AGRICULTURAL MARKETING REORGANIZATION IN POSTWAR EAST AFRICA

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I. INTRODUCTION

OVER THE LAST THIRTY years, the institutional framework of agricultural marketing in the world has gone through many changes. These changes have affected greatly the economies of the so-called developing countries, as they are largely agriculture-based countries. The nature of these changes within the developing countries is very complex, reflecting on the one hand various external forces at work during this period, and on the other hand the nature of the domestic economic structures. Analysis of agricultural marketing reorganization should show characteristics of the original economic structures, the prime movers of these changes, pressures of different interest groups, and effects of these institutional changes on the course of economic development in the countries concerned.

Here, I will examine agricultural export marketing changes in East Africa, covering the present countries of Kenya, Uganda, and Tanzania. The reason for choosing East Africa rather than an individual country of Kenya, Uganda, or Tanzania is that until about ten years ago all were under British colonial rule, and much of their economic structures and institutional frameworks have common characteristics. Moreover, there has been a strong desire on the part of these three countries even after achieving independence to maintain close economic ties among themselves. These ties are at present visible in the existence of East African Community, although the customs union has been gradually disintegrating because of various economic measures unilaterally imposed by the individual countries. The East African countries also have similar agriculture-based economic structures. In 1965, agricultural production (including livestock, but excluding forestry, fishery, and hunting) accounted for 35 per cent of the Gross Domestic Product in Kenya, 54 per cent in Uganda, and 48 per cent in Tanzania. The proportions of agricultural population to total population were estimated to be 85 per cent in Kenya, 90 per cent in Uganda and 85 per cent in Tanzania. The proportions of the agricultural export value to the total export value (average 1962–64) were 78 per cent for Kenya, 86 per cent for Uganda, and 85 per cent for Tanzania [23] [53, 1961 and 1966] [43] [34, p. 79].

In this analysis of the process of agricultural marketing reorganization, attention will be focused on export crops. The problems of domestic food crop marketing constitute another important field of study, not dealt within this paper.

II. COLONIAL MARKETING STRUCTURES

Most of the export crops in East Africa were introduced at the turn of century, just after all the three territories became colonies. For instance, cotton was introduced into Uganda by both the Church Missionary Society and the colonial government in 1903 [5] [56], and into Tanganyika (then German East Africa) by the colonial government about the same time. Arabica coffee was introduced into Kenya by St. Austin's Mission in the 1890s, and into Kilimanjaro area of German East Africa at Kilema Mission about 1900. Robusta coffee was indigenous to East Africa, but its importance as an export crop was established only after the 1920s. Sisal was introduced into Tanganyika by an agronomist of the German East Africa Co., Dr. Hindorf, in 1893 as a plantation crop.

The colonial governments were interested in introducing the monetary economy into East Africa for tax purposes and for creating the basis of economic development. The production of cash crops by the inhabitants for sale in the world market offered opportunities to advance these objectives. Traders and merchants from the metropolitan countries, Britain and Germany, as well as from India, saw the chance to spread their spheres of activities by selling imported manufactured goods in East Africa and exporting these crops.

In this way the African peasant farmers came into the monetary economy by producing various kinds of export crops, although they never ceased to produce subsistence foodstuffs. The development of export crop cultivation was largely achieved by utilizing the margin of productive capacity, namely land and labor, which had been available to the peasant farmers at the time such demand was created [28, pp. 44–46]. In Kenya, and to a certain extent in Tanganyika, communities of European settlers constituted important centers of export crop production, especially of arabica coffee, but they were primarily engaged in supplying wheat, maize, and dairy products to the East African market [58]. Sisal and tea were produced mainly by the plantation estates owned and operated by metropolitan-based companies utilizing large numbers of African agricultural labors, but their importance within the East African economies was much smaller in comparison with African peasant-grown products.[1]

The activities of British merchant firms in East Africa are very well described in Kathleen M. Stahl's excellent book [33], and here it is necessary only to summarize the main characteristics of their activities. Firstly, the period of activities of these firms in East Africa was much shorter than their activities in other British colonies. Most, except for some pioneering firms, came to operate in East Africa only after the First World War.

> Fifty years in the West Indies covers only one chapter in the long story of British commercial connections, but in East Africa it is the full span of the oldest pioneering British firms in those territories. These firms have not, as in the older colonies,

[1] At the height of the demand for sisal in 1960 its export value constituted 28.2 per cent of the total value of the exports from Tanganyika. Export share of sisal and tea, combined, for Kenya was less than that of sisal alone in Tanganyika, 21.1 per cent in 1960.

> shaped the economic life of these territories by a hundred slow influences. [33, p. 179]

Secondly, unlike those of the West Indies, Malaya, and Ceylon, the East African economies are not primarily based on plantation enterprise, but have been built on African production and White (European) settlement. Therefore, the degree of control from London was much more limited in the case of British commercial interests in East Africa. Typically, the commercial interests of these British firms were not direct ones through ownership of planting companies, but rather indirect through financial advances to local companies and private growers. For African production, these firms acted as processors and exporters.

Due to the above factors, the British commercial interests have conspicuously shunned any open intervention in local political affairs. In Kenya, where some fifty thousand strong European settlers' communities tended to consider any political or economic reorganization as a potential threat to the maintenance of their positions, London commercial interests avoided as far as possible involvement in local politics. Local producing interests in coffee and sisal, Stahl reports, had a strong antipathy toward direction from London commercial interests [33, pp. 181–82]. These merchant firms, therefore, carried out their business rather unsentimentally as long as there was a firm foundation of law and order under the colonial rule in East Africa.

Between these British merchant firms and African peasant farmers, there was a wide area of activity where Asian (Indian) traders operated. It was they who were the real pioneers in pushing the area of commercial production into the remotest areas. As Ehrlich notes,

> [it is] difficult to exaggerate the importance of their contribution to the economic development of Uganda. As willing purchasers of native products they created and continuously widened those markets upon which development was fundamentally dependent. As sellers of trade goods they both satisfied existing needs and created new incentives for further production. [6, p. 406]

Typically, their operations were small scale, and with small capital they aimed at quick turnover of sales goods. In their role as the purchaser at the primary market, they came into contact directly with the African producers who had little knowledge of outside markets, especially of the export market. There were no doubt numerous malpractices in weighing produce and in other trading operations, of which they were frequently accused by the African producers and the colonial government officials alike. However, the Asian traders were no more than the end bearer of the world economy, and their behavior was conditioned by the colonial system of laws and rules which assigned them to the status of middleman.[2]

Not all of the Asian traders remained as small scale operators. There were

[2] For instance, Asians were prohibited from ownership of land in Kenya, and in Uganda and Tanzania there were strong provisions against alienation of land to non-natives. Asians were often unable to obtain finance from banks due to lack of acceptable collateral.

some Bombay commercial firms which expanded their activities into East Africa and performed a role similar to the London commercial firms. One such firm was Narandas Rajaram & Co., which came to Uganda in 1916 as a cotton exporter and soon built or acquired a considerable number of ginneries [6, p. 442]. Some Asian traders were fortunate in purchasing large estates abandoned by European settlers and succeeded in establishing a large-scale sugar industry. M. Madhvani and N. K. Mehta in Uganda were notable examples of this type.[3] Asian entry into the cotton ginning industry was especially strong in Uganda and Tanganyika where cotton growing by African peasant farmers progressed. In 1924 there were 164 ginneries in Uganda, out of which more than 100 belonged to Asian firms. Much of the ginned cotton (lint) found markets in India and Japan, and in 1930 Asian (Indian) cotton exporters handled 68 per cent of the cotton exports from Uganda, in contrast to 8 per cent handled by European (mostly British) exporters.[4]

