CABINET

THE FUTURE OF THE EAST AFRICAN GROUNDNUT SCHEME

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES AND THE MINISTER OF FOOD

Summary

There seems no escape from the view that the original conception of the East African Groundnut Scheme must be abandoned. It has not proved possible to carry on "the large-scale production of groundnuts" on a commercial basis and there is no hope of the United Kingdom receiving any significant supply of oilseeds from this scheme. This is the inevitable conclusion which must be drawn from the revised long-term plan (Annex I) which the Overseas Food Corporation have submitted for our consideration and on which we now seek the views of our colleagues. We have set out the reason why we believe that the original conception must be abandoned and we have sought to re-define the objectives of the scheme. If our colleagues accept this view it follows that departmental responsibility for the future direction of the scheme should be transferred from the Ministry of Food to the Colonial Office. If our recommendations are approved we propose that the new basis for the scheme should be published as a White Paper before the Christmas Recess. A preliminary draft of such a White Paper is attached (Annex III).

Last Year's Plan

2. When the Cabinet considered the future of the East African Groundnuts Scheme a year ago (C.M. (49) 66 Conclusions) they accepted a plan prepared by the Overseas Food Corporation to clear 600,000 acres of bush in Tanganyika by 1954. The Corporation's plan was to complete the clearing of 90,000 acres at Kongwa which were already nearly finished and to clear 90,000 acres at Urambo and 420,000 acres in the Southern Province. The Corporation estimated that the whole plan could be carried out within a total borrowing of £47.6 million. By the end of 1950 clearing at Kongwa and Urambo would have been completed and 22,000 acres would have been cleared in the Southern Province. The Corporation expected to borrow £36.500,000 by the end of March 1951.

Experience of the Past Year

3. The Corporation have not been able to achieve the targets for 1950, and the experience of the past year has, moreover, convinced them that the 600,000 acre plan is not attainable either within the time or at the cost previously estimated. At Kongwa 90,000 acres were cleared by the end of 1949, but at Urambo only 50,000 acres will be completely cleared by the end of this year and in the Southern Province no more than 7,200 acres. Thus, instead of 202,000 acres cleared by the end of 1950 as had been planned, there will be a cleared area of only 147,000 acres.

4. The area available for agriculture will be even less. The Cabinet have already accepted the Corporation's recommendations that, as the Kongwa Working Party proposed, only a limited acreage of land at Kongwa should be used for agriculture during the next three years (C.M. (50) 62nd Conclusions, Minute 2). This and the fact that the hoped for acreages have not been cleared in the other two areas mean that instead of planting and harvesting 182,000 acres in 1951 as they had previously planned, the Corporation will be using only 64,650 acres of
cleared land for agriculture. It is true that by the end of March 1951, the Corporation's borrowings are not expected to amount to more than the original estimate of £36,500,000, but their productive assets will fall very far short of expectations.

5. The discrepancy between the Corporation's objectives and their achievements has been so great that they have had to make a complete recast of their plans. This discrepancy has been due, not to any single difficulty or disaster, but to a number of different factors resulting from conditions in Tanganyika.

The Corporation's Revised Plan

6. What the Corporation now propose is a 7-year programme of agriculture and development, with detailed agricultural plans for the first three years up to 1954 and a full review of the development side of their activities at that time. No more clearing is envisaged at Kongwa or Urambo, and the further clearing which is proposed in the Southern Province would be done by a slower but less costly method involving partly mechanical and partly hand labour. They propose to fell 40,000 acres of bush during the rainy season which is just beginning, and to clear and prepare this ground for agriculture over the next three years with a very much smaller land clearing team than is at present employed. This team would continue further felling and clearing at the rate of about 15,000 acres a year and, unless the review in 1954 led to a change in policy, this rate of clearing would continue up to 1957. The total cleared area in the Southern Province would thus be increased to about 105,000 acres by 1957, with a further 45,000 acres felled, and in various stages of preparation for agriculture.

7. During the next three years the total acreages which the Corporation propose to plant are:

<table>
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<tr>
<th>Year</th>
<th>Acres</th>
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<tr>
<td>1950-51</td>
<td>64,650</td>
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<tr>
<td>1951-52</td>
<td>74,250</td>
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<tr>
<td>1952-53</td>
<td>81,450</td>
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Each year, 12,450 acres would be planted at Kongwa and 45,000 acres at Urambo. The acreage in the Southern Province would increase from 7,200 acres in 1950-51 to 24,000 acres in 1952-53. About half the planted acreage would be under groundnuts each year.

8. By 31st March, 1951, the Corporation expect to have borrowed £36,500,000. The new plan envisages further development expenditure from that date up to 1957 of £5,678,000, but provision has to be made for losses on farming operations up to 1953, for headquarters expenditure, for past commitments, for running down and compensation expenses, for accumulated depreciation and for contingencies, amounting in all to a further £5,072,000. This assumes an expenditure of some £47,250,000, but the net expenditure will only be £43,450,000 for the sale of surplus equipment. Thus the Corporation's plan envisages a further borrowing of £8,500,000 without any provision for agricultural losses after 1953. £2,500,000 has been invested in or earmarked for the Queensland-British Food Corporation and the total borrowings required by the Overseas Food Corporation to carry out their plan are thus estimated at £47,500,000. This is £2½ million short of the limit of £50 million set to their borrowing power, and the Corporation have assumed that they would be able to draw on the balance to meet any agricultural losses or contingencies for which their reserves proved inadequate.

The Nature of the New Plan

9. The plan which the Overseas Food Corporation have now put forward is very different from the scheme that which was originally approved by His Majesty's Government, and on the basis of which work was begun in East Africa. The recommendations of the Wakefield Mission which visited East and Central Africa in 1946 were based upon the conception of a fully mechanised scheme which would make a very considerable contribution within a short period to the world shortage of oils and fats. The proposal was to clear by 1952 no less than 3½ million acres of bush of which 1,605,000 acres were to be planted annually. The annual production of shelled groundnuts was estimated at 600,000 tons. This would have provided about 276,000 tons of oil a year.

10. The modified plans submitted by the Overseas Food Corporation and approved by our colleagues a year ago (C.M. (49) 66th Conclusions, Minute 3)
though very much less ambitious than the original programme, would, neverthe­
less, if successful, have made a significant contribution to our supplies of oils and
fats. It was hoped to produce about 180,000 tons of groundnuts and sunflower
seeds or some 63,000 tons of oils a year by 1954.

11. The revised long-term programme now put forward by the Overseas Food
Corporation in effect recognises the abandonment of the original concept of the
scheme. They have stated in their submission that “the groundnut is not a plant
which lends itself readily to mass methods over vast acreages.” Out of the area
of some 81,000 acres to be cropped in 1952–53 only about half would be oilseeds.
The annual production of oilseeds by 1953 would be about 13,000 tons, which,
ignoring any allowance for seed and other uses in East Africa, would produce a
little over 5,000 tons of oil. The United Kingdom’s weekly usage of all oils for
edible purposes is 15,000 tons of which 5,000 tons are soft oils. Thus by 1953 the
Corporation’s new plan would contribute just over a week’s supply of the United
Kingdom’s consumption of soft oils, and that only after further very heavy capital
expenditure. In addition the scheme is expected to produce about 21,000 tons
of coarse grains—an insignificant quantity in relation to the United Kingdom’s
needs of over 3½ million tons.

12. Finally the Corporation report that they see no prospect of fulfilling their
obligations under Section 15 (1) of the Overseas Resources Development Act. This
Section imposes upon the Corporation the obligation “so to exercise and perform
their functions as to secure that their revenues are not less than sufficient to meet
all sums properly chargeable to their revenue account . . . . taking one year with
another.”

In short the Board state that the scheme can no longer be regarded as a
commercial enterprise for the large-scale production of oilseeds, and therefore
funds can no longer be made available on the old statutory basis. If the scheme
is to go on it must do so as a new type of enterprise and on a different basis.

The Corporation’s Objectives

13. The Corporation’s objective is to make the best use of the real and
financial resources which they have assured to be available. In addition to ground-
nuts, maize and sorghum they hope to grow millet, cotton and possibly tobacco,
while at Kongwa they have embarked upon cattle ranching. They are thus propos-
ing a form of experimental mixed farming with products partly for export and
partly for local consumption. But the proposals are put forward with important
qualifications as to the results which may be expected. The Corporation consider
that “given freedom from natural calamity, their agriculture ought in time (not
necessarily within the seven-year period of the plan) to pay its way and cover its
future overheads and the depreciation on the assets retained for use.” In other
words they can hold out no hope that it will be able to pay any return on the
capital which has already been invested, and they can at present offer no prospect
of servicing the capital which will be required to finance the future clearing which
they propose for the Southern Province.

14. Indeed, it is not possible for the Corporation to say when the yearly
operation of the cleared land will be such as to meet current costs. In expressing
the hope that their farming operations will in time pay their way the Board have
made certain assumptions about which some uncertainty must be felt. The points
of doubt are:

(i) the nature of the crops to be grown in the three areas (particularly in
the Southern Province where there has so far been very little agri-
cultural experience) and the yields likely to be obtained;
(ii) the risk of drought in Kongwa and Urambo;
(iii) the extent to which the incidence of heavy rainfall in the Southern Province
may disturb and hinder agricultural operations;
(iv) the fact that a form of farming organisation which can be run economically
has yet to be evolved. This may present particular difficulties in the
Southern Province where, for topographical reasons, the farms will be
scattered.

Only further experience can show to what extent anxiety on these scores is well
founded.

39709
Economics of the New Plan

15. The revenue-earning potential of the cleared land in the year ending 30th September, 1953, has been examined by officials both on the basis of the assumptions made by the Board and also on some alternative assumptions about prices and yields. The income of the scheme will depend on the yield per acre of the crop cultivated and the price per ton obtained for them. In order to minimise the variables it is assumed that the Board’s expectations of yields of coarse grains are obtained and that the groundnut yield is either 700 lb. per acre, the Corporation’s figure for Urambo and the Southern Province, or 500 lb. per acre—the latter an assumption made by the Ministry of Food in the light of yields elsewhere. Three levels of price for groundnuts have been assumed—£60, £50 and £40 per ton at railhead.

