CABINET.

Committee on the Colonial Sugar Industry.

REPORT.

1. At their Meeting on the 19th February, 1950, (Cabinet 11 (30) Conclusion 5), the Cabinet had before them certain Memoranda (Papers C.P. 40 (30) (covering the Report of the West Indian Sugar Commission) and C.F. 52 (30)), circulated by the Secretary of State for the Colonies in regard to the position of the sugar industry in the West Indies and Mauritius and agreed, inter alia:—

that a Cabinet Committee composed as follows —

The Chancellor of the Exchequer
The Secretary of State for the Colonies
The First Lord of the Admiralty

should examine the whole of the questions raised in regard to the position of the sugar industry in the West Indies and Mauritius, including the question of transport to the West Indies, and should consider, in the first instance whether something could be done to obtain temporary assistance through the Colonial Development Fund.

2. Since the appointment of the Committee the Secretary of State for the Colonies has circulated to the Cabinet the Report of Sir Francis Watts on the Mauritius Sugar Industry (Paper C.P. 59 (30)) and the Minister of Agriculture and Fisheries has circulated a Memorandum (Paper C.P. 57 (30)) on the position of the British Sugar Beet Industry. This document was before the Cabinet at their Meeting on 26th February, (Cabinet 12 (30) Conclusion 5).
3. The facts as to the West Indian sugar situation are summarised in the Secretary of State's memorandum G. 40 (30). The present world-wide depression in sugar is due to over-production which is largely the result of encouragement by bounties, subsidies and protective tariffs. With the exception of Java and Cuba, the British Colonies can produce sugar as cheaply as any countries in the world: they cannot, however, produce it at the present world price of 8/- a cwt. Even with the existing British preference, efficient West Indian producers are suffering losses up to 2/- a cwt. In the opinion of the West Indian Sugar Commission the removal of the British preference would result in the virtual winding up of the industry after the present crop has been cut, with disastrous financial and economic consequences to the Colonies concerned and particularly to the islands of Barbados, Antigua and St. Kitts which are wholly dependent on sugar; and even if the British preference is maintained at its present rate, there will be, if the present situation continues, curtailment of sugar planting, and consequent unemployment and a decline in the local public revenues. The situation of the Mauritius industry is very similar in all these respects to that of the West Indian industry. No other industry can take its place in Mauritius and in Sir P. Watts's opinion its maintenance appears to be essential to the continuance of the economic and social life of the Colony.

The British Colonial sugar industry is tolerably efficient on its factory side but is somewhat backward on its planting side.
4. The West Indies Sugar Commission recommended
   1. that international action should be taken to
      eliminate high tariffs and subsidies;
   2. that an Import Board should be set up to buy
      Imperial sugar at £15 a ton c.i.f. and other
      sugar at the market price (now under £8);
   3. that the British preference should be increased
      from 3/8d. to 4/8d. per cwt. and maintained at
      that figure pending the conclusion of an
      agreement under (1) or the adoption of (2).

5. Sir Francis Watts recommended for Mauritius
   subsidies to cover the excess of the cost of production,
   taken at 13/- per cwt. over the price realised in the
   Colony.

6. As regards the West Indies Commission's
   recommendations -
   (1) There is no immediate prospect of the action
       suggested.
   (2) The Committee have requested Sir Warren Fisher
       to expedite the consideration of this proposal
       by his Departmental Committee which is
       examining the general question of Import Boards.
   (3) Apart from other considerations, any proposal to
       increase the existing British preference
       is open to the objection that such increase
       could not in practice be restricted to the
       comparatively small amount of sugar imported
       from the West Indies and Mauritius, but would
       have to be given also to Australia and South
       Africa. The question of an increased preference
       should, therefore, be ruled out from consideration.
7. India is the natural market for Mauritius sugar, and large numbers of Indians are employed in the Island and would have to be repatriated to India if the sugar industry is closed down. The Government of India have recently (in reply to a request made by the late Government in April, 1929) given their reasons for adhering to their decision that a change in the Indian Customs tariff in favour of sugar imports from Mauritius could not be justified. The Secretary of State for the Colonies has undertaken to make further representations to the Secretary of State for India on the subject, particularly with reference to a suggestion that it would be of material assistance to Mauritius if India could exempt Mauritius sugar from the increase of duty proposed in the new Indian budget, even though she could not see her way to giving the Colony more preferential treatment.

8. Measures for the reorganisation and permanent improvement of the Colonial sugar industry, such as planting improved varieties of cane, installing more modern machinery, amalgamating estates, developing the system of cane growing by peasant farmers, improving methods of cultivation and of transport etc. would fall within the scope of the Colonial Development Fund, and the Secretary of State for the Colonies will arrange that schemes will be prepared and submitted to the Colonial Development Advisory Committee as quickly as possible.

