subsidy and reduction of rates by railway
administration and shipping companies
as a matter of business. I definitely
agree with recommendation of Committee
that amount of Government assistance
should be repayable later either by levy
as proposed by them, or by compensating
increase in railway rates. Position of
native growers being specially considered
in either case.

Substitute

I do not consider
that repayment
should be read out,
but from which it
should take can
be dismissed later.

P.
22/18

5 13

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

Dated 19th August.

(Received, Colonial Office, 7.53 p.m., 19th August, 1930).

No. 264. Your telegram of 16th August, No. 143.

I had given much thought to the whole position both present and future before submitting proposal(s). Points referred to in your telegram were not overlooked though consideration of space precluded their mention in my previous telegram. After re-examination of the proposals in the light of your observations I agree with my Advisers that no good grounds exist for modifying them.

Circumstances of coffee and sisal industry not comparable with those of grain growers. It is considered that no relief could be given to the former which would remove existing disabilities as in the case of such high priced products relief through subsidy or railway rates or both would be small in proportion to value and would not afford assistance that could be of any real help to these industries. I am opposed to granting assistance to industries other than grain and do not contemplate that any demand likely to be made by them can be justified. I (am) may add that it was fully recognised at the last very representative meeting of Convention of Association that condition of the cereal industry was special one and called for special treatment. Moreover there are reasonable expectations that the sisal market will improve and as sisal estates are mostly in the hands of companies their share holders may reasonably be expected to finance estates through period of temporary difficulty. With promising forthcoming coffee crop good percentage of A quality may be expected and a fair average price

price realised. Regarding ground nuts they are already given special flat export rate of 35/- per ton. Their average haul is 700 miles and receipts therefore amount to 5 cents per ton mile. Cotton seed export rate of 22/- 75 cents per ton gives receipt slightly over 5 cents per ton mile but it should be noted that the value of ground nuts is generally three or four times greater than cotton seed. Tanganyika rate for ground nuts is the same but that Government made representations for the rate to be increased to 50/- per ton which was not acceptable here. I consider the present rate for ground nuts reasonable. Genuine efforts are being made by farmers to reduce cost of production and to economise in every direction. Owing to the heavy fall in market prices Conference Lines have already reduced ocean freight on ground nuts by 10/- per ton as from the 16th July subject to one month's notice of alteration on maize firstly from 25/- to 22/- (correct group) then to 20/- per long ton and wheat from 30/- less 10/- to 20/-. Ordinary freights on maize from South African ports is temporarily 15/- per short ton but in the case of Kenya maize Suez Canal dues amount to about 3/- per ton. Freight in both countries therefore approximately the same. Discussions have already taken place between the Board of Agriculture and the industries interested and the Conference Lines on the question of further reduction but I am advised that it would be futile to make further representations unless the Government and the Railway Administration give substantial relief.

I recognise that the resources of the Government in respect of relief measures are limited but having regard to the good prospects of forthcoming season's crops and reduction in farmer's expenditure

expenditure and costs I am hopeful that with slight improvement in market prices further relief to grain growers will not be found necessary and I do not contemplate need will arise to repeat these special measures which are regarded as purely temporary in character but if any demand is made position must be considered on its merits bearing in mind vital need to maintain production and revenue.

I am fully alive to the necessity of building up surplus balance by postponement of all unessential expenditure and instructions have been issued to heads of departments emphasising the need for rigid economy.

I ^{confidentially} confidentially trust that you will now feel able to approve this expenditure which I recommend both in my capacity of Governor of Kenya and High Commissioner for Transport. Meeting of the Council has been postponed until 28th August and would therefore welcome very early reply.

... and I am hoping that with further

... in market prices further relief to

... I have necessarily

... these special measures which

... character but if any

... it is more than

... and never has

...

...

...

...

COPY
Mr. Allen 13/8

Mr. Stockdale 13/8

Mr. J. Campbell 13/8

Sir C. ~~Mr~~ Bottomley.

Sir E. Harding.

Sir J. Shuckburgh.

Sir G. Grindle. 13

~~Stockdale~~

Sir S. Wilson. (ltd) S.H.W.
14.8.80.