<table>
<thead>
<tr>
<th>Price per ton of groundnuts at railhead</th>
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<tr>
<td>£60</td>
<td>£</td>
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<tr>
<td>£50</td>
<td>£</td>
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<tr>
<td>£40</td>
<td>£</td>
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- **Groundnut yields**
  - Per acre
    - 700 lb.
    - 500 lb.

- **Agricultural profit (+) or loss (−) per acre**
  - £
  - £
  - £

16. This estimate of profit or loss is based on an estimate of cost of production of £11·9 per acre covering farm costs, farm depreciation, and regional overheads, but ignoring depreciation (other than that on farm implements), central administrative overheads, writing off of land clearing costs and development and interest on advances. It shows that without taking into account the higher priced crops with which the Corporation are experimenting, the only prospect of covering the costs of production is if yields of 700 lb. per acre are obtained and if the price paid at railhead is above £50 per ton. Last year’s purchase of groundnuts from East Africa was made at a comparable price of £44. Next year’s price for groundnuts based on the price which the Ministry of Food have agreed to pay for West African groundnuts would be about £61 10s. at railhead, but it would be unwise to base estimates on the indefinite continuance of these very high prices.

17. In the light of the factors brought out in the Corporation’s report it is clear that their revised plan cannot be justified on commercial grounds even if a period of fructification is assumed. It is only necessary to draw particular attention to:

(i) the anxieties about the way in which the actual agricultural performance will conform to the estimates (in view of the limited experience on which they have been based);

(ii) the fact that even if all the assumptions are realised, the food available for the United Kingdom will be insignificant in relation to our requirements;

(iii) the great uncertainty of securing any adequate return on the scheme however it may be capitalised.

Should the Scheme go on?

18. We have had to consider whether, in these circumstances, it is justifiable to continue the scheme at all. Last year the Cabinet were advised that on purely financial grounds it would not be possible to recommend the acceptance of the plan which the Corporation then put forward. The new plan proposes expenditure on about the same scale as the previous one, but offers a much more limited asset at the end. It could be argued that the prospects of any return of financial or commercial significance on this smaller project are not such as to justify devoting further resources to it. If this new plan were to be assessed solely by commercial criteria to which the Ministry of Food must have regard, we are agreed that there would be no alternative but to recommend His Majesty’s Government to seek to cut their losses on this venture by closing down the scheme at once.

19. However, the significance of this development work cannot be measured in terms of commercial considerations alone, and many of the reasons which were accepted last year as a justification for continuing operations are still valid. It would not be right to assume that, because the original conception of the scheme to produce a large new supply of oilseeds within a few years has failed, the whole project is worthless and must be abandoned.
20. We recognise that from the point of view of United Kingdom food supplies in the short term, the reasons which made the scheme of special immediate significance to the Ministry of Food no longer apply. But from the point of view of colonial development and of world food supplies in the long term as well as from the wider political point of view, the reasons for continuing the scheme which were accepted last year are still applicable.

The Colonial Development Case

21. From a colonial development point of view the issue can be simply stated. It is generally recognised that if the agricultural resources of the African territories are to be properly developed, a means of bringing new areas under cultivation and of improving the efficiency of farming methods must be found. When the groundnuts scheme was started it was widely publicised as a major contribution to the economic development of East Africa by the introduction of such new methods. Although our original hopes have not been realised, the Corporation have already cleared a substantial acreage for agriculture and have assembled the facilities for further clearing. Workshops, hospitals and other installations have been created at great cost; a railway has been specially provided for the project in the Southern Province and a port is in an advanced stage of construction; roads and other facilities have been provided. Above all, the Corporation have acquired the technical knowledge and skill which, although the experimental work is still incomplete, make them a leading authority on clearing technique. In considering the future of the scheme we cannot approach it as if it were a new commercial agricultural project. We must take into account the assets which have been created and the technical knowledge which has been assembled. If we were to abandon the project without trying to turn it to useful advantage and without giving farming operations a proper chance to prove themselves, we should not simply be giving up the scheme; we should be abandoning in mid-course a project which, in spite of its early setbacks, may in the long run be of the utmost importance to the future of colonial development.

The World's Long-Term Needs

22. The world need for increased food supplies in the long term, especially of oils and fats, is as urgent to-day as when we started the scheme and is bound to become more urgent as world population increases and standards of living rise. In the long run the deficiency can only be met by bringing into cultivation new lands which have so far not been economical to develop. By existing methods of agriculture, colonial territories in Africa with their own rising populations, cannot hope materially to increase their exports of foodstuffs. If they are to make a substantial contribution in the future to world food supplies they can only do so from new lands and by new techniques of agriculture. It is for the purpose of testing and establishing the economics of such new techniques that we regard it as particularly important to continue the scheme; if we are successful in this work it is clear that, both from the point of view of colonial development and of world food supplies in the long term, the results may have far wider significance than the scale of operations now projected. The Corporation have not yet found a means of bringing new lands into cultivation at a cost which enables them to produce relatively low priced crops on a commercial basis. In our view it is essential that the working out of techniques should go on. For all these reasons we feel that it would be indefensible to give up the scheme now.

The Political Consequences of Abandonment

23. The political repercussions which might be expected at home, in East Africa and throughout the world if we abandoned the scheme would be deplorable. At home we have proclaimed our faith in the concept of public investment in overseas development. Only public enterprise can take the risks and find the large sums of money needed for pioneering investment projects to open up new areas. If we fail to persevere with our efforts and make no attempt to turn our experience to some reasonable account, we may discredit the principle of public enterprise in this field. In the original White Paper (Cmd. 7030) it was stated that “While the immediate reason for the launching of this scheme is the urgent need for new supplies of fats for the United Kingdom, His Majesty’s Government believe that its long term importance may lie even more in the practical demonstration it will provide of the improved productivity, health, social welfare and prosperity which
scientific agriculture can bring to Africa.” The need for proof of what scientific agriculture can bring to undeveloped parts of Africa is as urgent now as it was in 1946. More attention is focussed today in the United Kingdom, in the United States, and elsewhere on the need for the opening up of undeveloped areas. The abandonment of the scheme would conflict with our policy of colonial development and of mutual aid for the development of backward territories generally.

A New Basis for the Work

24. We recommend, therefore, that work in East Africa should go on and that its continuance should be based on the need for a development project designed to establish the economics of bush clearing and agriculture which, in particular, will:

(i) make the best use of the agricultural assets of the old scheme;
(ii) make some contribution to the further development of Tanganyika;
(iii) provide experience in clearing and cultivating land which may be of value to the whole Colonial Empire.

Transfer of Ministerial Responsibility

25. If it is agreed that work should go forward on the new basis of an experimental Colonial development project, it follows that responsibility for the new scheme should pass to the Secretary of State for the Colonies and we recommend that this transfer should be arranged. We have considered whether in these circumstances any change in the administrative arrangements for the scheme are desirable. But we have reached the conclusion that there are strong reasons for retaining the present form of organisation, although we should propose to make a substantial reduction both in the number of full-time members of the Board and in the size of the Corporation’s London office. The Corporation are themselves undertaking a very substantial reduction and reorganisation of their East African staff. The Board of the Corporation who have drawn up the programme on which this reorganisation is based and who, therefore, best understand the implications of carrying it out have the responsibility of giving to the staff in East Africa a feeling of stability in the very difficult circumstances of readjustment. Not only would a change in the form of administration be a danger to morale, but the objectives which the Board had in mind in drawing up their plan might well be lost.

26. We have also considered the possibility of transferring responsibility for the scheme to the Tanganyika Government, or alternatively to the Colonial Development Corporation. But neither of these alternatives commends itself. The Tanganyika Government have neither the administrative nor the financial resources to enable them to accept responsibility for the scheme at this stage, and even without these decisive practical objections, we do not believe that it would be acceptable to Parliament that responsibility for a scheme in which the United Kingdom has such a large financial stake should be transferred to the Government of Tanganyika. It may well be that at some later stage when the economics of the scheme have been established and appropriate financial arrangements have been made a transfer of responsibility for the operation of the agricultural holdings to the Government of Tanganyika will provide the right solution, and this consideration, together with the advantages which will accrue to the Corporation from close association with the Government in charge of the territory in which they are operating, lead us to feel that the Government of Tanganyika should from now on be represented on the Board of the Corporation. Arrangements are being made to this end.

27. Now that the scheme must be regarded as a project of Colonial development, the natural course might seem to be to transfer responsibility for it to the Colonial Development Corporation. But there are strong reasons for rejecting this alternative:

(i) The Colonial Development Corporation in the same way as the Overseas Food Corporation are required by the terms of the Overseas Resources Development Act to conduct their operations on a commercial basis. The financial considerations mentioned in paragraph 34 below show that it would be quite inappropriate for the scheme to be controlled by a body functioning under such conditions. Indeed, the new basis of operation as an experimental development project makes it essential that the scheme should be freed from these very sections of the Overseas Resources Development Act.
The Colonial Development Corporation have already an immense task on their hands. They have now some fifty projects under way, of many different types and scattered all over the Colonial Empire, while other projects are under active investigation. They are already finding great difficulty in carrying the administrative burden and providing the managerial staff. In fact they have as much work as they can manage. The addition to their responsibilities of so large, difficult and controversial a scheme as the Tanganyika groundnuts scheme would inevitably increase the burden falling on them as in our view seriously to interfere with their proper task of initiating new development projects throughout the Colonial Empire.

The absorption of the Overseas Food Corporation by the Colonial Development Corporation would involve just that change of organisation which we are most anxious to avoid from the point of view of the morale of the staff of the Overseas Food Corporation and the efficient operation of the scheme. A new Board would almost certainly wish to review the whole basis of the scheme, if only to acquaint themselves with the nature of the plans; they would have to be given the freedom to make changes and modifications according to their own views, and this would produce further instability.