The role of the colonial governments of the three territories was primarily to maintain law and order, and their paternalistic interventions in many aspects of agricultural marketing must be understood in this context. Imposition of the law which prohibited non-Africans from credit trade with Africans was justified by the intension of protecting Africans from falling into indebtedness, but in effect denied them opportunities of entry into trading activities [59, pp. 106–15]. Thus African traders were severely handicapped when they came into competition with Asian traders, and they remained active only in handling local produce within local markets. A trade licensing system which limited the number of trade licenses in order to prevent "destructive" competition, was a device increasingly used by all three colonial governments in East Africa and became another obstacle to the entry of African traders.[5] In Uganda, where ginners were vocal and influential, the government encouraged the establishment of ginners' buying posts in upcountry areas in order to eliminate independent middlemen, and in 1934 supported the creation of ginning pools in order to protect the existing ginners' interests [6, pp. 460–61], thus closing the door to African entry into the ginning industry.

Thus, in prewar East Africa a three-tier colonial marketing structure had emerged whereby at the top export and import trading was handled mainly by British commercial firms, and in the middle, primary buying and processing of agricultural produce, and wholesaling and retailing of imported goods were performed mainly by Asian traders. African peasant farmers increasingly came to produce export crops in addition to their subsistence food crops, but the

3 See the autobiography of N. K. Mehta [27]. It is to be noted that these Asian entrepreneurs initially established themselves as ginners and benefitted from the financial advances of Japanese cotton merchant firms operating at the time in East Africa.

4 [17, p. 71]. The rest were presumably exported by three Japanese cotton merchant firms, Nihon Menka, Tōyō Menka, and Gōshō. Their activities in Uganda started around the mid-1920s according to the informations given by Mr. D. K. Marphatia of Narandas Rajaram (Africa) Ltd., and Mr. K. Matsuoka, formerly of Nihon Menka Co. Ltd.

5 Restriction of the number of licenses was also fiercely opposed by Asian traders in the early 1930s when these governments introduced the Native Produce Marketing Ordinances. See [59, pp. 72–95].

emergence of African traders to handle these export crops was practically nil, although some food crops in excess of the peasant farmers' needs were sold by African traders in local markets. The European settlers' communities usually had direct contact with European commercial firms in exporting their produce or purchasing imported goods. The settlers' wheat, maize, and dairy products, were sold to the East African market through their own powerful and monopolistic co-operative organizations.[6]

III. SECOND WORLD WAR AND ESTABLISHMENT OF MARKETING BOARDS

The outbreak of the Second World War in 1939 had profound effects on these colonial marketing structures. Firstly, the British government took quick action to centralize the purchase of all essential supplies from overseas. The government departments became the sole importers of a wide range of commodities, and this system was gradually extended until by the spring of 1941 it embraced the whole of the United Kingdom's imports of food and raw materials [24, p. 1]. This arrangement was usually referred to as the "bulk purchase" system. After 1942, the bulk purchase system assumed a new role when efficient and equitable distribution of food supplies and raw materials among the allied powers became necessary, and the Combined Food Board and the Raw Materials Board were established for this purpose. The most important colonial products to which the bulk purchase was applied were oilseeds and vegetable oils, tea, cocoa, coffee, sugar, cotton, sisal, copper, and tin [24, p. 142]. As far as East Africa was concerned, coffee, cotton, sisal, tea, and pyrethrum were the major commodities subjected to this arrangement.

Secondly, in response to this reorganizatoin in the metropolitan country, the colonial governments also set up centralized organizations to ensure continued supply of these foods and raw materials. Far reaching measures were implemented under the Defence Regulations, which conferred wide powers to the colonial governments. These centralized marketing organizations were given statutory monopoly powers, acting as the sole buyers of produce from the producers and as the sole sellers to the British government. The existing commercial firms which had engaged in the export trade became agents of these statutory organizations. The important feature here was that the prewar share of trade between firms was carefully preserved by allocating supplies on the basis of past performance; at the same time new entry was completely barred.

In order to carry out these arrangements, the East African governments had to rely on the services of men who had had some experience in the complications of the export trade. Thus, not only was the actual business of marketing carried out by the established firms on a commission basis, but the policy-making deci-

[6] Wheat and maize were sold through the Kenya Farmers' Association, and dairy products were sold through the Kenya Co-operative Creameries. For the development of these organizations, see [18] [14]. For the colonial government's protection of these organizations, see [58].

sions were often taken by their personnel acting in an advisory capacity to the governments. Some of these personnel became direct employees on the staff of the government organizations [24, p. 69].

Another characteristic feature of the new arrangements was the introduction of fixed prices to producers, fixed margins or commissions to traders, and fixed charges to processors. The fluctuation of prices reflecting the commodity price movements in the world market had often been a headache to producers, and a source of conflict with the primary buyers, often Asians, who bore the blunt of accusations by the infuriated producers. The introduction of the fixed price system was at first welcomed by producers and traders alike, but soon the levels of the fixed prices began to be questioned. During the war there was a tremendous increase in the price of commodities in the world market, and even though the fixed prices were usually reviewed and adjusted annually, producers' prices lagged far behind the realized export prices of these produces. On the other hand, the commissions to the traders and exporters were usually fixed as a percentage of the sales value, so that the increased prices were directly reflected in increased commissions.

The forms and actual implementation procedures of the centralized statutory marketing organizations differed according to the crops they handled. These differences reflected for the large part the marketing organizations existing at the time of introduction, but their modification and development were largely determined by the nature of the producers. I would like to examine these developments for (1) Kenya coffee, (2) Tanganyika and Kenya sisal, (3) Uganda and Tanganyika cotton, and (4) Uganda and Tanganyika coffee.

A. *Kenya Coffee*

Prewar Kenya coffee production was characterized by high quality arabica coming almost exclusively from European owned estates. A Government Notice in July 1940,[7] proclaimed the Supply Board of Kenya as the sole buyer of Kenya coffee. The operation of this new arrangement was described as follows:

> It is an obligatory pool of Kenya coffee for sale through the Control. The planter loses his rights of ownership once his coffee is delivered to the Control, receiving in lieu thereof a right to a payout of which the amount is based on the classification of his coffee. . . . The Control is not buying the coffee: its position is that of a trustee on trust for sale to pay expenses and to distribute the balance in a defined mode, namely, according to price classification, among the planters who grew the coffee. As to the other constituent elements of the Kenya coffee industry, the Control undertakes, so far as practicable, to deal with the coffee through previously usual channels: coffee curers, commission agents, brokers (including auctioneers) and dealers are regarded as essential components of the industry and regard is to be given to the conservation of their interests. [19, p. 7]

According to the Report of the Commission of Inquiry on Coffee Control, 1941, there were seven principal dealers (exporters) in mild (arabica) coffee

[7] Kenya, Government Notice No. 645 (July 1940) issued under the Defence Regulations of 1939.

operating in Kenya. These firms were: Leslie and Anderson (Nairobi) Ltd.; Naumaun Gepp, Dorman & Co.; R. S. Campbell & Co.; G. G. Aronson Ltd.; A. Baumann & Co.; the Old East African Trading Co. Ltd.; and Gibson & Co. Ltd. [19, p. 8]. All sorts of charges, such as milling, storage and brokerage fees, as well as commissions for dealers, were now fixed by agreement between the Control and the respective firms. For example, the East African Coffee Curing Co. Ltd., which had been milling the bulk of Kenya arabica coffee, agreed that there would be a flat curing rate of fifty shillings per ton of clean coffee treated. The company also reaffirmed that dividends would be limited to 6 per cent per annum, and that any surplus earned would be returned to the planter suppliers [19, p. 111].