~~Dr. Drummond Shiels~~

Dr. Drummond Shiels away

~~Lord Passfield~~

Lord Passfield *Lord Passfield*
Approved. S. Robinson 4/8.

DRAFT. TELEGRAM

(2)

Immediate

Governor

Nairobi

38278/30

Somaliland

A

4¹⁶
Collected by
12 hours
16.8.30
[Signature]

Co. 143.
Your telegrams Nos. 254 and 255. I approve refund of grading and conditioning charges as proposed.

As regards further assistance recommended although I fully appreciate seriousness of position I regret that I should not feel justified in approving proposals for such assistance to a section of the agricultural community unless it is quite clear that circumstances are in fact such that extension to other sections e.g. producers of coffee and sisal is unnecessary as otherwise neither would the full financial liability implicit in the scheme be disclosed nor would equitable and reasoned distribution of the total sums available in aid of agriculture be possible. In this connection it is relevant to say that I have recently received representations as to need for assistance to native producers of ground nuts by way of reduction of rail

rail and shipping charges. Further although I am anxious to limit any scheme as rigidly as possible I feel that unless prices rise materially or unless considerable reductions in production costs are found possible it would be very difficult to confine such a system of relief to present season's crop. The effect of any such extensions of the scheme in scope or time upon the total cost will require serious consideration especially in view of depleted surplus balances. Also it does not appear from your telegram that consideration has been given to the possibility of securing any reduction in ocean freights as was done in the case of cotton in 1927.

I request that the position may be re-examined as a whole in the light of these remarks.

Also in view of heavy demands which are being made on surplus balances as a result of agricultural depression the direction of which cannot be predicted I would strongly urge here and elsewhere every effort to build up these reserves by postponing at once all expenditure of an essential character.

This telegram should be regarded as replying also to Transport telegram No. 27

(1)

X EA.

7

Lord Passfield

(1) The enclosed papers about relief to wheat and maize growers in Kenya are very urgent because Sir Edward Grigg contemplates placing his proposals before the Legislative Council on the 19th of August.

I have kept a copy of the draft telegram and will telephone to you in the morning, so that, if you are able to approve it or can accept it with minor amendments, the telegram may then go off at once. I shall have to leave the Office at 12.15 for Sir Horace Smith-Barry's Funeral Service.

S. Johnson

15.8.30

Advised at
telephone

18
3

NOTE.

(1) The telegram states that the cost of the maize and wheat grading and conditioning plant in 1924 was £11,000, and that it was intended that a fund should be accumulated to meet interest and sinking fund on this. Such fund should by now amount to roughly £4,000. The amount available for the purpose appears, however, to be £9,200. There is, therefore, a surplus of £5,200 which is clearly available to be devoted to assisting the industry. The remaining ~~£6,800~~ £5,800, which the proposed refund of four-fifths of the charges would cost, is in the nature of a subsidy. It may therefore be treated as on a par with the other proposals.

(2) The ~~sub~~^{special} committee which considered measures to assist the ^{Kenya} industry recommended a direct subsidy to all exporters of 1/- a bag on maize exported, 2/- on wheat and a "comparable" relief to barley. It appears from the figures given in the telegram that the maximum cost of this scheme would be some £61,500.

x
Maize: 1,009,000 bags
at 1/- £50,450
Wheat: 100,000 bags
at 2/- £10,000
Barley: 10,000 bags
at 2/- £1,000
(4)
Total:- £61,450

Meanwhile, the Railway Council recommended a reduction of the rates on this season's crop amounting to £35,000, provided that equivalent assistance was given by the Kenya Government. In the circumstances, the Governor recommends a grant of £35,000 from surplus balances to the Railway to enable them to reduce their rates still further. He prefers this to the Committee's scheme of a direct subsidy. In view of the Railway Council's offer, presumably

x I don't understand why
when the loan was proposed it was
assistance = £61,450 by
rail proposed to give £70,000
unless the £61,450
was repaid as a deposit
of what the railway
was to do. 19/12/22

if the Committee's scheme were proceeded with, the assistance to be given would be reduced so that the estimated cost was not more than £35,000.

x 78089/26 k
x 10020/27 k
They eventually made a reduction of 20% only but this was considered sufficient.