For these reasons we believe that it would be unwise to make the Colonial Development Corporation responsible for the groundnuts scheme, although we consider that a link between the two Corporations should be re-established by the revival of the original arrangement under which each Corporation was represented on the Board of the other.

We, therefore, conclude that the most satisfactory arrangement is a direct transfer of responsibility for the Overseas Food Corporation to the Colonial Office. Their activities should be limited for the present to the conduct of the present project, but the legislation should, we think, be so drafted as to make it possible, if the Government later so decide, for them to undertake other similar projects in East and Central Africa. If this transfer is to be made, it is, of course, desirable that the necessary legislation should be passed as soon as possible in order that the Corporation should not have a further change hanging over it.

The Scale of Future Operations

29. If our recommendations to continue are approved it is necessary to decide the scale on which the work shall be carried on. We agree with the Board's proposals for Kongwa and Urambo. No further land clearing is envisaged at either place. There remains to be settled the scale of development in the Southern Province, where 20,000 acres have already been felled and partly cleared. The current year's clearing effort there is just starting. A fully found base has been created at Nachingwea and men and machines are all set to fell 40,000 acres this wet season. It would be costly to cancel this effort and to pay off the staff for breach of contract. And the feeling that the programme of clearing was to be stopped would seriously affect the morale of the staff who are concerned with the agricultural development of the cleared land. The Board of the Corporation—and their opinion on this is crucial—feel that the abandonment of clearing this year would almost surely "wreck the scheme." In view of this we both agree that circumstances compel the adoption of this year's felling programme, and, of course, the subsequent completion of clearing and preparation of the land for agriculture. Without any further felling this would provide 60,000 acres in the Southern Province.

30. The Corporation's clearing plan proposes the felling of 15,000 acres in each clearing a year from 1951 to 1957, with a review in 1954. The plan would cost £5,225,000 up to 1957, when 105,000 acres would have been completely cleared and a further 45,000 acres felled. It would cost an additional £2,092,500 to complete the preparation for agriculture of this further felled land, bringing the total cost to £7,317,500. This includes the sum of £2,817,500, which would be required in any case to complete the clearing and to establish farms on the land which will have been cleared at the end of this season.

31. We do not feel it right to ask our colleagues to commit themselves at this stage to a clearing programme which looks so far ahead as 1957. The Corporation have themselves proposed a review of future clearing operations in 1954. If work
were to continue on the basis of their proposals up to 1954 and it were decided in the light of the review then made that no further felling should be done, but that the land already felled should be cleared and prepared for agriculture, the Corporation would then have 105,000 acres available for agriculture and the total cost would be £5,067,500 (or £2,250,000 more than the £2,817,500 which, as indicated above, would be required in any case).

32. We feel that financial provision should be made to enable the Corporation to undertake operations on this latter basis up to 1954. It is not, in fact, necessary to decide immediately upon the exact scale of future felling for 1951-52 and the two subsequent years up to 1954. We would, therefore, prefer to postpone a decision on this until next year, when the Corporation will have had one more year's experience and will be able to review their own proposals in the light of developments meanwhile. As regards felling after 1954, we feel that no commitments should be entered into at this stage.

The Guarantee of Continuity of Agricultural Operations

33. We do not advise our colleagues to commit themselves as far ahead as 1957 on the clearing programme. We feel it essential, however, that the Corporation should be given an assurance of continuity for their agricultural work. They have suggested that, for the sake of morale, an assurance should be given that His Majesty's Government will guarantee the continuance of agricultural operations for at least seven years. They cannot hope to retain able and responsible members of their staff unless they are given a reasonably reliable period in which to test the results of farming operations. Our advisers are unanimous in feeling that seven years is the minimum period for a reliable test of the economics of farming operations, and we recommend that the Board should be given the assurance for which they ask. We attach the highest importance to this point.

Corporation's Inability to Meet its Statutory Commitments

34. The Corporation's intimation that they are unable to comply with the provisions of the Overseas Resources Development Act, which requires them to repay advances received from the Government or to pay interest on outstanding advances (Section 13 (1)) and to secure that their revenues are sufficient to meet all charges, including the service of their debt, taking one year with another (Section 15 (1)), automatically makes new financial arrangements essential. The Board's memorandum is a declaration that they will be unable to comply with any directive which the Minister of Food might give for the repayment of advances which they have had. This involves the recognition that, with the consent of Parliament, there will have to be a drastic writing off of lost capital. Against this writing off would be set such sums as might be recovered from the disposal of surplus assets. It might also be possible to revive some of the capital if it is found at the end of a development period that the concern, or some part of it, can pay its way. It is not possible to put a figure on either of these potential credits. We recommend, therefore, that authority should be sought to write off the whole of the issue up to date at which there is amending legislation. The Exchequer will be credited with any receipts from the disposal of surplus assets as and when they arise.

Basis of Further Financial Issues

35. It will then be necessary to determine the method by which new issues are made to the Corporation. While there is a hope that some part of the scheme may be able to pay its way at the end of a development period, there is no guarantee that this will be so. It would be unwise, therefore, to introduce any new legislation which provides for issues to be made to the Corporation on the assumption that in the end there will be a commercial basis of operation. If the Corporation is freed from any obligation to operate commercially it would be very difficult to justify to Parliament any different method of providing money other than by Vote. We have accepted this view and we agree that issues should be made by means of Votes.

The Finance of the New Scheme

36. The Ministry of Food have made the best calculation they can from the information provided by the Corporation of the probable cost of alternative plans. This is set out in Annex II. A sum of £5,072,000 is required to meet existing
commitments and the cost of farming operations, headquarters expenditure and contingencies up to 1953. A further £453,000 is required, mainly for new buildings to complete development in the Central Region. The immediate felling and clearing effort in the Southern Province (to complete the 60,000 acres referred to in paragraph 39) will require £2,817,500, and to this will have to be added whatever sum (not exceeding £2,250,000) is required to pay for such felling operations up to 1954 as are decided on next year, and for the clearing of this additional land. Thus the total expenditure, assuming that the full £2,250,000 is spent, would be £10,592,000.

37. In addition it has been recommended in paragraph 33 that continuance of agricultural operations should be guaranteed for a period of 7 years up to 1957. The Corporation, for obvious reasons, have felt unable to make any forecast of the probable outcome of agricultural operations after 30th September, 1953. We cannot at present make any estimate of what sum, if any, may be required for this purpose.

The Queensland-British Food Corporation

38. If this transfer of responsibility is accepted, arrangements will have to be made for the Overseas Food Corporation to be relieved of their responsibility for the Queensland-British Food Corporation. The capital for the Queensland project has been advanced by the Overseas Food Corporation and the Queensland Government. The Overseas Food Corporation have already made the total contribution to which they are committed to a total contribution of £1:5 million. The Queensland Government are committed to contributing £500,000. The development work is already well advanced. About 480,000 acres of land have been acquired and 70,000 acres were under crop this year. Next year it is hoped to plant and harvest 100,000 acres and by 1953 the Corporation will have completed their present agricultural development programme.

39. The development of cattle production is proving very successful. They now possess 14,000 head of cattle and are preparing a breeding establishment where they hope to breed 6,000 head of cattle a year. Pig production is proceeding slowly but is not likely to figure large in their future plans.

40. It is reasonable to assume that this year the Queensland-British Food Corporation will make a trading profit. They are thus already well established and are within sight of a time when they will be in a position to meet their capital commitments. At present the Board consists of a Chairman, and three members nominated by the Overseas Food Corporation and a Deputy Chairman nominated by the Queensland Government. Although the Overseas Food Corporation have the major representation on the Board, it is in fact very difficult for them to exercise more than a nominal control over an organisation so far away. The driving force inevitably comes from the Deputy Chairman who is in Queensland and can thus keep in direct touch with the Corporation's activities. In these circumstances we feel that there is much to be said in favour of allowing the Queensland Government to assume full responsibility for the direction of future development. His Majesty's Government have every reason to be satisfied with the part which they have played in setting on its feet an organisation which, though relatively small, promises well. But their position is that of an investor rather than a prime mover, and the Queensland Government might well be invited, at this stage in the Corporation's development, to take over full control and financial responsibility for the scheme. This is not a scheme which requires investment on the scale of the groundnut scheme and there seems no reason why arrangements should not be made for the repayment of the capital invested by His Majesty's Government. If this course is approved, we should propose, in consultation with the Secretary of State for Commonwealth Relations, to initiate discussions with the Queensland Government.

Recommendations

41. We, therefore, recommend that—

(a) it should be recognised that the original purpose of the groundnut scheme is no longer capable of fulfilment;
(b) in order to make the best use of the assets in East Africa, work should go on and should be based on the need for a development project designed to establish the economics of clearing and large-scale agriculture;

39709
(c) the Overseas Food Corporation should be given an undertaking that the continuance of agricultural operations for a period of at least 7 years is assured by His Majesty's Government;

(d) responsibility for the direction of the Overseas Food Corporation should be transferred from the Minister of Food to the Secretary of State for the Colonies;

(e) a decision on the rate of felling in 1951–52 and the two subsequent years should be taken in 1951 and there should be a review of further felling policy in 1954;

(f) Parliament be asked to approve the writing off of all money advanced to the Overseas Food Corporation up to the time of its transfer to the Secretary of State for the Colonies, and to provide as required the issue of further funds for the new project;

(g) legislation should be introduced as soon as possible to amend the Overseas Resources Development Act to implement these decisions;

(h) negotiations should be initiated with the Government of Queensland with a view to transferring responsibility for the direction and financing of the Queensland-British Food Corporation to the Queensland Government.

J. G.
M. W.

30th November, 1950
ANNEX 1

OVERSEAS FOOD CORPORATION

EAST AFRICAN GROUNDNUTS SCHEME

REVISED LONG-TERM PLAN

The revised long-term plan for the East African Groundnut Scheme described in this paper proposes a further drastic reduction in its scope and objectives. The White Paper plan of February, 1947 (Cmd. 7030) proposed the preparation for agriculture of 3,210,000 acres. Of this total 2,400,000 acres were to be in Tanganyika divided between Kongwa 450,000 acres, Urambo 300,000 acres and the Southern Province 1,650,000 acres. A further proposal to develop 300,000 acres in Kenya and 510,000 acres in Northern Rhodesia was abandoned in the early stages of the Scheme. The peak borrowing for the complete Scheme was fixed at £25 million.