The established channels for coffee deliveries from the estates to the mills were retained by commission agents who were thus protected in respect of cash advances made to their clients. The Control agreed to pay the commission agents a commission of 1 per cent plus an additional 0.25 per cent to cover the cost of accountancy between the Control and the agents. The warehouse company was paid at a consolidated charge of ten shillings per ton of coffee, and Kenya Coffee Auctions, the appointed broker to the Control, was paid 0.5 per cent on sales up to the value of £250,000 and thereafter 0.25 per cent [19, p. 112]. In this way the existing commercial firms' position was secured under the statutory marketing system. As the centralized trading was regarded as a wartime expedient at first, no permanent change in the prewar organization was contemplated by the Colonial government [24, p. 88]. However, this kind of centralized selling undoubtedly strengthened the position of those producers who formerly had to rely individually on merchant firms to sell their produce in overseas markets.

Before the end of the war was yet in sight, the coffee planters of Kenya took the initiative in formulating proposals for the marketing organization to be instituted after the war. The conference of delegates of coffee planters in 1943 instructed the Coffee Board "to put before the Conference in 1944 their plans and recommendations for the organized marketing of the Kenya coffee crop by the producing community after the present method of control of the crop ceases" [15, p. 117]. The Conference held in 1944 approved in principle the proposal to establish a single statutory marketing board, to be operated on a pool basis similar to the existing Coffee Control, and called for a referendum by all coffee planters of Kenya to decide whether the necessary legislation should be introduced. In the subsequent referendum the required majority of 75 per cent of the producers, representing more than 75 per cent of the production of those voting was obtained, and the establishment of Coffee Marketing Board was assured [15, p. 119].

B. *Tanganyika and Kenya Sisal*

The prewar sisal industry of East Africa was characterized by highly integrated relations between growers (mainly planting companies) and exporters (usually called shippers). Most of the larger sisal planting companies were actually floated by London merchant firms who continued to act as their agents [33, p. 256]. The

main producing areas of sisal were the coastal areas and strips along the railway lines of Tanganyika and Kenya. In 1938, the export of sisal from Tanganyika reached 101,400 tons, while those from Kenya were 26,145 tons. Only one estate existed in Uganda and exported 1,807 tons in that year [26, p. 254]. The East African output of sisal in 1935–38 (annual average) constituted 48.6 per cent of the total world output.[8]

When the Second World War broke out, the East African sisal industry was faced with a shortage of labor in East Africa and the closure of European markets. A bulk purchase agreement was concluded with the British Government in 1940 after lengthy negotiations, by which the British Government agreed to purchase the sisal output on a basis of £19 per ton f.o.b. at East African ports plus port charges, and subject to the condition that the East African output of sisal should be restricted to a total of 100,000 tons [11, p. 25].

However, the Japanese invasion of Indonesia and the Philippines in early 1942 changed the whole picture. Supplies of sisal and Manila from these areas were cut off, creating a great shortage of hard fibers [11, p. 11]. The restriction scheme was terminated after one year's operatoin, and every effort was made to increase production. The bulk sales of all East African sisal continued until the end of 1948, but the prices paid by the U.K. Ministry of Supply during the war were increased only to cover increased costs of production, especially those connected with labor [36, p. 2]. A Sisal Controller was appointed in Tanganyika and a Deputy Controller in Kenya, and responsibility for shipping sisal was vested in them. Producers received a regular monthly check based on the previous month's production [11, p. 25].

When the war was nearing the end, the East African sisal industry, apparently favoring the continuation of bulk sales, requested the U.K. Ministry of Supply for a five-year contract in 1944. The Ministry instead offered a contract to cover the duration of hostilities with Japan plus two years thereafter [40, pp. 14–15]. This favorable attitude of the sisal growers toward bulk sales soon changed when the postwar free market price of sisal continued to rise rapidly. A divergence of views developed between different sections of producers. The larger estates were in favor of returning to prewar trading methods under which each estate had sold its sisal under its own trade mark. On the other hand, a large number of medium and small estate holders, many of them Asian or Greek, wanted to continue pool selling on a statutory basis [24, p. 89].

In early 1948 lively discussion concerning the future marketing arrangements took place both in Tanganyika and Kenya. The report of the Joint Marketing Committee of the Tanganyika and Kenya Sisal Growers Association, issued in March 1948, recommended the establishment of a Joint East African Marketing Organization with the ultimate object of creating a pool [41, 1948, p. 15]. The Sisal Industry Ordinances of Tanganyika and Kenya, both of which were enacted in 1945, stipulated that the governments could make rules for regulating and controlling the cultivation, treatment, storage, marketing, and export of sisal,

[8] Calculated from [11, p. 5].

provided such action had been recommended by the Sisal Growers Association of the respective territory representing not less than two-thirds of the total production in the previous year.

Special general meetings of the Tanganyika Association were held on March 30 and May 31, 1948, to discuss the proposals for a Joint Marketing Committee. Votes were taken but those in favor did not attain the requisite two-thirds share of total production, indicating that the larger estates were in favor of a return to the prewar marketing arrangements. Meanwhile, the Kenya Association at an Extraordinary General Meeting held on May 17, 1948, had accepted a resolution for the establishment of a Joint Marketing Committee. But since Tanganyika growers did not pass the resolution, the joint marketing scheme was abandoned. Kenya adopted the "agents' scheme" by a resolution passed at an Extraordinary General Meeting held on September 20, 1948 [41, 1949, p. 38], whereby Kenya growers sold through a Sisal Marketing Committee set up under the Kenya Sisal Board in conjunction with a London Agents' Committee.[9]

In Tanganyika, 70 per cent of the growers, representing almost 50 per cent of the output, then formed themselves voluntarily into the Tanganyika Sisal Marketing Association (TASMA) in order to pool the sales from all participating estates and to retain the wartime system of regular monthly payments to growers based on production of each grade. These smaller and weaker estates thus tried to protect their interests by strengthening their bargaining power through co-operative selling, and by virtue of the scale and variety of its supplies the association could claim the ability to meet the requirements in any grade or quantity for any delivery date [11, pp. 85–86]. Those Tanganyika growers who did not join TASMA began to sell their sisal through their own London agents when the control system was abolished. The prewar competitive marketing pattern was largely restored except that TASMA became a single agency for about half of the total Tanganyika sisal output.

C. *Uganda and Tanganyika Cotton*

Uganda was by far the largest prewar producer of cotton of the three East African territories, and exported 329,630 bales of cotton lint (1 bale is 400 lbs.) in 1939 [45]. All the cotton was produced by African peasant farmers. The United Kingdom had taken only a small portion of Uganda cotton exports (2.6 per cent in 1937); the major portions went to India and Japan [44, p. 21].

