

1924

KENYA

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C. O.
32450
9 JUL 24

DEPT OF OVERSEAS TRADE

Date
8th July 1924.

PROPOSED SUGAR FACTORY.

Fwd copy of letter received from Trade
Commissioner at Nairobi relating to:

Previous Paper

MINUTES

Draft herewith for review.

HC
11-7-24

Gov 29197
M. G. 2825/4

Subsequent Paper

Gov
35662

14 JUL 1924

Handwritten marks

C. O.
32450
9 JUL 24

13928 ED

The Comptroller-General of the Department of Overseas Trade presents his compliments to the Under Secretary of State for the Colonies and begs to enclose for his information copy of a letter which has been received from His Majesty's Trade Commissioner's office, Nairobi, with respect to a proposed sugar factory in Kenya.

The Comptroller-General would be glad if he could be informed in due course of the action taken in this matter, and in this connection begs to refer to Mr. Glennys's letter of the 13th June.

8th July, 1924.

Department of Overseas Trade,
35, Old Queen Street,
S.W.1.

10th June, 1934.

EA/457/24.

101

Sir,

I beg to inform you that a few days before Colonel Franklin left for a tour of Tanganyika Territory a delegation representing a syndicate of Mauritius Sugar planters arrived in this Country for the purpose of examining the possibilities of Sugar production here. This delegation represents interests in Mauritius who have made large profits out of Sugar, and who have large surplus balances which they wish to invest in other possible Sugar producing lands.

The delegation has now been in Nairobi for about a month, and has worked in the closest touch with Colonel Franklin at first and with myself since his departure.

Their schemes fall under three headings -

1. As you are aware, there is a small Company named Sukari, Ltd., producing Sugar at Mile 13 on the Thika railway, and the first scheme is based on large development of that factory to a point where 20,000 tons of Sugar per annum would be produced. There is, however, no land available for purchase by the actual owners of the factory to be put up, though ample supplies of Sugar could be grown by the surrounding Coffee planters who have their land partially under Coffee and the rest available for Sugar Cane planting.

2. The second scheme is for the Company to erect a factory near Fort Hall in the Kikuyu reserve, and the proposal in this case would be that the Company should grow half its Cane requirements and take the other half from native growers.

3. The third scheme is that the Company shall buy certain Government land available in the Kibos district, together possibly with other land that could be bought from landowners, put up their own factory there and plant their own Cane requirements.

I have outlined scheme Nos. 2 & 3, although they do not deal with the particular point that I wish to raise in this despatch.

In parenthesis it may be mentioned that scheme No. 2 raises the question of the alienation of native land, and it will be some time before the local Government in collaboration with the Colonial Office, can lay down the necessary policy.

To revert to scheme 1, which is the particular matter that I wish to raise. The history of the delegation

is as follows in chronological order.

7. The existing position today is that most of the planters surrounding the proposed site of the factory are mortgaged up to the hilt, and it will be extremely difficult to secure money for them to finance the growing of the Cane.

8. At their first interview with the Governor the deputation discussed ways and means, and a suggestion emanated that part of the cost of the factory might be advanced by the Home Government under the Trade Facilities Act, or an allied measure, thereby allowing the Company to advance from their own funds up to a similar amount to the planters to finance their crop. The advances would be made to the planters at the same rate of interest as that charged by the Home Government for its advance. In practice the cost of the factory, according to a Glasgow quotation, would be about £170,000, whereas the maximum requirements of the planters would be £120,000 spread over three years, and it would be up to this latter amount that the Home Government would be asked to advance against the collateral of the machinery purchased.

9. At subsequent interviews the matter was more fully thrashed out and the local Government expressed some doubt as to whether the Home Government would approve such a proposal, but eventually a cable was sent to the Colonial Office, a copy of which I attach.

10. Meanwhile, pending the receipt of a verdict from Home, the delegation and planters concerned set about to find an alternative means of financing the planters, and the Banks were called in. It is fairly certain from the discussions with the Banks that the latter would advance the £120,000 maximum already mentioned, against a co-operative guarantee from all the planters concerned and also the Company. As I have pointed out, the planters are mortgaged to the hilt, and under a system of individual guarantees no planter would have any security to tap upon which there was not already in existence a prior lien. Under the co-operative guarantee if, say, one man's Cane were burnt out, the other planters would be jointly and severally responsible, together with the security afforded by the plant and machinery belonging to the Company only, i.e., the Company which the Mauritius delegation would serve with their own funds.

11. In theory this latter scheme might be preferable to the proposal to ask for financial assistance from the Home Government, but the great point where the Department comes in is that if the finance is arranged on this latter basis the order for machinery will go to Belgium as a much cheaper quotation - I am not sure of the amount, though £80,000 to £100,000 has been mentioned - has been obtained from that source.