2. When the Overseas Food Corporation assumed administrative control on 1st April, 1948, it was already apparent that the acreage proposed in the White Paper plan could not be cleared and developed within the estimated capital expenditure. A revised scheme was prepared in 1948 for the clearance of 2,355,000 acres by 1957, involving a peak borrowing of some £66.7 million, a figure which Ministers were unable to accept. Further experience in the operation of the Scheme showed that both land clearing and the establishment of agriculture involved far higher capital costs than were provided for in the White Paper plan or were estimated in the first instance by the Corporation.

3. In September, 1949, a revised plan was submitted to Ministers which was approved and announced in the House of Commons on 21st November, 1949, which estimated that a total of 600,000 acres could be brought into production in the three development regions by 1954 for a capital provision, including a reserve for agricultural losses over the earlier years, of £48 million.

The finances of the revised plan, as of the White Paper plan, were dependent not only on the development costs being kept within the estimates, costs which rely to an important degree on the rate of annual development keeping pace with that assumed in preparing the estimates, but also on the net revenue from agriculture.

4. The Kongwa contribution to the total of 600,000 acres was to have been 90,000 acres, of which 81,000 acres would be under production. As a result of two extremely disappointing seasons at Kongwa it was decided, on the recommendations of the Working Party which studied the position on the spot, to restrict cultivation to 12,000 acres for the next three years.

5. The Urambo contribution was also to have been 90,000 acres and the 1949/50 development programme was to clear to that total. There was a delay at the beginning of the season in assembling in Urambo the land clearing resources necessary for this target, principally due to railway services being diverted to the relief of famine, and it soon became evident that 90,000 acres could not be reached in 1949/50. To have maintained the land clearing organisation for a further season in order to complete 90,000 acres at Urambo would have involved an additional capital outlay which the Corporation regarded as being unjustified. It was therefore decided to reduce the target to the acreage which could be completed in 1950; a figure estimated at 65,000 acres.

6. The major effort was planned for the Southern Province where 420,000 acres were to be cleared. The plan provided for the completion of 20,000 acres during the current season ending November, 1950, the balance of 400,000 acres to be completed by the end of 1954. Some 20,000 acres will have been felled during the 1949/50 season, of which about 7,200 acres will be available for planting by December, 1950. Large scale operations were due to commence in the next season (November, 1950 to November, 1951). Much effort and money have been spent on the build-up required to support these operations. The object was to create a base capable of housing and servicing two fully-equipped land clearing teams, and this has been substantially achieved at a rough cost of £1,400,000. In the meanwhile the work of the Forward Reconnaissance Unit and the Soil Conservation staff was
pushed forward at high pressure in the selection of the soil types suitable for agriculture and the preparation of the land clearing and soil conservation maps. As a result of this close examination of the agricultural potential of the area it emerged that not more than 150,000 acres within an economic radius of Nachingwea could be made available for agriculture. It may be that further investigation into the productivity of the soils will bring a larger proportion of this area within the scope of cultivation, but this cannot be relied upon. Selective development in accordance with this survey creates small fields, irregular in shape and of an average size of about 1,000 acres each, and separated from one another by natural drainage courses and areas of unsuitable soil types. Access to them and communications between them called for a much more expensive road construction programme than that provided for in the original plan. The nature of the soils made them unusually liable to erosion and entailed relatively expensive soil protection measures. The views of the Soil Conservation staff, both on soil selection and protective works, as embodied in their development maps for the region, have been confirmed by independent investigation.

7. In addition to the restriction of the possible development area and the enhanced cost resulting from these surveys, experience in the clearing of the 20,000 acres already felled has shown a higher cost per acre than was provided for in the original plan, to which the greater dispersal of the clearing areas, and the poor performance of the Shervick tractors, contributed. Performance of the Shervick has been improved, and may well improve still further, but the excessive cost of clearing entirely by mechanical means must be reduced.

8. The 1949 plan would have entailed, during the peak years, the simultaneous deployment of five land-clearing teams. It became evident during 1950 that an effort on this scale was beyond the physical and financial resources of the Corporation, and it was therefore decided to limit the build-up to two land-clearing teams, theoretically capable of clearing and preparing 60,000 acres a year.

9. The position described above led the General Manager of the Southern Region and his staff to propose a revised plan for the region. This envisaged a reduced annual effort spread over a longer period, namely, ten years, resulting at the end of that time in a total area prepared for agriculture of about 150,000 acres. It was proposed, as the only means of reducing clearance costs, to substitute hand labour for a part of the operations now done by machinery. The substitution of hand labour eliminates the least efficient and most costly of the mechanical operations, those of piling and stumpmg. The labour estimated to be available for this work necessarily reduces the rate of progress to some 15,000-20,000 acres a year.

10. The facts described above, namely:

(a) the loss of 95,000 acres from production at Kongwa and Urambo;

(b) the fact that not more than 150,000 acres could be developed in the Southern Province without the construction of another costly base of operations;

(c) the fact that progress cannot be achieved at the rate estimated; and

(d) the higher costs of development and land clearing in the Southern Region than had been estimated;

meant that the 600,000-acre plan could not be carried out within the existing borrowing powers of the Corporation, particularly if adequate sums were to be reserved to meet the liabilities, all of them non-revenue earning, which necessarily fall on the Corporation as a result of the drastic scaling down of the Scheme as compared with the original White Paper plan. The Corporation considered that, in view of the results so far achieved, and the problems which still remain to be solved, no justification could be found for proposing any increase in their present borrowing powers and felt it incumbent upon them to put forward a revised plan which is capable of being carried out, so far as can reasonably be foreseen, within the £50 million of long-term capital authorised by the Overseas Resources Development Act.

11. The revised long-term plan now submitted accords, therefore, with the conclusions which the Corporation consider must inevitably be drawn from the
facts which have emerged during the operation of the Scheme to date and the facts with which it is now faced. The position as they see it is this:

(A) The attempt to produce crops economically on land which has been cleared for agriculture at a great cost in money and human effort must be sustained for a sufficiently long period to show conclusive results. This period they regard as being a minimum of seven years.

(B) The areas selected for development are capable of giving good yields of groundnuts and have done so on the small experimental farms. The problem, which has yet to be solved, is to reproduce these results, or something approaching them, on a field scale. The groundnut is not a plant which lends itself readily to mass methods over vast acreages. The attainment of economic yields demands intensive farming. The conception of 30,000 acre units with a thin spread of European supervision and of machinery has proved unworkable and must be replaced by much smaller farms of 1,500 to 6,000 acres independently farmed by men who can gain an intimate knowledge of the peculiarities of the land on their own farms; peculiarities which vary from farm to farm.

(C) The clearing of forest and bush from land of the type occupied by the Corporation by wholly mechanical means has proved impracticable within either the time or the cost envisaged in previous plans. Mechanical clearing can be done, but it cannot be done at an economic cost in relation to the value of the arable land created. Simpler and slower methods must be substituted for a part of the mechanical technique so far employed in order to reduce these costs.

(D) Communications, installations, machines and man-power have been built up over the past three years for a major land-clearing operation in the Southern Province due to commence in December 1950. It would be wasteful not to utilise this accumulation of resources at least for a maximum tree-felling effort (the most efficient and economical of the mechanised operations) during the coming wet season.

(E) Provision must be made from the capital which remains at the disposal of the Corporation to cover commitments, mainly nugatory, which result from the past and to provide some reserve margin for the unforeseen contingencies which will inevitably arise during the execution of any revised plan.

12. Acting on these conclusions the Corporation has formulated a plan designed to attain, within their statutory borrowing powers, the following broad objectives:

(A) To establish, by agricultural practices and scientific experiments, a pattern of agriculture which will utilise economically all the cleared land available and which, if successful, will point the way to future development.

(B) To equip all the cleared land with permanent installations and adequate machinery and implements without which the capital expenditure on land clearing will be wasted.

(C) To execute in the Southern Province the first stage, extending to 1957, of what may become as the result of a later review of the economic prospects, a plan to develop the total area (i.e., 150,000 acres) capable of being serviced from Nachingwea and to utilise to this end the installations, machinery and man-power already accumulated; the alternative being to disband an organisation built up for the purpose over the past three years.

(D) To provide for all present and future liabilities so far as they can be foreseen.

(E) To establish that sense of permanence and stability without which no constructive objective can be achieved efficiently.

In the case of agriculture, estimates of costs and revenue have been provided for the first three seasons only, that is to 30th September, 1953. This is because the Corporation regard it as unrealistic to frame detailed estimates of farm costs and detailed predictions of crops, yields and prices over a longer period than three years, or to anticipate the changes in farming organisation and technique and in crop rotations which may result from the experiments now in progress. Nevertheless,
they regard an assured future for agricultural production over a minimum period of seven years as essential to eventual success, and if His Majesty's Government are unable to give such an assurance the Corporation would regard any further capital expenditure as of doubtful justification. Annual reports and budgets, prepared after a detailed appraisal of the progress of the Scheme from year to year, would, of course, be submitted. It must be remembered, however, that an attempt is being made to establish a new pattern of farming in areas where farming, other than primitive African agriculture, has not hitherto been practised. If the Scheme is to be subject to periodical re-examinations such as bring its whole future into question, then the Corporation would see little prospect of establishing (once the drastic reduction and reorganisation planned for the coming year has been completed) that stability and coherence in its operations which the Corporation regard as vital to success. The plan makes prudent provision for agricultural losses and unforeseen contingencies. The Corporation consider, moreover, that the cost as now estimated can be reduced in time. As a result of their own investigations and of the best advice that they can obtain, the Corporation are satisfied that the prospects of success, and the advantages to African development which would flow from it, justify such risks as may be involved in a seven-years' commitment and they advise that such a commitment should be accepted. In doing so they are very conscious that the new plan cannot in itself contribute significantly towards Britain's food supplies. The acreages under crop during the three-year period will be no more than are shown in the following table, and the best that can now be hoped for within the borrowing powers of the Corporation is 250,000 to 300,000 acres available for production in some form.