(3) At the end of 1926, when the price of ^{Uganda} cotton slumped, railway rates on lint cotton were reduced by 25 per cent on condition that the steamship companies made a ^{similar} reduction of ~~20 per cent~~ in ocean freights. The Railway Council considered also that the Uganda Government should abolish altogether the cotton export tax, but the Governor gave reasons why he did not consider this justified.

16023/30 k
20499/20 U

Again, early this year the question of assistance to cotton growers was considered. The Governor asked the Secretary of State's permission to reduce the export tax on cotton at a cost of some £60,000. The Secretary of State approved of this proposal. Subsequently, owing to the reduction in the amount of the crop, and hence of the estimated revenue, the Governor decided not to reduce the tax after all. He did not consider that there was ~~any~~ sufficient reason for seeking assistance from railway funds.

It will thus be seen that in the case of the cotton industry no difficulty has been raised here when

- (a) the Government
 - (b) the Railway
- desired to assist the industry.

The cotton industry is, however, in a different position from the grain industry in Kenya in that the cotton industry is the staple industry of the

Protectorate

Protectorate, and its prosperity is vital to the prosperity of the territory. It cannot be pretended that the grain industry is in quite the same position. Last year the value of grain exports were as follows:-

Maize	£ 305,892
Maize meal	20,768
Wheat	38,281
Wheat flour	31,996
Barley	8,679.

Last year was the first year in which barley was exported.

Moreover, in Uganda there is a tax on cotton exported; assistance to the industry is therefore easily given by reducing this tax.

(4) Whether the Kenya Government gives the exporter so much a bag, or whether it indemnifies the Railway for a reduction of rates to an uneconomic level, the principle is the same, namely, a State subsidy to a particular industry. That principle is bad. Any departure from it could only be justified in ~~any~~ case of real emergency. *Does this exist at present?*

(5) According to the figures given in this week's "The Economist",* the wholesale prices of maize at 31st July 1930 was 33.7% below that on the 31st July 1929; foreign wheat was 40.9% lower, and barley 36.3% lower (of which fall 13.5% occurred during July). This fall in prices is undoubtedly terrific, even allowing for the general fall of wholesale prices. According to "The Economist" index (the 1927 level being 100), the current figure is 77.6% or 17.2% lower than a year ago. The other main East African products

*Figures from the advance
copy of the Agricultural
Dept. Report.*

*
*Mr McHardy of the
T.O. has now
provided figures for
the following table:-*

<u>Maize</u>	33.7%
<u>Wheat</u>	40.9%
<u>Barley</u>	36.3%

See last page.

*Also see notes
Cotton to 262
planned in
1600/1700 below
M/D*

E.A.T. 21.0.

figures

See under ~~the~~ ~~the~~ ~~the~~ products have fallen as follows:-
East African figures:-

Coffee	9.4%
Cane sugar	9.17%
Hides	3.8%
Cotton	28.1%

40.3%
level

23.9%

The comparable figure for sisal is not given, but the average London price has fallen from 40s/4d to 24s/9d, a fall of 38.5%. Sisal, therefore, is the only commodity besides grains, which has fallen more than the average.

2 coffee acreage
to 1000000
figures

E.A. fig 38.7%

(6) Clearly, the Government is only justified in granting special assistance in a case of real emergency. I think the figures quoted above show that there is a real emergency in the case of grains. They seem, however, to indicate almost as difficult a situation in the case of sisal. ^{2 coffee} Clearly ^{also} the principle should be that any assistance that can be granted by Government should be spread evenly between all industries in which an emergency exists. Before approving the Governor's proposals we should ~~clearly~~? therefore, seek a definite assurance that no assistance will be required by other producers, especially the sisal ^{2 coffee} producers.