However, the outbreak of war in the Pacific cut off this market, and coupled with the severe restrictions in shipping space which developed during 1941, the future outlook for overseas markets became very uncertain. A bulk purchase agreement was negotiated in 1942 in which the U.K. Ministry of Supply undertook to purchase nearly half of the Uganda crop. The average price paid to growers for seed cotton during the season was quite low, though, at 7.7 cents per lb., and the gross return to growers was only £1,302,994, as against £2,-

[9] London agents licensed by the Kenya Sisal Marketing Committee in January 1949 were: Dalgety & Co. Ltd., Mitchell Cotts & Co. Ltd., Arbuthnot Latham & Co. Ltd., United Africa Co. Ltd., Wigglesworth & Co. Ltd., and Liverpool Uganda Co. Ltd.

157,194 for the previous crop whose price averaged 8.8 cents per lb. [52, 1941/42, p. 2].

In December 1942, after the bulk sales agreements had been signed with the U.K., the three East African governments announced that they would purchase the whole of the respective cotton crops at a fixed price "with the minimum possible interference with normal East African trade channels" [37, p. 2]. In Uganda, a Cotton Exporters Group embracing all established cotton exporters was set up under the Defence (Control of Cotton) Regulations 1943, in order to deal with the marketing of the crop.

Producers' price was fixed for the 1942/43 crop based on the Ministry of Supply's contract price. Lint prices to be paid by the government to ginners were also fixed. The balance of the crop not required by the Ministry of Supply was sold to the exporters through the Group which then shipped it to India, and all profits on sales (over and above fixed allowances) were credited to a special cotton fund which was to be used for the benefit of the cotton growing areas of Uganda [52, 1942/43, p. 2]. This was to become the beginning of the Cotton Price Assistance Fund of later years.

TABLE I

BULK SALES OF UGANDA COTTON, 1942/43–1951/52 (AR LINT)

Crop Year	Bulk Sales to U.K.		Bulk Sales to India*		Auction Sales	
	Bales (1,000)	Price (cts/lb.f.o.b.)	Bales (1,000)	Price (cts/lb.f.o.b.)	Bales (1,000)	Price (cts/lb.f.o.b.)
1942/43	55	70.8	55	141.7	—	—
43/44	28	75.0	160	150.0	—	—
44/45	67	79.2	200	129.2	—	—
45/46	75	87.5	152	133.3	—	—
46/47	22	150.0	180	145.8	—	—
47/48	56	191.7	64	216.7	—	—
48/49	91	218.3†	181	220.6†	n.a.	n.a.
49/50	107	245.4	215	249.5	—	—
50/51	80	384.6	160	382.2	97	540.0
51/52	76	415.5	151	413.5	133	377.6

Sources: (1) Information from Narandas Rajaram (Africa) Ltd. (2) Uganda Lint Marketing Board, *Annual Reports*, mimeographed, 1949/50, 1950/51, 1951/52. (3) Memorandum by the General Manager of U.L.M.B., 23 January, 1950.

* Includes Ceylon and Pakistan.

† Those figures are the average f.o.b. lint prices sold to U.K. and India respectively in the calendar year 1949, and include auction sale prices.

The allocation of quotas to the members of the Exporters Group was on the basis of their past performance in the previous seven years. At all meetings of the Group, the number of votes was to be in proportion to the quota allocated to each member. Each was responsible for financing his purchases and exports of lint cotton. For performing such services, each member was to receive a commission of 2.5 per cent of the f.o.b. value of the cotton sold by him.[10]

[10] Uganda, Legal Notice No. 19 of 1943 issued under the Ordinances and Subsidiary Legislation 1943, pp. 11–13.

The Uganda Cotton Exporters Group thus came to handle the whole cotton crop of Uganda, and also those of Lake Province in Tanganyika and Nyanza Provinces in Kenya, the main cotton producing areas of those two territories. Cotton exporters based in Uganda had always exported cotton produced in these areas, so the newly formed Uganda Cotton Exporters Group's offer to market these crops was accepted by the governments of Tanganyika and Kenya. The only other cotton crops in East Africa not traded by the Group were the small amounts produced in Eastern Province of Tanganyika and in Coast Province of Kenya. They were handled by their own exporters associations.

The Uganda Group continued to function until it was dissolved in 1949 when the Lint Marketing Board was set up. This Board took over the function of statutory centralized marketing from the Group, but it started to auction lint and cotton seed in Kampala, a new feature of marketing organization in postwar years. Tanganyika also established its Lint and Seed Marketing Board in 1952, and Kenya, its Cotton and Seed Marketing Board in 1954. Exporters were required to bid at the auciton floor, and thus competitive buying was restored to the export trade. However, fixed prices both to the growers for seed cotton and to the ginners for lint cotton have become permanent features of East African cotton marketing up to the present time.

D. *Uganda and Tanganyika Coffee*

The postwar organizational change in coffee marketing in Uganda and Tanganyika was equally far reaching. In both of these territories, there was a sizable number of non-African planters growing coffee at the time of the Second World War,[11] but by far the majority of the growers were Africans. Robusta coffee was grown in large areas of Buganda in Uganda, and Bukoba in Tanganyika, but high quality arabica coffee was grown only in limited areas such as Bugisu in Uganda, and the slopes of Mt. Kilimanjaro, Mt. Meru, Mt. Rungwe, and the foothills of the Livingston mountains in Tanganyika.

Uganda robusta coffee was controlled by the Defence (Control of Coffee) Regulations which came into operation in November 1942 when bulk sales were implemented. The Director of Agriculture was appointed to be the Controller of Coffee, assisted by a Coffee Control Committee chosen by the Governor. No person other than the Controller could export coffee (except Bugisu coffee and non-African coffee which were separately controlled), and coffee for export was allocated to each approved agent based on the quantities exported by that agent during the previous three years. The Controller was empowered, after consultation with the committee, to fix prices to producers at buying posts, prices for unprocessed coffee delivered to any processing factory, and prices f.o.r. Uganda or Mombasa for processed coffee.[12]

[11] Around 1945, about 13 per cent of the total Uganda coffee production came from non-African coffee estates. Cf. [52, 1945/46, Appendix V]. This has declined to nil at the present.

[12] Uganda, Legal Notice No. 253 of 1942 issued under the Defence (Control of Coffee) Regulations, 1942.

In Mombasa, from where all the Uganda coffee was exported overseas, a Hard Coffee Exporters Group, similar in nature to the Uganda Cotton Exporters Group, was set up. This Group also handled the coffee crop produced in the Bukoba area of Tanganyika. Bukoba coffee was controlled by the Bukoba Coffee Control Board after 1942 (later called Bukoba Native Coffee Board), and the prices to its producers were fixed by this Board.