Acreages Under Crop

<table>
<thead>
<tr>
<th></th>
<th>Kongwa</th>
<th>Urambo</th>
<th>Southern Province</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>12,450</td>
<td>45,000</td>
<td>7,200</td>
<td>64,650</td>
</tr>
<tr>
<td>1951-52</td>
<td>12,450</td>
<td>45,000</td>
<td>16,800</td>
<td>74,250</td>
</tr>
<tr>
<td>1952-53</td>
<td>12,450</td>
<td>45,000</td>
<td>24,000</td>
<td>81,450</td>
</tr>
</tbody>
</table>

Approximately 50 per cent. of the acreage would be under groundnuts, the balance being, for the present, maize, sorghum and millet.

Disappointing as these results may be, the Corporation regard the Scheme as being capable, on the scale which they propose, of making what may become a significant contribution towards the hitherto unsolved problem of converting unoccupied but potentially productive areas of Colonial Africa into food-producing regions. Tanganyika Territory itself has yet to become self-sufficient in food.

13. In broad outline the revised plan includes—

(A) Provision for crop production on an acreage commencing at 64,650 acres in the year ending 30th September, 1951, rising to 81,450 acres in the year ending 30th September, 1953.

(B) The equipment of the land completed for agriculture with the installations, buildings, electricity, water supplies, plant, machinery, vehicles and tools essential for agricultural production.

(C) The utilisation of the resources now accumulated in Nachingwea for a maximum tree-felling effort in the coming season, which should result in the clearance of some 40,000 acres; thereafter, i.e., from June 1951 to 30th September, 1957, operations will be reduced to such annual acreage as can be achieved by a permanent force, fixed at thirty tractors, assisted by hand labour. Thirty tractors, plus the labour force estimated to be available for this work, which is the limiting factor, would provide for a balanced and uniform annual effort. The acreage made available for agriculture annually by these methods should be of the order of 15,000 acres.

(D) Provision for commitments which arise from the reduction in scale of previous plans, which include guarantees given in respect of port, railway and oil tank construction, running down and maintenance expenses and compensation to employees for loss of office.

(E) Reserve provision for accumulated depreciation liabilities and unforeseen contingencies.
14. The plan is explained in detail in subsequent sections and the financial implications are set out in a financial statement appended to this paper. Under main headings the estimated financial provision required is as follows:—

(A) To meet farming costs to the 30th September, 1953, including all administrative overheads and a depreciation provision for all assets utilised, less anticipated revenue from crops ... 760,000

(B) Capital expenditure ... 5,960,000

(C) Provision for past commitments ... 2,660,000

Less: estimated net receipts from sale of surplus stores and equipment ... 2,250,000

(D) Depreciation and contingency reserves ... 1,370,000

ADD: Estimated expenditure to 31st March, 1951 36,500,000

15. The borrowing powers of the Corporation under the Overseas Resources Development Act of 1948 are £50,000,000 on long-term plus £5,000,000 for short-term advances. A total of £2,000,000 has been invested in, or earmarked for, the Queensland-British Food Corporation and it is proposed to earmark a further £500,000. It is therefore possible for the Corporation to borrow a further £2,500,000 of long-term capital before the statutory limit is reached. The Corporation would propose to borrow this amount if necessary as a further general reserve.

SECTION II: THE REGIONS

Kongwa

Development

16. No further capital expenditure is proposed other than the small amounts required for crop storage and the completion of works which it would be uneconomic not to finish.

Agriculture

17. The agricultural organisation in Kongwa for the next three years will be that recently decided by the Corporation and the Government on the recommendations of the Kongwa Working Party. Regional Headquarters are being abolished forthwith. Three farms have been established of a gross area of 12,000, 6,000 and 3,000 acres respectively, one-half of which will be under crop. The maximum authority is being given to each Farm Manager, who will be directly responsible to the new General Manager, Central Regions. (Vide paragraph 26.) A fourth farm of about 1,500 acres under crop has been established under the control of the Scientific Department and the Operational Research Unit, in order to give them wider scope to try out on a field scale their experience gained on the purely experimental farms, which will be continued.

The object is to conduct fully-costed field scale trials for a period of three years, commencing with the next planting season in December 1950, after which a further view will be taken, depending on the success achieved, of the possibility of again extending arable agriculture over some or all of the remainder of the cleared land.

Meanwhile, to preserve the cleared area and to gain new experience, ranching on a small scale will be gradually extended. Cattle will also be introduced into the new farms.

Urambo

Development

18. As explained in paragraph 5, the clearing programme for Urambo has been reduced to 65,000 acres, which it was estimated could be completed during
the 1950 season. Some 50,000 acres will be completed by November, the remaining 15,000 acres taking three or four months longer. Further capital expenditure is necessary to equip new land with installations, stores, farm buildings and implements and for providing a minimum of permanent buildings for Urambo Headquarters which at present consists in the main of temporary structures. The total capital expenditure required to complete Urambo as a production area of some 60,000 acres (which excludes 5,000 acres required for soil conservation works) is estimated at £410,000.

Agriculture

19. Benefiting from experience in Kongwa, the farming of the completed land has been reorganised for the next planting season into two main administrative units, comprising:

Unit No. 1. Six farms, ranging from 3,300 acres to 5,500 acres with one of 1,700 acres,

Unit No. 2.—Seven farms of 1,500 acres each and four of 5,000 acres.

Each farm will be a self-contained and responsible entity. The selection of these acreages is dictated in part by topographical reasons but it is also designed to assist in establishing by trial, on a sufficiently large scale to be dependable, what is the most economic farming unit.

The cropping programme comprises groundnuts, maize and sorghum. The yields taken for estimating purposes are:

<table>
<thead>
<tr>
<th></th>
<th>1950-51</th>
<th>1951-52</th>
<th>1952-53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundnuts, kernels</td>
<td>600</td>
<td>650</td>
<td>700</td>
</tr>
<tr>
<td>Maize</td>
<td>1,000</td>
<td>1,200</td>
<td>1,400</td>
</tr>
<tr>
<td>Sorghum</td>
<td>1,000</td>
<td>1,200</td>
<td>1,300</td>
</tr>
</tbody>
</table>

Financial provision is made in the plan to cover farming losses in Urambo up to 30th September, 1953. It is impossible to predict with accuracy what the results will be over so large a new estate, or how long it may take before production over the whole area becomes self-supporting. Success will depend on improving farming efficiency to the point at which the results obtained on experimental farms can be reproduced on a larger scale and the speed with which supplementary crops, particularly tobacco, can be developed experimentally and themselves be established on the farm scale.

A tobacco plot of 100-120 acres farmed by two experienced tobacco growers is being commenced this year.

Area Headquarters are being retained, but on a greatly reduced scale; some services (workshops and hospitals) being shared with Kongwa.

20. The Corporation are satisfied that the prospects of eventual success are sufficiently encouraging to justify the three years' production programme at Urambo which they recommend.

Southern Region

Development

21. The considerations set out in paragraph 6 to 9, namely that not more than 150,000 acres of suitable land is at present available for development without the construction of a new base of operations; that resources equivalent to nearly two land-clearing teams have already been assembled; that fully mechanised land clearing is far too costly and could be reduced by substituting hand labour and that the substitution of hand labour requires a longer cycle of operations, lead the Corporation to submit the following recommendations:

(A) An all out felling effort during the coming wet season (December, 1950 to April 1951) within the resources now in Nachingwea; and

(B) The reduction of the mechanised effort, as from June 1951, to a force of thirty operational tractors. Commencing with the reserve of felled land in hand resulting from (A) this force would follow up the subsequent hand operations by root cutting preparatory to agriculture, while carrying out at the same time a restricted programme of new felling.

This has been provided for in the plan up to 30th September, 1957. The Corporation is satisfied that the most effective means of securing economical
land clearing is to organise a compact and manageable mechanical force, assisted 
by hand labour, to be employed over a fixed period of reasonable length rather 
than to work to a predetermined target of acreage. This form of organisation 
would give a stability and coherence to the operations which cannot be provided, 
even at this stage, in any other way. The acreages which it is estimated should be 
completed by the end of 1957 are 105,000 acres fully cleared for agriculture and 
35,000 to 45,000 acres in various stages of preparation. A view can be taken in 
1954 in the light of agricultural and land-clearing experience to that date as to 
whether or not it would be economic to complete the development of the 150,000 
acres available; an operation which would extend to 1960 or 1961. If the decision 
is against doing so then the clearing programme can be suitably adjusted. The 
sequence of operations would be:

(A) Felling by the chain method, which is the only mechanised operation which 
can be described as efficient and economical.

(B) Burning the felled trees, stumping and twig picking by hand.

(C) Root cutting by tractor-drawn heavy disc ploughs or other implement. 
Experiments designed to reduce the excessive cost of this final operation 
are still in progress.

22. Capital expenditure to complete the equipment of the area for agricultural 
production is provided in the plan. Including the land clearing programme described 
above, with surveys and soil conservation works, installations, &c, the total capital 
required over the seven years’ period is estimated at £5,225,000.

Agriculture

23. The agricultural aspect of the Southern Region scheme has been closely 
examined by a Corporation committee, which included Mr. G. F. Clay (Agricultural 
Adviser to the Secretary of State for the Colonies), Mr. Frank Sykes (a widely 
experienced English farmer, who is also interested in African agriculture and is a 
member of the Colonial Agricultural Advisory Committee), together with repre­
sentatives of the Tanganyika Government. The evidence given to this Committee 
and their own observations and discussions led them to conclude that the Southern 
Region is capable of giving good yields of groundnuts; that there is no reason why 
good yields of maize should not be obtained but that this remains to be proved; 
that cotton and tobacco should be developed experimentally and that, if successful, 
these two crops would much improve the economic outlook. They saw serious 
farming problems ahead owing to difficulties in soil management which could be 
overcome by good farming, and in the high seasonal demands for power and labour, 
which would remain a permanent disadvantage. Nevertheless, the Committee 
regarded the eventual prospects as being sufficiently favourable to justify the 
Corporation proceeding with the agricultural development of the cleared land. 
Farms in this region are being organised for the present into 3,000 acres each, of 
which 2,400 acres should be under crop each year. Seven such farms are being 
opened in the coming season but it is unlikely that more than 7,200 acres will be 
under crop; they will come into full production the following year. It is estimated 
that 105,000 acres will be opened to agriculture by the end of 1957.