(7) The question then arises whether ~~the~~ assistance on the scale proposed can be afforded, assuming that no further assistance will be required for other industries. The Railway Council has advised a reduction of rates costing £35,000. The Railway are justified in ^{from assistance} ~~so doing~~ owing to their interest in keeping exporters and importers of goods going, and the Secretary of State may ~~clearly~~ accept their advice. As regards the Government, the money would come from surplus balances. These have already been heavily

Not clear that it can be met from surplus Rly revenue this year
1939

depleted

X
 depleted; for instance, £100,000 has been taken for the Agricultural Advances Ordinance, though this is in the nature of a temporary advance which will be repayable eventually. Clearly, however, granted there is an emergency, this is the kind of object for which the surplus balances can properly be used. The Secretary of State may therefore agree to the utilisation of £35,000 from surplus balances.

I enclose the telegram which shows that it may not all be wanted. *Page 2*
 * The estimated "free surplus" at the end of the year *is 245,344*

(8) The next question is whether or not the ~~arrangements should be made for the assistance to be repaid.~~ ^{should} be repaid. The Governor enquires the Secretary of State's wishes on this point. The Board of Agriculture ~~suggested~~ ^{suggested} that the assistance proposed should be repaid later on when conditions improve by means of a levy on grain exported. The Governor is inclined to the view that the main interest of the Colony will then be in increased development by all communities and the consequent recovery of purchasing power. The point to a certain extent is technical, involving questions of the field of customs duties, but on political grounds it would appear desirable that the advances, or at least the Colony's share of them, should be repayable. Whether this should be done by a levy as proposed by the Board of Agriculture, or by a comparable increase in railway rates may be left for local decision at a later date.

The Govt. wants to do a thing with the help of the Colony which would be to help the railway (which might be repaid) but is to be repaid by the Colony.

(9) In 1929, the native exported £45,000 worth of maize, and no wheat or barley. In so far as he is an exporter he would benefit by the assistance given. In so far as he produces for the home market (which is what he mostly does) the price obtainable locally

locally should rise owing to the removal of surplus stocks. He should, therefore, be indirectly benefited to the same extent as the exporter.

(10) Apparently, no attempt has been made to induce the shipping companies to reduce their freights. I do not know whether it will be considered that some such attempt should be made. It could be done, I suppose, either by a letter from the Colonial Office urging that the East African Section of the London Chamber of Commerce should do something about it, or it could be done, perhaps better, from the other end.

(11) The above Note does not take into account the very recent rise in price due to the American drought. It does not seem possible at present to say whether the effect of this will be sufficient to affect the position materially.

G. G. G.
1.8.30

- (12) Since the above was dictated Mr. McHardy, of the Trade and Information Office, has produced the following figures of the price of East African goods in the London market at the 31st July, 1929, and 31st July, 1930:-

Wheat

*In the case of
Lepanda cotton
this was done
by Hamburg - it
seems a matter
rather for the local
people than the C.O.
JMS*

	<u>Price at 31st July, 1929.</u>	<u>Price at 31st July, 1930.</u>	<u>Decrease per cent</u>
Wheat, equator grade 1. (per 80 lbs)	47s/-	34s/-	27.6
Maize, grade 1 (per 40 lbs)	37/6 to 38/6.	23/9	about 37.5
Barley. ^x	31/6	18/-	42.8
Coffee.	101/- to 117/-	54/- to 76/-	40.3
Sugar, local price 33/- level. The only sugar exported from Kenya goes to Tanganyika and the price is kept level.			
Sisal.	£39. to £40.10s.	£24.10. to £23.10.	38.7
Cotton.	9d. to 11.7d.	6.62d to 9.11d.	23.
^x Very little barley goes to the London market, the above price is for grinding barley. -----			

These figures do not altogether bear out "The Economist's" figures given above, but they appear to make it all the more necessary to obtain from the Governor an assurance that no assistance will be required in respect of other industries, e.g. Coffee and Sisal.