9. These, however are long range measures, and, in accordance with the wishes of the Cabinet, the Committee have examined the feasibility of obtaining temporary assistance from the Colonial Development Fund to enable the industry to be kept alive meantime.

10. The Committee are of opinion that if production is to continue it will be necessary to support the credit of the growers to enable them to obtain short term crop advances to be repaid when the sugar is exported or sold.
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From the point of view of possible reactions on British agriculture and other depressed British industries, it is imperative that the fullest use should be made of existing Colonial machinery and resources and that the British Government should be kept as much as possible in the background.

11. The Committee are of opinion that the Colonial Development Fund could not properly be used to afford temporary financial assistance in order to keep an industry alive. In any event there is no fund already in existence and whatever money the fund will need will have to be provided from Votes.

12. The Committee have examined a scheme proposed by the Secretary of State for the Colonies whereby His Majesty's Government would advance to the Colonies sums sufficient to enable them to advance £2 per acre to the growers as a short term crop advance recoverable on export. At the request of the Committee, the Secretary of State for the Colonies, in consultation with the Treasury, has conferred with representatives of Barclays Bank.

13. The representatives of Barclays Bank explained that recently they have been obliged to advance to West Indian growers practically the whole cost of production of sugar. An advance of £2 per acre would not be sufficient and the prior lien of the Government in respect of that advance would prevent the Bank from making further advances on an adequate scale. The Bank would be willing to continue to make advances on an adequate scale if the Government would bear losses up to 20% of the sums advanced. Their offer was for the West Indies only as they were not sufficiently conversant with the working of the trade in Mauritius. The Secretary of State for the Colonies, however, induced the Bank to revise their offer and agree to share losses with the Colonial Governments equally, subject, however, to the condition that the Colonial Government's losses would be
limited to half of 30% of the sums advanced. In the Bank's view £300,000 would cover the whole conceivable loss to the Colonies in the West Indies. But it is hoped that the total loss to the West Indian Governments will not amount to anything like that figure.

14. The accompanying draft telegram to the West Indies has been prepared by the Colonial Office in consultation with the Treasury to embody this arrangement.

15. Briefly the proposal is that the Colonial Governments shall guarantee to the Banks or other approved lenders half their losses subject to a limit of fifteen per cent. of the amount of each advance not recoverable at the expiration of twelve months from the end of the crop season. If this is done it is proposed that His Majesty's Government shall undertake to ask Parliament in due course to vote as a grant in aid half the losses actually incurred by the Colonies under the scheme within a total maximum limit of £300,000 for the West Indies.

16. If the draft telegram is approved by the Cabinet, the next step will be to communicate it confidentially to representatives of all the banks operating in the West Indies and in Mauritius as the offer which His Majesty's Government are prepared to make and to invite their co-operation.

17. The corresponding telegram to Mauritius will be modified in the sense that His Majesty's Government are making this offer to the West Indies and are prepared to do the same for Mauritius, subject to any modifications of detail rendered necessary by local conditions, and subject to an overriding total liability of His Majesty's Government to the Colony of one half of £200,000, which is a round figure bearing roughly the same proportion to £300,000 as the average sugar export of Mauritius bears to the average West Indian exports.
18. The Committee recommend the Cabinet to adopt the scheme negotiated by the Secretary of State as set out in the draft telegram appended hereto, and to authorise him to communicate the approved arrangements to the Colonial Governments concerned.

Signed on behalf of the Committee.

Sd. PHILIP SNOWDEN.

Chairman.

2, Whitehall Gardens, S.W.1.

11th, March 1930.
His Majesty's Government understand that there may be difficulties in obtaining advances for the cultivation of the next crop of sugar and in order that those who are willing to cultivate sugar shall not be prevented from doing so by inability to obtain an advance for purposes of cultivation of the coming crop, His Majesty's Government are prepared to assist Colonial Governments to give financial assistance in connection with crop advances within the limits indicated below.

His Majesty's Government suggest that the Colonial Government should guarantee the bank or other approved lender in respect of one half of the losses of capital and interest on crop advances not recovered within twelve months from the end of the crop season, provided that the liability of the Government in any one case shall not exceed fifteen per cent of the total advance made in that case. The advances must be made a first charge on the cane and/or sugar produced and any further legislation necessary for the purpose must be introduced, and should provide for an obligation to cultivate after receipt of the money.

If the Colonial Government will make these arrangements His Majesty's Government will be prepared to ask Parliament in due course to provide half of any loss that may be incurred by the Colony under the guarantee, the other
half falling on Colonial funds, provided that the total losses to which His Majesty’s Government will contribute half shall not exceed

(Barbados) .................. £80,000.
(British Guiana) ............. £100,000.
(Jamaica) ..................... £40,000.
(Trinidad) .................... £60,000.
(Leewards) ................... £20,000 for Antigua and £15,000 for St. Kitts
(Windwards) .................. £5,000.