Pending the successful development of supplementary crops production will be 
groundnuts, maize and millet. The following yields have been taken for estimating 
purposes:

<table>
<thead>
<tr>
<th></th>
<th>1950-51</th>
<th>1951-52</th>
<th>1952-53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundnuts, kernels</td>
<td>600</td>
<td>600</td>
<td>700</td>
</tr>
<tr>
<td>Maize</td>
<td>1,000</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Millet</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
</tbody>
</table>

SECTION III: LONDON AND NAIROBI OFFICES AND EAST 
AFRICAN HEADQUARTERS

24. The administrative organisation necessary to execute the run down of 
the present scale of operations to that now planned will be little less, in the first 
instance; than the one required to build it up. The London Office has a present 
strength of all types, from Members to messengers, of about 170, which will be 
reduced to seventy by the end of 1953.
25. Nairobi is the trading and transport centre of East Africa, and it will be necessary to keep a small Agency staff there to control local purchases and operate the air transport contract between the Corporation and the British Overseas Airways Corporation. This Agency will be brought under the control of the London Office when local decentralisation is complete.

26. The Central Headquarters at Kongwa consists at present of seventeen departments with a strength of 150 Europeans and an expenditure at the rate of £270,000 per annum. It is proposed rapidly to reduce this Headquarters in strength and scope by a combined process of decentralisation and abolition. The process has already started and will be accelerated throughout the three year period to September, 1953, when the strength is expected to be eleven, at an annual cost of about £40,000. The Headquarters will cease to be executive by 1st January, 1951 (except in the field of finance), and will later be replaced by a team of four advisers (agriculture, engineering, labour and finance) with seven assistants, including office staff. Executive authority will be wholly decentralised to two Regional General Managers (one for the Central Region of Urambo and Kongwa and one for the Southern Region) who will be responsible direct to the Board in London. The advisers will have the right and duty to advise the General Managers and the Board and to enforce reference to the Board at their discretion. The virtual disbandment of the Kongwa Headquarters will leave surplus buildings on the Corporation’s hands. Means of turning these buildings to good use are being discussed with the Tanganyika Government. Arrangements are in hand to take private patients in the hospital and undertake outside work in the workshop in order to utilise installations which have now become too large for the Corporation’s requirements.

SECTION IV: STAFF

27. The European staff at present employed in East Africa by the Corporation and by Earthmoving and Construction, Ltd. (a wholly owned subsidiary), and the numbers expected to remain over the three years is given in the following table:—

<table>
<thead>
<tr>
<th>Present</th>
<th>As at 30/9/51</th>
<th>As at 30/9/52</th>
<th>As at 30/9/53</th>
</tr>
</thead>
<tbody>
<tr>
<td>O.F.C.</td>
<td>1,283</td>
<td>888</td>
<td>778</td>
</tr>
<tr>
<td>E.M.C.</td>
<td>384</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,667</td>
<td>918*</td>
<td>778*</td>
</tr>
</tbody>
</table>

It will be seen that the reductions are severe, although they are not more than is necessary if the Scheme is to be brought within the limits of finance which the revised plan allows. Great disappointment and much personal hardship is bound to be caused in the course of carrying out these reductions. The employees of the Overseas Food Corporation will receive compensation on retirement of six months’ salary or four months’ salary plus the earned leave due to them, whichever is the greater, and this implements the statement made by the Parliamentary Secretary to the Ministry of Food in the House of Commons on 17th July, 1950. A reserve of £400,000 is included to cover these liabilities. The case of Earthmoving and Construction, Ltd., is different in that their employees were engaged on fixed period contracts suited to the more temporary nature of their employment with a contracting company. They will be dealt with in accordance with the terms of their individual contracts.

The selection of the Corporation’s staff to remain on the Scheme is being carefully carried out by an impartial Board and every effort is being made to ensure that the claims of all are dealt with fairly.

28. In the case of African staff of skilled types, i.e., clerks, tractor drivers and mechanics, a considerable scope for their employment will still remain and those who have increased their skill and improved their competence should for the most part find a future under the revised plan. Owing to the expansion of agriculture and the substitution of hand labour for machines in the land clearing operations, the demand for unskilled labour will remain high. In any case, it is not the general custom of African unskilled labour to remain in continuous employment and as there is an ample demand for such labour throughout Tanganyika no hardship should arise.

* These figures exclude staff employed in the disposal of surplus plant, stores and equipment.
SECTION V: COMMITMENTS AND RESERVES

Railway Guarantees

29. It was decided in 1947 to construct a deep-water port at Mtwara with a railway through to Nachingwea. Owing to the time required to complete the port, and the first section of the railway to Ruo, a temporary port was constructed at Mkwaya, near Lindi, and connected to the projected main line at Ruo which was continued forward to Nachingwea and opened to traffic from Mkwaya in October 1949. The East African Railways and Harbours Administration agreed to provide the capital for these works from a projected East African Transport Loan subject to a guarantee from the Corporation of any shortfall in interest and sinking fund not covered by port and railway earnings; this undertaking to be reviewed after ten years. The guarantee was subsequently extended by the Corporation to cover any deficiency in operating costs. This port and railway construction was, of course, undertaken in relation to the estimated traffic, both inwards and outwards, which would have resulted from the execution of the original White Paper plan (Cmd. 7030). Transport requirements on the scale of development to which the original plan has now been reduced would deprive these port and railway works of any prospect of becoming economic on the Corporation's traffic alone, and the Corporation has already stated to the Ministry of Food that so far as their own requirements are concerned the completion of the Mtwara Port and the rail section from Mtwara to Ruo is unnecessary, and that, if for other reasons it is the wish of His Majesty's Government to proceed, the obligations of the Corporation should be restricted to its inescapable liabilities as at, say, the 31st December, 1950. It is impossible at this stage to assess with accuracy the liabilities which may fall on the Corporation in respect of these railway guarantees; the sum of £1,250,000 has been set aside on their account.

Oil Company Guarantees

30. An oil pipeline was laid from Mtwara to a tank centre beyond Nachingwea at the cost of the Corporation as part of the Southern Region development. The line was completed in 1949. The Shell Company of East Africa, Limited, provided the ocean installation at Mtwara into which oil tankers discharge and a handling installation at the inland terminal. An agreement was made between the Corporation and the Company under which the Corporation agreed to pay to the Company depreciation and interest on these installations incurred over a five-year period to the extent that the quantity of oil passing through them fell short of an agreed figure of 100,000 tons over the period; this figure being substantially less than the estimates of consumption given to the Company when they agreed to incur the capital expenditure.

Under the present reduced plan it is unlikely that consumption will exceed 5,000 tons per annum. A reserve of £220,000 is made to cover liability on this account and on account of a similar arrangement covering a ten-year period made in respect of oil installations provided by the Company at Kongwa and Urambo.

Running Down and Maintenance Expenses

31. The reduction in the scale of agricultural operations at Kongwa for which roads, buildings, plant and a large hospital and workshop have been provided entails maintenance and operation expenditure on a scale which cannot fairly be charged against the farming of 12,000 acres. It is, nevertheless, necessary to maintain these installations in case the results over the next three years should justify a subsequent expansion. The sum of £295,000 has been provided over the period to cover these costs.

32. At Kongwa, Urambo and Nachingwea the Corporation finds itself with equipment and stores far in excess of its future requirements, and it is also faced with special non-recurring costs in running down the scale of the organisation; costs which cannot properly be charged to current expenses. A provision of £495,000 has been made.

33. The total sum reserved to cover the expenditure described above and the compensation due to redundant staff is £2,660,000, against which a recovery is estimated in respect of surplus stores and equipment of not less than £2,250,000. The net provision for meeting commitments arising from the past is thus £410,000.
34. A reserve of £370,000 is proposed to cover the accrued depreciation on assets as at 31st March, 1951, which are required for the revised plan.

35. A sum of £1,000,000 is to be set aside to cover unforeseen contingencies.

SECTION VI: PROBLEMS OUTSTANDING

36. Apart from the task of executing the agricultural and development proposals of the revised plan described in this paper, the Corporation is now faced with three major problems.

37. The first is to dispose of the physical and contractual legacies of the past, accumulated on a scale commensurate with the activities authorised in Cmd. 7030, but greatly in excess of present requirements. This is a major undertaking and is likely to last at least for the next two years. An organisation has been established for the disposal of surplus stores, plant, machinery and equipment. Other past contractual obligations (described in Section V) will be settled as soon as is possible.

38. The second problem is to devise some method whereunder the activities of the future are not burdened with overheads representing the cost of present surpluses, whether of stores, plant, installations, buildings or man-power. This is primarily a financial question and is capable of settlement as such.

39. The third problem is morale. Many hundreds of the Corporation's personnel will be redundant to the Scheme during the next twelve months—nearly 40 per cent. of the total strength. Suitable terms of compensation (described in paragraph 27) are being offered to them on their departure and every effort will be made to place them in contact with other employment in England and in Tanganyika. This is all that the Corporation can do for them. For those who remain on the Scheme, however, something must be done to restore their confidence in the future. The Corporation has made clear its views that the only effective action that can now be taken is for the Minister to give an assurance that His Majesty's Government have every intention of seeing the Scheme through on the basis of the present proposals for at least the next seven years.

40. The revised plan covers the Groundnut Scheme only. The Corporation do not contemplate embarking on any other schemes in East Africa or elsewhere. They may, however, undertake joint surveys along with the Tanganyika Government for other areas in the Territory from which pilot schemes may result.