Mild arabica coffee was controlled separately in both territories, reflecting the different marketing arrangements for this coffee which existed in the prewar period. Bugisu coffee had been marketed by a government enterprise called the Bugisu Coffee Scheme, but from April 1941 its marketing functions were transferred to the new Bugisu Coffee Marketing Company, jointly owned by three commercial firms which had previously engaged in coffee buying in this area.[13] Mild arabica coffee in Tanganyika came under control in 1940 by the Coffee Control (Sales) Order of October 1940, in line with the control of Kenya arabica coffee, and the Tanganyika Coffee Growers' Association (TCGA), a European growers organization, was given the sole right to purchase coffee from non-Africans. The Kilimanjaro Native Co-operative Union (KNCU), which had existed as the sole Co-operative Union of the African coffee growers in the Kilimanjaro area since 1932, was made the sole purchaser of the arabica coffee grown by Africans.[14]

The bulk sales arrangements were extended after the war. In Tanganyika, the bulk sales agreement was renewed for a further five years in 1947, and the whole crop of Tanganyika mild coffee, both African and non-African produced, was contracted by the U.K. Ministry of Food [24, p. 40]. On the other hand, the contract for the hard coffee of Bukoba was limited to 4,000 tons of robusta and 700 tons of arabica annually [3]. Therefore, when a free export market was resumed in 1947 for the quantity of coffee over and above the contracted amount, about 40 per cent of the whole Bukoba crop was sold by auction. Also in Uganda, the contract was renewed for five years in 1947, and the limited amount of 4,000 tons of African grown robusta, 1,000 tons of Bugisu arabica, all non-African grown robusta, and some minor kinds were put under the bulk sales arrangements [32, p. 267]. The rest of the crop was sold by auction on the free market, which amounted in the case of African grown robusta to about 80 per cent of the crop.[15]

In 1953 as the bulk sales arrangement was coming to the end, a marketing board was established by statute in Uganda to take over the function of the Coffee Controller. Just like the Lint Marketing Board in case of cotton, the Uganda Coffee Industry Board (later renamed Uganda Coffee Marketing Board) acted as the sole buyer of robusta (and a small amount of hard arabica) coffee from the licensed coffee processing mills,[16] and as the monopoly seller at the

13 [16]. The three firms are: A. Baumann & Co., Old East African Trading Co. Ltd., and Jamal Ramji & Co.

14 Tanganyika, Government Notice No. 254 of 1940 issued under the Coffee Control (Sales) Order, 1940.

15 The bulk sales agreement was extended to 1953/54 crop year.

16 Bugisu coffee and some wet-processed robusta from non-African estates were sold outside the Board.

Kampala auction where export firms were now required to bid for the crop. Tanganyika did not establish a single marketing board after the bulk sales was terminated, but rather created four separate compulsory marketing organizations for different producers in different areas. Non-African mild arabica continued to be marketed by TCGA, and African mild arabica from Kilimanjaro was marketed through KNCU as before. A new marketing body called the Tanganyika Co-operative Trading Agency (TACTA) was established in 1952 to deal with African mild arabica from other areas such as Meru, Rungwe, and Matengo. Bukoba hard coffee, both robusta and arabica was marketed through the Bukoba Native Coffee Board until 1955 when its function was taken over by a co-operative union. Establishment of a statutory marketing board in Tanganyika came much later, in 1962, when the necessity of implementing export quotas arose due to participation in the International Coffee Agreement.

E. *Prime Movers in Organizational Changes*

Who were the prime movers in these immediate postwar organizational changes in marketing African produced export crops? The course of events in East Africa was very much influenced by what had happened in British West Africa.

Cocoa marketing in British West Africa had gone through turbulent years just before the outbreak of the Second World War. In West Africa fewer European commercial firms (mainly British and French) dominated the export-import marketing than in the case in East Africa, and there was a stronger tendency toward market sharing arrangements and price agreements among themselves. In 1937 the cocoa growers of Gold Coast (later Ghana) refused to sell cocoa to these exporters for more than five months because of suspicion of such arrangements when the producers' price went down drastically in that year [8]. The British Government immediately sent a commission of inquiry, the Nowell Commission, which strongly criticized the existing marketing organization and recommended the establishment of central marketing agencies together with compulsory reduction in the number of stages of intermediaries.

Before any action was taken on these recommendations the war started [1, p. 210], and cocoa came under the bulk purchase arrangements of the British Government. The West African Cocoa Control Board was established in 1940 to act as the centralized marketing organization for cocoa in the Gold Coast as well as Nigeria. A white paper published in 1944 made it clear that the prewar marketing system had many undesirable features, and the producer price stabilization scheme lately implemented should continue after the war, based on the experience of the war years [9]. A second white paper on cocoa appeared in 1946 [10], which proposed that statutory monopoly marketing boards for cocoa should be established in the Gold Coast and Nigeria to "fix seasonally stable prices to producers and sell the produce to the best advantage. Their surplus funds would be used primarily for price stabilization and to a lesser extent for research, disease eradication and similar purposes" [1, p. 269].

The official policy of the British Government in West Africa affected profoundly the future course of marketing organization of the African produced export crops

in East Africa. Following the examples of West Africa, marketing boards were established in Uganda, in 1949 for cotton and in 1953 for coffee. Marketing boards for cotton in Tanganyika and Kenya followed. All these boards were entrusted with the function of stabilizing producer prices through management of Price Assistance Funds. These events show clearly that the British Government and, more concretely, the colonial government officials who implemented the above-mentioned metropolitan government policy, were the prime movers of the postwar marketing reorganization.

IV. OPERATION OF THE MARKETING BOARDS

What were the attitudes of the African growers of cotton and coffee in East Africa toward such reorganization? It may be remembered that the European growers of coffee took the active role in establishment of the Coffee Marketing Board of Kenya. However, African growers of coffee did not exist in Kenya at that time,[17] and the cotton growers in Uganda, Tanganyika, and Kenya, as well as the coffee growers in Uganda seem to have had very little enthusiasm for this immediate postwar reorganization. An analysis of the mechanism of the marketing board operations will reveal some reasons for their lack of enthusiasm.

Firstly, the operations of the price assistance funds should be looked into. It was the rapid rise in world market prices of the export crops immediately after the end of the Second World War which built up these funds. When the establishment of marketing boards was contemplated at the close of the war, the colonial officials had strong fears of a postwar depression. The economic slump immediately after the First World War was still remembered vividly, and there was frequent discussion of what preparations should be made to guard against possible price collapses after the war [15, p. 122].

However, the situation which developed soon after the Second World War was quite different from the earlier period. A large part of Southeast Asia, which had produced competing tropical products was devastated. On the demand side, the Marshall Plan and other aid, chiefly from the United States, assisted a rapid recovery in the European market. Finally, the Korean War which started in 1950 boosted prices of "strategic" raw materials and foodstuffs still further.

Under these circumstances, the discrepancy between the free market prices at the auctions and the bulk sales contract prices widened greatly after 1947. It must be pointed out that there was an element of artificiality in the free market prices during this period since a large proportion of the potential supply was withheld by the long-term contracts, raising auction prices above the levels which would have been realized if there had been no bulk sales. Even so, the rise of world prices was phenomenal, and the sales proceeds realized in the free market accumulated quickly in the price assistance funds. This was largely possible because the producer prices were fixed by the bulk sales contracts.

[17] In Kenya, growing of coffee by Africans had been virtually prohibited through the mechanism of the coffee plantation licensing system, due to the pressure from the European coffee growers, until 1950s.