	<u>Price at 31st July, 1929.</u>	<u>Price at 31st July, 1930.</u>	<u>Decrease per cent</u>
Wheat, equator grade 1. (for 480 lbs)	47s/-	34s/-	27.6
Maize, grade 1. (for 480 lbs)	37/6 to 38/6.	23/9	about 37.5
Barley. x	31/6	18/-	42.8
Coffee.	101/- to 117/-	54/- to 76/-	40.3
Sugar, local price 33/- level. The only sugar exported from Kenya goes to Tanganyika and the price is kept level.			
Sisal.	£39. to £40.10s.	£24.10. to £23.10.	38.7
Cotton.	9d. to 11.7d.	6.62d to 9.11d.	23.
x Very little barley goes to the London market, the above price is for grinding barley.			

These figures do not altogether bear out "The Economists" figures given above, but they appear to make it all the more necessary to obtain from the Governor an assurance that no assistance will be required in respect of other industries, e.g. Coffee and Sisal.

ORIGINAL *decide* of a telegram from the Gov. Kenya

Dated *9th Aug 1930* Received in the Colonial Office at *12.50 p.m.* on *9th Aug.*
 Dominions

Decoded
 _____ by
 Decyphered

oxm

No. 255. My telegram dated 7 Aug No. 254 maize and wheat please delete begins during the previous and current year, these charges have produced £8000 in excess of working expenses ends and substituted begins during the previous years and current year up to the end of June these charges have produced £8000 in excess of working expenses ^{ends} and a further accrual of £1200 is estimated for remainder of this season making a total of £9400.

Gov

A
12

RECEIVED
- 9 AUG 1930
COL. OFFICE

2²⁶

ORIGINAL *Decade* of a telegram from the *Govt. of Kenya*

Dated *7 Aug. 1930* Received in the Colonial Office at *9.12p* on *7 Aug.*
Dominions

Decoded
by *W. Williams*
Deciphered

No. 254. During the last meeting of the Legis. Ccl. Motion was unanimously adopted for refunding four fifths of grading and conditioning charges on maize and wheat for export levy from 1 Jan. in respect of the present season's crop. Amount involved estimated not to exceed £11,000. During the prev. and current years these charges have produced £8,000 in excess of the working expenses. It was originally intended that a fund shd. be accumulated to meet interest and sinking fund on conditioning plant wh. cost £11,000 when installed in 1924.

Half of £8,000 accrued this year owing to the large quantity of produce requiring to be conditioned on account of the abnormal wet season and on the advice of the Exec. Ccl. supported by the unanimous vote of the Legis. Ccl. I strongly recommend in these unfavourable conditions ^{that} refund proposed shd. be approved by tel.

After fur. close investigation of the position by the Bd. of Agric. & subsequently by special Committee of wh. the Director of Agric. was Chairman & Commr. of Lands and Postmaster Genl. were official members, I was unan- imously advised by the Committee that assistance provided in June thro' agricultural advances and Chattels ~~XXXXX~~ Transfer Ordde. & small measure of relief recommended above will not suffice to maintain grain industry or to ensure continuance of cultivation & sowing on an adequate scale. Reason is twofold. Firstly, further fall in prices. Secondly, cash reserves of farmers have been exhausted by bad ^(? group omitted) & many feel they cannot incur any further debts at 8% with conscientious intention of repayment.

Appls. under Agricultural Advances Ordde. are in consequence not numerous. Again as ~~XXX~~ selling prices are greatly below production costs it is necessary to give monetary assistance in direct form. Committee accord- ingly advise immediate relief to the ~~XXXXX~~ extent up to 1/- per bag of 200 lbs. on maize exported and 2/- on wheat exported provided that relief does not bring nett price Kenya station to more than 8/- and 13/- respectively to operate from 1 Jan. and to ~~XXXXXXXX~~ continue in respect of

of the present season's crop whose export will be completed about Sept. Comperable relief to be granted also in case of barley exported. Where grain exported thro' cooperative organizations average pool price throughout the season to be taken as determining amount of relief. It is calculated that ~~220,000~~ 220,000 bags of maize 40,000 wheat and 6,000 barley still remain for export & prices have fallen to five shillings 50 cents per bag maize nine shillings wheat and two shillings 20 cents f.o.r. e. station prices which are substantially below production cost. Total exports for the season estimated at 1,009,000 bags of maize 130,000 wheat 10,000 barley.