12. Colonel Franklin after weighing all the circumstances considered that he should watch the progress of events from that point of view, and before his departure instructed me to keep in touch with the delegation and to

communicate direct with you when any definite stage of the negotiations were reached.

13. It may reasonably be urged at Home that the Company, i.e. the Mauritius people, have ample funds to finance not only the erection of the factory but also the planting of the Cane, but there are to my mind two powerful replies to that suggestion, namely

1. The proper function of the Company would be to spend their money in buying Cane, manufacture and export of Sugar, and not in financing the production of the Cane, which in theory seems to me to be the proper function of such an institution as a land, or agricultural bank, of which we have no type here. Even the ordinary commercial banks here state the risk is possibly outside their functions.

2. If the scheme is financed in the second manner I have mentioned, namely, a co-operative guarantee to the Banks here I feel that the United Kingdom will lose the order for the machinery.

14. Put into a nutshell the position, therefore, is that the United Kingdom secures an order for £770,000's worth of machinery which provides the collateral for an advance from the Home Government of £120,000 maximum - the Company would pay the balance of the cost, namely £50,000 - repayable in toto at the end of three years.

15. In the circumstances, I, following Colonel Franklin's general instructions, cabled you yesterday in the following terms -

"Most urgent. Government telegraphed to the Colonial Office June 6th regarding Sugar scheme. Franklin fully acquainted with scheme requests early sanction otherwise Belgium may be able to secure order because of lowest price."

16. Incidentally, this matter is of more than passing interest in connection with the shipping question on this Coast.

17. As you are aware, shipping from England usually proceeds to Beira before turning round, the reason being that most of our exports here are of bulk, or measurement, nature, and ships have to go to Beira to secure the necessary portion of weight cargo, i.e. copper ore. The Sugar produced by the proposed concern could be all for export, and, at the foreshadowed rate of 500 tons per week, would provide the necessary amount of weight cargo to enable ships to turn round at Zanzibar. The great benefit this would be to both the export and import trades of this Coast is so obvious that it needs no labelling.

I am, Sir,
Your obedient servant,

The Comptroller-General,
Dept. of Overseas Trade,
LONDON, S.W. 1.

Chief Clerk.

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Your obedient servant,

The Comptroller-General,
Dept. of Overseas Trade,
LONDON, S.W.1.

Chief Clerk.

GOVERNMENT HOUSE,

Nairobi, 101

6th June, 1924.

Telegram to Colonial Office, No. 183.

Delegation representing important sugar interests Mauritius at present visiting Kenya. Their scheme is to establish large sugar factories at Mile 13 Thika Railway capable of producing 20,000 tons sugar per annum at cost of £200,000 for buildings and machinery. Cane to be grown by farmers now established in vicinity to extent of 15000 acres. Small acreage cane in vicinity now doing well and syndicate proposed to arrange with banks to finance farmers to extent of £100,000 but is asking for Government assistance to finance scheme. This project favourably viewed by Agricultural Department and syndicate very favourably impressed with possibilities of large sugar development. Shall be glad to be informed whether such a proposal could be considered under the Public Utility Loan - vide your telegram of November 21st, 1923 - A sum of £100,000 being advanced by Imperial Government free of interest for 5 years on undertaking of syndicate to purchase all machinery in Great Britain up to the amount or more and on this Government's recommendation. Otherwise would any assistance to scheme be considered by Imperial Government under Trade Facilities Act and Export Credits Extension Act. Shall be glad to reply by cable.

GOVERNOR.

1 JUL 1924

14 July 1924

X

DRAFT

The Capt. General
Govt. of Western Province

MINUTE.

- Mr. Callan 11.7.24
- Mr. Bollenby 11/7/24
- Mr.
- Sir C. Davis
- Sir U. Grange
- Sir H. Hill
- Sir J. Masterton Smith
- Lord Arnold
- Mr. Thomas

(for comment)

(21/7/24)

Receipt of your letter of the 13th of June No. 13928/E.D. and of your note of the 8th of July with respect to a proposed sugar factory in Kenya, and to transmit to you a copy of a telegram sent to the Govt. on 5th July in reply to his telegram of 6th June.

2. It seems clear that the Govt. of Kenya were under

a. unapproachability in shipping

that H. M. Govt. would grant loans

under the Trade Facilities Act.

Moreover in any case ^{it is not sufficient that} a factory

in Kenya could not be ~~included~~ ^{regarded}

regarded as a "public utility undertaking"

within the meaning of section 2(c) of

the Trade Facilities Act 1924.

9
(Signed) H. J. READ

a misapprehension in supposing

that H. M. Govt. would grant loans

under the Trade Facilities Act.

Moreover in any case ^{it was never intended} a paper factory

in Kenya could not be included in

regarded as a "public utility undertaking"

within the meaning of section 2(16) of

the Trade Facilities Act 1924.

9
(Signed) H. J. READ