As the discrepancy between the contract prices and free market prices widened, as seen in Tables II and III, the colonial governments and growers alike came

TABLE II
KENYA ARABICA COFFEE EXPORTS, 1946/47–1953/54

Crop Year	Bulk Sales			Free Market Sales		
	Volume (Tons)	Value (£1,000)	Av. Price £/Ton f.o.b.	Volume (Tons)	Value (£1,000)	Av. Price £/Ton f.o.b.
1946/47	9,006	1,019	113	183	21	115
47/48	6,017	934	155	8,154	1,264	155
48/49	4,560	686	150	2,002	405	202
49/50	3,932	1,200	305	2,389	1,051	440
50/51	6,001	1,976	329	3,760	1,740	463
51/52	n.a.	2,436	n.a.	n.a.	4,435	n.a.
52/53	3,001	1,211	403	8,761	4,218	470
53/54	3,000	1,159	386	7,933	4,724	583

Source: Kenya Coffee Board, *Monthly Bulletin.*

TABLE III
DISPARITIES BETWEEN BULK SALES PRICES AND FREE MARKET PRICES, TANGANYIKA BUKOBA HARD COFFEE, 1947/53

Year	Bulk Sales (Contract) Prices (£/Ton f.o.b.)		Free-Market Sales Prices (£/Ton f.o.b.)	
	Robusta Coffee F.A.Q.	Arabica Coffee F.A.Q.	Robusta Coffee F.A.Q.	Arabica Coffee F.A.Q.
1947/48	65	81	69–85*	137–154
1949	65	81	190–390	153–490
1950	136	170	277–343	350–440
1951	136	170	319–371	346–427
1952	136	170	321–385	330–407
1953	—	—	310–364	360–439

Source: Bukoba Native Coffee Board, *Report for the Year 1954–55.*
Note: F.A.Q. means Fair Average Quality.
* Under-grade only.

to oppose the renewal of the bulk sales arrangements, and by 1954 all the bulk sales contracts had been terminated. However, by that time large amounts of funds had been built up, which in effect withheld considerable percentages of the sales proceeds which otherwise would have accrued to the growers. In addition to these price assistance funds withheld, export taxes were skimmed off from the income of the growers in Uganda. The percentage shares of the payments to growers in the total sales proceeds of Uganda cotton and coffee, combined, between 1947 and 1952 were in the range of 33.5 to 43.7 per cent according to Walker and Ehrlich [55, p. 343]. The magnitude of the cotton and coffee price assistance funds in Uganda is shown in Table IV. Cotton price assistance funds existed also in Tanganyika and Kenya although the size of the funds was

TABLE IV
BALANCE OF UGANDA PRICE ASSISTANCE FUNDS, 1948–66

(£ 1,000)

Year	Coffee	Cotton	Total
Dec. 31:			
1948	502	3,457	3,959
1949	1,129	5,583	6,712
1950	4,509	8,576	13,085
1951	9,139	21,404	30,543
1952	12,708	22,367	35,075
1953	14,806	20,308	35,114
June 30:			
1954	15,181	21,764	36,945
1955	11,903	18,827	30,730
Oct. 31:			
1956	10,296	19,361*	29,657
1957	10,708	20,363*	31,071
1958	12,045	18,091*	30,136
1959	11,632	16,286*	27,918
June 30:			
1960	11,183	16,364*	27,547
1961	6,657	17,663*	24,320
1962	5,061	17,352*	22,413
1963	3,957	15,797*	19,756
1964	4,940	12,844*	17,784
1965	5,173	13,029*	18,202
1966	4,493	12,128*	16,621

Sources: [53, 1961, p. 84, and 1968, p. 75].
* Balance in custody of the Treasury as at June 30 plus funds of the Lint Marketing Board as at October 31.

much smaller.[18] Analyses of the meaning of price and income stabilization, as well as of the actual performance have been attempted elsewhere [59] [30] [12]. It is sufficient to note here that substantial success was achieved in stabilizing producer prices of cotton in Uganda and Tanganyika, and of coffee in Uganda during the period of analysis between 1952 to 1964, to the benefit of the producers on this account. Income stabilization was also achieved for cotton in Uganda and Tanganyika, but for Uganda coffee it was not successful.

In addition to stabilization, however, the price assistance funds were increasingly looked at as a source of general development funds. Deduction of such large portions of the total sales proceeds, without distributing them to the producers, was justified initially by the colonial governments' concern for preventing inflation.[19] However, when the funds became so large in such a short time the arguments for diverting some parts of these funds to the government capital

18 Bugisu Coffee Board in Uganda and Moshi Native Coffee Board in Tanganyika also built up their own price assistance funds.

19 [7, p. 38]. The mechanism of financial arrangements in the Sterling Area in the immediate postwar period, through which the earnings of foreign exchange by the British colonies were accumulated in U.K., is analyzed in [57].

budget gained ground [37, p. 5] [13]. Thus the producers of cotton and coffee in Uganda, for instance, contributed to the government revenue through two channels, export duties and price assistance funds. It was estimated that "the cotton growers contributed the equivalent of 24 per cent of their earnings [i.e., deducted payments] and coffee growers 20 per cent of theirs to export taxes between the years of 1954 and 1960" [12, p. 350]. Table V shows that, in the

TABLE V
DISTRIBUTION OF UGANDA COTTON SALES PROCEED 1949/50–1964/65

Crop Year	(A) Total Sales (£ Mil.)	(B) Payment to Growers (£ Mil.	B/A%)	(C) Ginning & Marketing Costs (£ Mil.	C/A%)	(D) Export Duty (£ Mil.	D/A%)	(E) Surplus or Deficit of Board (£ Mil.	E/A%)
1949/50	16.6	7.3	44.0	2.3	13.9	2.9	17.5	4.1	24.7
50/51	29.3	10.4	35.5	2.6	8.9	5.9	20.1	10.4	35.5
51/52	29.9	11.9	40.0	3.6	12.0	6.0	20.1	8.4	28.1
52/53	16.8	10.4	61.9	3.1	18.5	2.9	17.3	0.4	2.4
53/54	22.4	12.8	57.1	4.2	18.8	3.8	17.0	1.6	7.1
54/55	18.5	11.5	62.2	3.0	16.2	3.0	16.2	1.0	5.4
55/56	20.8	12.5	60.1	4.3	20.7	3.4	16.3	0.6	2.9
56/57	21.3	13.1	61.5	4.6	21.6	3.4	16.0	0.2	0.9
57/58	16.8	12.8	76.2	4.5	26.8	2.3	13.7	−2.8	−16.7
58/59	16.0	11.7	73.1	4.9	30.6	1.9	11.9	−2.5	−15.6
59/60	18.3	10.5	57.4	4.6	25.1	2.3	12.6	1.0	5.5
60/61	19.0	12.6	66.3	5.1	26.8	2.3	12.1	−1.0	−5.3
61/62	7.8	6.1	78.2	2.5	32.1	1.0	12.8	−1.8	−23.1
62/63	16.5	12.4	75.2	5.0	30.3	1.9	11.5	−3.2	−19.4
63/64	18.2	11.8	64.8	5.3	29.1	2.2	12.1	−1.0	−5.5
64/65	21.5	15.1	70.2	6.5	30.2	2.4	11.2	−2.5	−11.6

Sources: Uganda, Lint Marketing Board Annual Reports; idem, *Estimates of the Geographical Income for the Year 1950–52* (Nairobi 1953); idem, *Public Accounts;* [53] [25].

Notes: 1. Crop year is from November 1 to October 31.
2. Column A includes sales of both lint and seed, and includes stock on hand at net realizable value.
3. Column C includes bonus to the local administration.

case of cotton, between 11 to 20 per cent of the total sales proceeds were deducted every year as export taxes between the years of 1949/50 and 1964/65. In addition,

> over half of the total monies in the Coffee and Cotton Profits Funds [i.e., £6,625,000] were transferred directly into various public development projects before the Price Assistance Funds were established with the remainder. In December 1951, the Legislative Council resolved that the Cotton Price Assistance Fund should be limited to a gross total of £20,000,000 and that the Legislative Council could allot to the Ugandan African Development Fund any sums from the Cotton Fund in excess of that amount. [12, p. 351]

Between 1952 and 1955, the cotton fund had paid out £18,200,000 to the development fund [53, 1961, p. 84] [25]. Further, the cotton fund extended a

£5,000,000 interest-free loan to the Capital Development Fund in 1957 which was later declared to be unredeemable [49, p. 6].