... railway ... gathered urgent appln. by the Bd. of Agric. for reduction of export rates ... crisis and has advised that reduction shd. be made ... 330,000 provided that the Kenya Govt. gives ... to the present season's crop. ... efforts to reduce expndre. and costs ... substantially in adjusting their

... the Govt. is essential if pro- ... for these efforts at reorganiza- ... of Govt. granting a direct ... from the Railway and

... per bag on maize 1/- per bag on wheat is ... very undesirable precedent ... Govt. would be better advised, ... through reduction in ... approximately equivalent to ... from the Colony's funds ... The need ... in the Colony. ... it seems to me vital to the ... for the appropriation of ... by telegraph in order that ... under Agric. Advances Ordce. ... it is not anticipated that full amount

... before the end of this year. This empha- ... of some further assistance. ... further assistance ... should be repaid by the industry ... sliding scale based ... Further that no levy shd. ... when prices recovered to a level when ... hardship. ... growers except when it is shown that they benefitted ... to the extent of such benefit. No repayment ... of the Railway Council ... because I consider ... will lie in increased ... consequent recovery of purchasing power

ORIGINAL dedode of a telegram from the

Dated 192 Received in the Colonial Office at Dominions on

Decoded by
Decyphered

I should be glad to know your wishes on this point. I may add that I appointed the Postmaster Genl. whose business capacity is exceptional to serve on the Committee in the place of the Treasurer as the latter has been absent from duty for nearly two weeks through illness Gov.

RECEIVED
- 8 AUG 1930
COL. OFFICE

18

Telegram from the High Commissioner for Transport
Kenya-Uganda Railway to the Secretary of State for
the Colonies.

Dated 7th August, 1930.

(Received Colonial Office 6.8 p.m. 7th August, 1930.)

(No. 2.) No. 254. 7th August. Reference Governor Kenya's
telegram no. 254 of today. I am discussing with
Government of Kenya details of action recommended
by the Railway Council with a view to making
immediate temporary reductions in the rates on cereals.
I endorse the opinion of the Railway Council that such
action which is based on action taken in cooperation
with Uganda Government in regard to cotton rates in 1927
is essential for the same reason as then prevailed namely
to prevent reaction on imports next season and consequent
reduction of railway revenue which would be inevitable
result from reduced cultivations and consequent
contraction of exports. Cost estimated at maximum
£35,000 which is the same as the cost of temporary
reduction of cotton rates three years ago and will
be found from this year's surplus revenue.

RECEIVED
- 8 AUG 1930
COL. OFFICE

18

Telegram from the High Commissioner for Transport
Kenya-Uganda Railway to the Secretary of State for
the Colonies.

Dated 7th August, 1930.

(Received Colonial Office 6.8 p.m. 7th August, 1930.)

(No. 2.) No. 27. 7th August. Reference Governor Kenya's
telegram no. 254 of today. I am discussing with
Government of Kenya details of action recommended
by the Railway Council with a view to making
immediate temporary reductions in the rates on cereals.
I endorse the opinion of the Railway Council that such
action which is based on action taken in cooperation
with Uganda Government in regard to cotton rates in 1927
is essential for the same reason as then prevailed namely
to prevent reaction on imports next season and consequent
reduction of railway revenue which would be inevitable
result from reduced cultivations and consequent
contraction of exports. Cost estimated at maximum
(contradiction) 235,000 which is the same as the cost of temporary
reduction of cotton rates three years ago and will
be found from this year's surplus revenue.

RECEIVED
-- 8 AUGUST --
001

Telegram from the High Commissioner for Uganda
Kaya-Uganda Railway to the Secretary of the
Colonies.

Dated 7th August, 1944.

(Received Colonial Office 11.11.44)

No. 27. 7th August 1944

Telegram No. 254 dated 7th August 1944

(No. 2)

Government of Kenya

by the Railway Council

immediate temporary

I endorse the

action which is

with Uganda

is essential for

to prevent

reduction of railway

result from

reduction (contingent)

of 250,000

reduction of cotton

be found from