41. Although no direction has been received from the Minister under Section 13 (1) of the Overseas Resources Development Act, 1948, to make repayments of advances received from the Government, or of interest on outstanding advances, it is evident that the Corporation have not been, and are not, in a position to make such payments. It is too early to judge to what extent, if any, the agricultural activities of the Corporation will in due course be able to bear interest and amortisation charges, but sooner or later considerable capital adjustments will clearly be necessary.

42. The Corporation consider that, given freedom from natural calamity, their agriculture ought in time (not necessarily within the seven-year period of the plan) to pay its way and cover its future overheads and the depreciation on the assets retained for use. They see no prospect, however, of fulfilling the obligations of Section 15 (1) of the Act, which requires them to secure that their revenues are sufficient to meet all charges, including the service of their debt, taking one year with another from the inception of the Scheme. The Corporation feel it incumbent upon them to bring to notice their inability to comply with the requirements of the Act in these matters. It is for consideration whether it would not be appropriate to promote amending legislation in this behalf.

43. Detailed estimates and schedules covering the revised plan have been rendered to the Ministry of Food, together with the report on agriculture in the Southern Province referred to in paragraph 23. A Financial Statement is attached.

(Signed) ERIC COATES, Chairman.

APPENDIX

FINANCIAL STATEMENT

Estimated total expenditure as at 31st March, 1951... ... ... ... ... ... £ 36,500,000

Farming operations, 1st April, 1951, to 30th September, 1953—

(A) Kongwa (para. 17)—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm costs</td>
<td>374,000</td>
</tr>
<tr>
<td>Sale of crops</td>
<td>316,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>58,000</td>
</tr>
<tr>
<td>Share of regional costs</td>
<td>31,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89,000</strong></td>
</tr>
</tbody>
</table>

(B) Urambo (para. 19)—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm costs</td>
<td>1,642,000</td>
</tr>
<tr>
<td>Sale of crops</td>
<td>1,419,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>228,000</td>
</tr>
<tr>
<td>Share of regional costs</td>
<td>115,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>338,000</strong></td>
</tr>
</tbody>
</table>

(C) Total Central Region

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm costs</td>
<td>2,016,000</td>
</tr>
<tr>
<td>Sale of crops</td>
<td>1,735,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>286,000</td>
</tr>
<tr>
<td>Share of regional costs</td>
<td>146,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>427,000</strong></td>
</tr>
</tbody>
</table>

(D) Southern Region (para. 23)—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm costs</td>
<td>473,000</td>
</tr>
<tr>
<td>Sale of crops</td>
<td>473,000</td>
</tr>
<tr>
<td>Share of regional costs</td>
<td>71,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>498,000</strong></td>
</tr>
</tbody>
</table>

(E) Total all Regions

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm costs</td>
<td>4,589,000</td>
</tr>
<tr>
<td>Sale of crops</td>
<td>4,589,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>297,000</td>
</tr>
<tr>
<td>Share of regional costs</td>
<td>217,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,086,000</strong></td>
</tr>
</tbody>
</table>

Development and capital expenditure, 1st April, 1951, to 30th September, 1957—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Region</td>
<td>453,000</td>
</tr>
<tr>
<td>Southern Region</td>
<td>5,225,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,678,000</strong></td>
</tr>
</tbody>
</table>

Headquarters expenditure to 30th September, 1953—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>London and Nairobi</td>
<td>345,000</td>
</tr>
<tr>
<td>East Africa</td>
<td>199,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>544,000</strong></td>
</tr>
</tbody>
</table>

Commitments—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Railway guarantees</td>
<td>1,250,000</td>
</tr>
<tr>
<td>(b) Oil company guarantees</td>
<td>220,000</td>
</tr>
<tr>
<td>(c) Running down and maintenance expenses</td>
<td>750,000</td>
</tr>
<tr>
<td>(d) Compensation for loss of office</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,660,000</strong></td>
</tr>
</tbody>
</table>

Less net receipts from sale of surplus stores and equipment... ... ... ... ... ... ... ... £ 2,650,000

Reserves—

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Accumulated depreciation to 31st March, 1951</td>
<td>370,000</td>
</tr>
<tr>
<td>(b) Contingencies</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,370,000</strong></td>
</tr>
</tbody>
</table>

The items in this statement are explained in the paragraphs to which references are given. Depreciation has been provided on all assets which will be incorporated in the final scheme.
The opening figure of expenditure of £36,500,000 is calculated upon the cash drawings from the Consolidated Fund to 31st March, 1950, which were applied to the East African Scheme £32,650,000

Less: Advances to the East African Railways and Harbours Administration to finance port and railway construction pending the issue of a Transport Loan £1,745,000

Less: Excess cash holdings at that date £400,000

To which has been added the budget provision for the year to 31st March, 1951 £6,000,000

Say £36,500,000

It has been assumed that the revenue from the 1950–51 crop will be received in the half year, 1st April to 30th September, 1951. In subsequent years it is assumed that cash receipts from the crop accrue in the financial year in which the expenditure on the crop is incurred.

ANNEX II

THE FINANCIAL REQUIREMENTS OF THE RESEARCH AND DEVELOPMENT PROJECT ON ALTERNATIVE BASES

1. It will be necessary to make an estimate of the finance required for the revised scheme. The Ministry of Food have made the best estimate they can from the available information.

2. The finance required will be needed for—
   (i) the existing commitments of the present scheme;
   (ii) the loss on farming operations up to 1953;
   (iii) headquarters expenditure, contingencies, &c.;
   (iv) the new development;
   (v) farming operations from 1953–57.

3. Estimates
   (a) Commitments £
      (i) Railway guarantees £1,250,000
      (ii) Oil Company guarantees £220,000
      (iii) Running down and maintenance expenses £790,000
      (iv) Compensation for loss of office £400,000
      £2,660,000

   (b) Farming operations 1st April–30th September, 1953 (including part of the regional overheads) £
      (i) Kongwa £89,000
      (ii) Urambo £388,000
      (iii) Southern Province £71,000
      £498,000
(c) Headquarters Expenditure, Contingencies, &c.

(i) Accumulated depreciation to 31st March, 1951 ........................................ 370,000
(ii) Contingencies .......................................................................................... 1,000,000
(iii) Headquarters Expenditure—London and Nairobi and East Africa to 30th September, 1953 .................................................. 544,000

Total expenditure up to 1953 (30th September) ........................................... £5,072,000

(d) Development Expenditure

Kongwa and Urambo (principally building) .................................................. 453,000

Southern Province

Balance of expenditure up to 1954 to complete 60,000 acres .................. 2,817,500
Additional expenditure up to 1957 to complete a further 45,000 acres .... 2,250,000

Thus the development cost from 1951 to 1957 to complete 105,000 acres totals .................................................. £5,067,500

Additional expenditure to fell a further 45,000 acres of bush in the years 1954-57 .................................................. 157,500

Thus the development cost from 1951 to 1957 to complete 105,000 acres and to fell 45,000 acres (the Corporation’s plan) totals .................................................. £5,225,000

Additional expenditure not allowed for in the Corporation’s plan to prepare 45,000 acres for agriculture after felling had been completed by 1957 .................................................. 2,092,500

Thus the total development cost from 1951 to complete 150,000 acres totals .................................................. £7,317,500

4. The total cost of the work which is already committed and will provide 60,000 cleared acres in the Southern Province is therefore £8,342,500. The total cost of a plan which included the clearing of 105,000 acres in the Southern Province would be £10,592,500 while the total cost of the Corporation’s full plan which involves the clearing of 150,000 acres in the Southern Province would be £12,842,500.

5. Apart from development expenditure no allowance is made for any agricultural losses and other contingencies from September 1953 to 1957. It is recommended in paragraph 34 of our memorandum that the continuance of agricultural operations should be guaranteed for a period of seven years up to 1957, but it is not possible to make any estimate of what allowance, if any, would be necessary for this. On the other hand no credit has been taken for the receipts from disposal of surplus stores and equipment. The Corporation have assumed that £2,250,000 (two-thirds of which is an allowance for stores which they will use themselves) will be obtained from this source.
PRELIMINARY DRAFT WHITE PAPER ON THE FUTURE OF THE OVERSEAS FOOD CORPORATION

1. The Overseas Food Corporation have submitted a revised plan for the future work of the East African Groundnut Scheme to the Minister of Food. This plan (which is set out in the Appendix to this paper*) has been considered by His Majesty's Government. The original aims of the scheme have proved incapable of fulfilment. That is not to say, however, that the scheme and the work which has been done on it are now valueless and should be abandoned: on the contrary, His Majesty's Government believe that it is still of importance, although a new conception of its objectives is necessary. It will be continued as an experimental development project under the direction of the Secretary of State for the Colonies and revised arrangements will be made for the financing of the scheme.

Original Plan for the Production of Groundnuts

2. The plan, approved by His Majesty's Government for the production of groundnuts in East Africa was based on the recommendations of a Mission which visited Tanganyika and other African territories in 1946. The Mission's report and the Government's decision to embark upon a scheme based on the recommendations contained in their report were published in February 1947 (Cmd. 7030).

3. Work in East Africa began under the direction of the United Africa Company, Ltd., acting as Managing Agents for the Minister of Food, on whom responsibility was placed for carrying out the scheme. In accordance with the published intention of the Government responsibility for the direction of the scheme was subsequently transferred to a public Corporation. The Overseas Food Corporation, established under the Overseas Resources Development Act, 1948, became responsible for the East African Groundnut Scheme on 1st March, 1948 and a month later assumed control of the day-to-day management of work in Tanganyika.

4. The plan on which work began envisaged the clearing by 1953 of 3,250,000 acres of bush in East and Central Africa and an annual production of groundnuts after that date of about 600,000 tons. The total capital expenditure involved was estimated at approximately £24 million. The scheme was recognised to be a pioneering venture in large-scale mechanised agriculture under tropical conditions without precedent and open to great risks. But the advice of many responsible people consulted at the time gave His Majesty's Government grounds for believing that a programme of mechanised land clearing and agricultural operations on the lines suggested by the Mission stood a reasonable chance of success. It was intended that the plan should be subject to continuous review in the light of fresh information gathered as the work progressed, and, where necessary, re-cast or modified.