Such heavy taxation on one section of a society was bound to raise dissatisfaction. The Uganda African Farmers Union, which was organized in 1948 by an African political leader, I. K. Musazi, protested to the Uganda Government repeatedly on this matter. They demanded an increase in the growers' price of cotton, because they knew that a large amount of money was being withheld from them. When civil disturbances occurred in April 1949, two of the five demands petitioned to the King (Kabaka) of Buganda by the group responsible for the disturbances were: "We want to gin our cotton" and "We want to sell our produce in outside countries, that is Free Trade" [46, pp. 21–25].

V. CO-OPERATIVES AS A TOOL FOR AFRICANIZATION

As demonstrated in the demands of the African farmers at the time of the 1949 disturbances in Uganda, there were essentially two grievances against the existing export crop marketing arrangements. The first was against the heavy tax burden the producers of cotton and coffee were made to bear through the price policies of the marketing boards, or their forerunners, as described in the previous section. The second grievance was against the rigid marketing structure imposed during the war period which fixed the prewar status of various traders and processors by statutory recognition. This rigidity denied opportunity of entry by Africans into the marketing sector. As most of the primary buyers and processors who had direct contact with the African growers were Asians, this was an explosive racial issue.

A number of attempts to enter into marketing by forming co-operatives had been made by African growers of export crops, although many had failed. The Uganda African Farmers Union and its successor organization, the Federation of Partnerships of Uganda African Farmers, attempted to market the members' cotton cooperatively between 1949 and 1952, but the lack of finance and necessary expertise caused the failure of the enterprise [35]. A more successful example was the Uganda Growers' Co-operative Union, registered in 1948, which had its small beginning in the formation of the Buganda Growers' Association in 1923 [29]. It leased a ginnery in 1951 which had been acquired by the Buganda government, and later became one of the largest co-operative unions in Uganda, mainly marketing and processing cotton and robusta coffee.

In Tanganyika, Chagga growers of arabica coffee formed the Kilimanjaro Native Co-operative Union (KNCU) in 1932, which carried on the earlier efforts since 1925 of the Kilimanjaro Native Planters' Association. KNCU had already established its reputation as an efficient marketing organization in the prewar period, and it built up its organization as "an entirely spontaneous popular movement" [38, p. 9], while utilizing the service of an European manager, A.L.B. Bennett. It became an example to follow for other African growers. In Lake Province, the main cotton producing area of Tanganyika, the movement to form

co-operative societies started around 1952, and gathered momentum rapidly. The movement has been described as follows:

> It was born from a sense of the frustration felt by the Sukuma people, who believed that they were not getting fair weights or payments for their cotton crop. The co-operative movement itself was preceded by a system whereby independent "weight checkers" set themselves up to keap an eye on the merchants and to ensure fair play for farmers. [38, p. 14]

Faced with these activities of African producers to form co-operatives, and with their demand for entry into the marketing and processing industries, the colonial governments had to take action rather quickly. In Uganda, the outcome was the government proposals for the reorganization of the cotton ginning industry. In September 1951, the proposals were published in the *Gazette* with two main objectives, namely, (a) to increase ginning efficiency and quality standards, and (b) to provide, to the extent necessary, for participation by African co-operative societies in the ginning industry.[20] One of the most important decisions of the government for the entry of the African co-operatives was to give statutory recognition to ginning pools which up to that time had existed voluntarily. Under the ginning pool agreements each ginnery was given a quota for the purchase of seed cotton, and if a ginnery purchased more or less than its quota, it was liable to pay a penalty. The pool then reallocated any excessive purchased seed cotton to the ginneries whose purchases did not reach their quota. A ginnery's quota was mainly based on the number of gins.[21]

The government boldly proposed to buy out a number of "silent" and/or uneconomic ginneries sufficient to raise the average annual output per ginnery to 2,400 bales on an assumed basis of a total Uganda crop of 350,000 bales. It was estimated that it would be necessary to compulsorily acquire thirty-five ginneries (later amended to thirty-three) to achieve this aim, for which it was proposed to pay normal market prices as assessed by an arbitration tribunal. On the basis of government estimates of the growth of the African co-operative movement, it was decided that the maximum ginning capacity likely to be required by African co-operative unions would be 50,000 bales during the first five years and another 50,000 bales during the second five years. This represented twenty to twenty-one ginneries during the first five years and a similar number in the second five year period. It was proposed to legislate the power to acquire ginneries up to the capacity thus assessed. In order to acquire a ginnery, a co-operative union were required to provide from co-operative resources one-third of the capital cost. The balance of the capital cost was to be loaned by the government to the union at a rate of 5.75 per cent per annum repayable over a thirty year period.[22]

[20] "Proposals for the Re-organisation of the Cotton Ginning Industry," General Notice No. 754 of 1951, *Uganda Gazette*, 1951, p. 395.

[21] Some fluctuating shares were also given which took into account past performance in cotton collection.

[22] See footnote 20, p. 397.

In order to put these proposals into effect, the Cotton Ordinance of 1952 and the Acquisition of Ginneries Ordinance of 1952 were legislated. Under the ginning pool arrangements, the compulsory transfer of ginneries to the African co-operative unions took place smoothly. The acquisition of ginning capacity meant an automatic allotment of a quota. Co-operatives, alongside the private firms, were thus shielded from competition and promised a comfortable share of the market. The remuneration of the ginners was calculated according to a formula fixed by the Lint Cotton Price Committee, which was established by the Cotton Ordinance of 1952. The committee was charged with the task of reviewing every year the fifty-nine items of expenditure in the price formula incurred by ginners, and recommending to the Minister of Agriculture the prices to be paid to ginners in each zone for lint of different grades and for seed [47, p. 24].

The level of remuneration thus fixed was in fact very generous to the ginners. The calculation of ginning out-turn (the percentage of the weight of seed cotton which is turned-out in the form of lint) was based on the reported zonal average out-turn in the previous season, and allowed ginners more efficient than the reported average to obtain higher profits. It was reported in a Commission of Inquiry in 1962 that not a few ginners made more than 100 shillings per bale [47, p. 43]. Since the co-operative ginneries became a part of the system, they too acquired the same vested interest as the private ginners in keeping remuneration fixed at this level.

During the ten year period between 1952 and 1962, African co-operatives actually acquired ten ginneries through government intervention, three new ginneries were erected, and one was purchased on the open market [47, p. 21]. The rapid development of the co-operative movement during this period owed a great deal to the government assistance described above. The membership of registered co-operative societies jumped from 37,000 in 1951 to 252,000 in 1961, and during the 1960/61 season co-operatives marketed the equivalent of 118,060 bales of lint (32 per cent of the total output), while the co-operative ginneries produced 75,594 bales of lint (20.4 per cent of the total output).[23]

While the co-operative development in the cotton industry of Uganda was characterized by the acquisition of the existing ginneries, the co-operative development in the Lake Province of Tanganyika was characterized by the construction of new ginneries using long-term loans advanced by the Lint and Seed Marketing Board. This was possible because the production of cotton in this area increased tremendously between the mid-1950s and the mid-1960s. Thus the new ginneries were allocated a large amount of cotton without reducing the amount going to private ginneries. The first co-operative ginnery was built at Kasamwa in 1956, one year after the co-operative societies in the Lake area amalgamated to form the Victoria Federation of Co-operative Unions Ltd. By 1960, long-term loans for building six new ginneries were advanced by the Marketing Board at low interest rates [39, p. 16].