5. A progress report published in January 1948 (Cmd. 7314) explained that the first year's work had fallen behind schedule. But some of the major difficulties which have since been experienced by the Overseas Food Corporation had not at that stage been encountered and it was still thought that the clearing and cultivation of land on the broad lines and within the time schedule set out in Command 7030 could be accomplished.

Modification of the Plan

6. Further and more formidable difficulties both in clearing bush and in mechanised cultivation of the cleared land led to a revision of the original plan to clear 3,250,000 acres. Not only did the annual clearing and planting programme suggested in Command 7030 prove to be beyond the Corporation's physical capabilities, but the cost of land clearing was found to be very much greater than had been estimated. In the light of the knowledge and experience which they had gained up to that time, the Overseas Food Corporation submitted to His Majesty's Government in the autumn of 1949 a revised programme of development which they considered could be carried out within the resources available to them. This programme, which envisaged the clearing of 600,000 acres of bush by 1954, was accepted by His Majesty's Government and announced to Parliament by the Minister of Food on 26th November, 1949.

The Overseas Food Corporation's Proposals

7. Experience of another year of bush clearing and a second harvest season has led the Overseas Food Corporation to revise and modify still further their development programme. They now regard the clearing of 600,000 acres of bush by 1954 as inpracticable. They have accordingly submitted to the Minister of Food a revised plan of development. Their submission is attached as an Appendix* to this paper.

* See Annex I
8. The corporation's new proposals cover a seven-year period up to 1957. They envisage no further development at Kongwa or Urambo after the end of this year. The proposals for Kongwa, which are based on the Report of the Kongwa Working Party, have already been announced. Of the cleared area of 90,000 acres, 24,000 acres are to be set aside for agriculture, of which 12,000 acres will be under crop each year. The remainder of the cleared land will be available for grazing. The object is to conduct fully costed field scale trials on a limited acreage for a period of three years. A further review will then be made, in the light of the results achieved, of the possibility of again extending arable agriculture over some or all of the remainder of the cleared land.

9. Clearing will end at Urambo by the end of this year. Although bush has been felled on 65,000 acres, it is not expected that more than 50,000 acres will be available for agriculture for the harvest of 1951. 60,000 acres will be farmed in subsequent years.

10. In the Southern Province some 20,000 acres have been felled, of which 7,000 acres will be available for agriculture for the 1951 harvest. During the current season, with the two land clearing teams built up to full capacity, a further 40,000 acres are being felled. Thereafter the Corporation propose drastically to reduce the tractor force and to adopt a slower and cheaper method of land clearing involving the substitution of hand labour for part of the work at present done by machines. Under this scheme it is proposed that subsequent felling will be limited to 15,000 acres of land per year and the Corporation expect to bring the same acreage into cultivation each year. By 1957 they plan to have 105,000 acres fully cleared for agriculture and a further 45,000 acres in various stages of preparation.

11. An important feature of the revised scheme is that instead of farming units of 30,000 acres as originally proposed, all three areas will, with one exception at Kongwa, be farmed in units not exceeding 6,000 acres under intensive supervision by men who can gain an intimate knowledge of the peculiarities of the land which they farm.

12. In submitting their proposals the Corporation have emphasised the need for continuity of agricultural operations in the interests both of efficiency and of the morale of the staff, which has suffered from past uncertainties and changes of plan. The Corporation have indeed stated that they regard an assured future of agricultural production over a minimum period of seven years as essential to the eventual success of the scheme.

13. The proposals have been considered by His Majesty's Government, who regard the reasons given by the Corporation for the modification of the existing scheme as conclusive. Subject to what follows, His Majesty's Government have accepted the revised plan. They are convinced that the Corporation are right in seeking a guarantee of continuity of agricultural production and it is their firm intention that funds should be provided to enable farming operations to continue for seven years—the minimum period within which to establish a system of rotation and to test the economics of farming. Development work in the Southern Province will proceed up to 1954 on the clearing of the 40,000 acres being felled during the present wet season. But a decision as to the exact rate of additional felling in the wet seasons of 1951-52 and the subsequent two years will not be taken until next year. The Corporation have themselves proposed that there should be a review in 1954, in the light of agricultural and land-clearing experience, to determine what further felling and clearing should take place after that date. His Majesty's Government consider that this is a wise proposal and that it would be unrealistic to accept any commitment at this stage for the further development of the Southern Province beyond 30th September, 1954. But this does not in any sense affect the view that there should be a firm commitment for the continuance of agricultural operations up to 1957 on the land cleared.

Nature of the Scheme

14. The acceptance of the revised programme submitted by the Overseas Food Corporation involves a radical change in the whole conception of the scheme. The original aim was to increase production of oils and fats to meet a world shortage which was, and still is, expected to persist. It was hoped that within a comparatively short time the scheme would make a substantial contribution to world supplies. This hope has not been fulfilled and, while the possibility remains that in time Tanganyika may contribute to world oils and fats supplies, the Corporation's proposals show that too much has yet to be learned about methods of land clearing and large-scale mechanised agriculture in Tanganyika to give any grounds for supposing that rapid development over wide areas is at present practicable.

15. The scheme must now be regarded as a scheme of large-scale experimental development to establish the economics of clearing and mechanised agriculture under tropical conditions. His Majesty's Government have carefully considered whether on this new basis the continuance of the scheme is justified.
they have had no hesitation in reaching the conclusion that it is. One of the main purposes of the original scheme was to increase the productivity of Tanganyika and raise the standard of living of its people. Even on the modified basis now proposed the scheme cannot fail to be an important contribution to the economic prosperity of the territory. It would not be justifiable to allow the considerable acreages of hitherto unusable land which the Corporation has already made available for agriculture and pasture to revert to bush. In the long run enough food to meet the world's needs with expanding populations and rising standards of living can only be produced by new and more efficient methods of agriculture, land which has hitherto been uneconomical to develop. His Majesty's Government have undertaken as members of the Food and Agriculture Organisation to share in efforts designed to increase world food supplies and they are convinced that it is incumbent on them, in accordance with their international obligations, to continue the experiment which has been started with a view to determining whether hitherto unproductive bush can be developed for productive purposes. The abandonment of the present scheme to which so much money and effort have been devoted, at a time when techniques are beginning to develop which may in due course prove fruitful, would be a retrograde step which His Majesty's Government would not be prepared to take.

16. The change in the nature of the scheme has caused His Majesty's Government to reconsider the arrangements whereby the Minister of Food is charged with responsibility for its supervision. This arrangement was appropriate when the plan was that of large-scale production of oilseeds on a commercial basis. But now that it has become primarily a colonial development project to determine the economics of clearing and mechanised agriculture in Tanganyika, it is proper for the responsibility to pass to the Secretary of State for the Colonies. Legislation to amend the Overseas Resources Development Act will be introduced to enable this change to be made during 1951. In the meanwhile, until the formalities of transfer have been completed there will be the same close consultation with the Secretary of State for the Colonies on all questions of policy affecting the Corporation as there has been in the past. In order to ensure that the Tanganyika Government should also be fully associated with the operation of the scheme, arrangements are being made for that Government to be represented on the Board of the Corporation.

Queensland-British Food Corporation

The Port of Mtwara

18. When the East African groundnuts scheme was first considered it was recognised that the most promising area for development was situated in the Southern Province. But since the site chosen was nearly 100 miles from the sea it was not possible for bush clearing to begin until communications had been established. It was decided that, although a railway connecting the development area to a temporary landing hard at Mkwaya on the Lindi Creek would suffice while development was in its early stages, a more adequate port would later be necessary. The Millbourn Report recommended the construction of a deep-water berth port suitable for ocean-going vessels at Mtwara. This recommendation was accepted and work on the new port has been proceeding. The railway connecting the development area to Mkwaya was completed and opened on 25th October, 1949. The railway connection between Mtwara and this line is under construction.

19. Under the revised plan proposed by the Overseas Food Corporation the development in the Southern Province of Tanganyika will be on a much more limited scale than was originally intended and the expected volume of Corporation traffic is correspondingly reduced. On the basis of the new plan the Corporation do not consider that their needs, if taken alone, would justify the development of a new port at Mtwara. But the Tanganyika Government has decided to undertake an intensive development plan in the Southern Province which, over a period, will substantially increase other export and import traffic over the railway. The Tanganyika Government intends to spend substantial sums in constructing and improving feeder roads, while the East African Railways and Harbours Administration proposes to extend the railway 60 miles westward from the groundnut area under guarantee by the Tanganyika Government. This is intended as the first stage of a westward extension of the railway to Lake Nyasa. In the light of these decisions by the Tanganyika Government and the East African Railways and Harbours Administration the Corporation
have agreed that the port of Mtwara and the railway connecting it with the existing line should be completed. His Majesty's Government are convinced that this conclusion is right and they have indicated to the Tanganyika Government and the East African Railways and Harbours Administration that they warmly welcome the forward development policy being pursued.

Finance

20. The Corporation have reported that they are unable to comply with the provisions of the Overseas Resources Development Act which require them to operate on a commercial basis, and to repay advances made to them from the Consolidated Fund. Parliamentary authority will, therefore, be sought for the amendment of the financial arrangements appertaining to the Corporation, including the writing off of all money advanced to the Corporation up to the time of its transfer to the Secretary of State for the Colonies. The necessary legislation will be introduced as soon as possible. The Corporation have not felt able to indicate when, if ever, the new scheme can be expected to operate on a commercial basis. Their operations will, therefore, be financed in future from voted monies. If it is found that the project, or some part of it, is able to pay its way at the end of a development period, it may be possible to revive some of the capital at a future date. It will not be possible to determine the scale of further investment until a decision is taken next year on the rate of clearing in the Southern Province.

21. Although the scale of the undertaking has now to be reduced for the second time and although the establishment of a scheme on an economic basis is not yet in sight, none the less His Majesty's Government remain convinced of the importance of the project. As revised and redirected it can make a significant contribution to the economic development of East Africa and the results of the experiments being undertaken in clearing and mechanised farming techniques may be of still wider significance and value in many tropical territories.