[23] [47, p. 33]. The balance of 42,466 bales represents direct sales of seed cotton and re-allocations by the co-operatives to private ginners.

In the 1960/61 season, all buying and bagging of seed cotton in the primary markets in the Lake Province was placed under the control of co-operative societies, with the unions organizing the transport of seed cotton to the ginneries. The Cotton (Amendment) Ordinance of 1960 was responsible for this change as it inserted a clause, "the Minister may by notice in the Gazette specify an area or areas in which no cotton buying license may be issued to any applicant other than a co-operative society."[24] Thus in Tanganyika, co-operative monopoly of primary marketing of cotton was given statutory recognition. All private ginneries were gradually bought by co-operative unions thereafter. Giving the Minister of Agriculture the statutory power to allocate a certain share of cotton to co-operatives was adopted by the Uganda government when the Cotton (Amendment) Act of 1962 was enacted. The co-operative share was gradually increased through this administrative device until finally all the cotton produced in Uganda came to be allocated to the co-operatives after September 1966.

In Kenya also, cotton co-operative societies commenced operations under the guidance of the Department of Co-operative Development in the 1962/63 season, working on a commission basis as buying agents of the ginners. In 1964 the co-operatives were given the right of purchasing all the cotton in Western Province [22, p. 74], one of the main cotton producing areas of Kenya. Most of the ginneries in Kenya, on the other hand, have remained in the hands of the private firms.

Organizational changes in Uganda's coffee marketing system were made at an equally rapid pace during this period. Participation by African growers in the processing side of the coffee industry was again the major problem. The Uganda government published proposals for the reorganization of the coffee industry in 1952. Erection of six new coffee processing factories (curing works) was proposed, all to be owned by Africans, but without specification whether they were co-operatives or otherwise.[25] Five of the new factories were actually owned by co-operative unions, while one was owned by a firm registered under the Company Ordinance.

Coffee marketing in Uganda allowed more competition than in the case of cotton. There was no quota allocation to processing factories. Curing works received cost-plus allowances from the Coffee Marketing Board, but unlike the cotton arrangements the growers price since 1957 has been a minimum price only. Thus competition usually resulted in premia being paid to the grower [2, p. 44]. African co-operative societies competed with private firms for bigger shares of the crop.

There was an interesting development of the Associations of Growers who were quite distinct group from the normal co-operative societies in Uganda. In 1957, the government permitted African coffee growers to form associations, set-up "estate factories," and sell their coffee in the free market without passing through the Coffee Marketing Board. An Association could be either a body

[24] Cotton (Amendment) Ordinance, 1960, *The Laws of Tanganyika.*

[25] "Proposals for the Re-organisation of Uganda Coffee Industry," General Notice No. 719 of 1952, *Uganda Gazette,* July 18, 1952.

registered as a limited company or as a co-operative society, but most chose the first form. Many of the Associations hired as managing agents Asians who often provided the capital necessary for erecting the processing factory as well as the necessary technical managerial skills [31, p. 151]. There were thirty-three Associations in existence during the 1961/62 season [54, 1962, p. 10]. The very rapid growth of the Associations reflects the popularity among the growers of this form of marketing. The growth of the volume handled by Associations is shown in Table VI.

TABLE VI
COMPARISON OF THE VOLUMES OF UGANDA COFFEE MARKETED BY DIFFERENT CHANNELS (CLEAN COFFEE)

(1,000 tons)

Crop Year	African Associations	Marketing Board	Non-African Estates	Bugisu Co-op Union
1957/58	2.5	59.6	11.8	3.9
58/59	17.3	61.5	6.5	3.9
59/60	26.8	83.3	5.0	4.7
60/61	36.8	63.3	3.6	4.2
61/62	41.4	64.2	6.4	6.2

Sources: [31, p. 151] [54, 1961 and 1962] [50, p. 152].

Such free development of marketing organizations without guidance or intervention by the government has been very rare in East Africa, and this system seemed to offer Africans a much needed outlet for their enterprise. But this form of organization came to be discouraged before long, as they were accused of undercutting the Coffee Marketing Board's Sales. The Coffee Act of 1963 required all dry-processed (hard) coffee to pass through the Coffee Marketing Board in order to implement the provisions of International Coffee Agreement. For a while the Associations were permitted to sell only the wet-processed robusta coffee through the free market. Consequently, this type of production expanded rapidly from 1963 to 1967, when this free channel too was closed. An announcement was then made in 1968 by the government stating that all private enterprises would be eliminated gradually from the coffee processing industry and taken over by co-operatives [4, p. 19].

The fate of the Association of coffee growers in Uganda showed that the African entry into the marketing and processing of export crops could hardly deviate from the path laid down by the government. No group of growers was permitted to compete with the "authentic" co-operatives, and recommendations for partial restoration of competition made by some commissions of inqury [47] [49] [51] were always rejected by the government.

Co-operative control of primary marketing and processing is most complete in the case of African-produced coffee and tea in Kenya. Africans had been virtually prohibited from growing coffee and tea before the so-called Swynerton Plan [20] was put into effect in 1954. While encouraging the introduction of these export crops by African peasant farmers, the Swynerton Plan urged the

Government not to relax its control over production and marketing. For instance, in the case of coffee, planting permits were given to the co-operative societies and not to individual farmers [21, p. 1,378]. This ensured the compulsory membership of coffee growers in a society, because otherwise they were not permitted to plant coffee. Pulping stations had to be licensed and in practice these licenses have been given to co-operative societies only. The cost of constructing the pulping stations has been met by loans from the government [31, p. 117] and through this financial assistance the position of co-operative societies was further strengthened.

All coffee is transported by the co-operative union from the society's pulping station to coffee curing works, mostly to the Kenya Planters Co-operative Union (KPCU) Coffee Curing Mill in Nairobi, and eventually sold through the Kenya Coffee Marketing Board's weekly auction at Nairobi to exporters. The production of African-produced coffee surpassed the production by non-Africans in the 1966/67 season as shown in Table VII. However, in the case of Kenya African-

TABLE VII
KENYA COFFEE PRODUCTION BY TYPES OF PRODUCERS
1955/56–1965/66 (CLEAN COFFEE)

(1,000 tons)

Crop Year	Estate Production	Small-holder Production	Total
1955/56	23.1	0.8	23.9
56/57	17.0	1.5	18.5
57/58	18.5	2.3	20.8
58/59	19.6	3.6	23.2
59/60	18.8	4.6	23.4
60/61	25.2	7.9	33.1
61/62	19.3	8.1	37.4
62/63	26.4	9.4	35.8
63/64	28.2	15.3	43.5
64/65	23.4	15.4	38.8
65/66	25.6	25.7	51.3

Sources: [23, 1965, p. 58, and 1967, p. 74].

produced coffee, there was no previous marketing arrangement from which to inherit existing cost-plus structures based on price formulae, as in the case of cotton in all three territories and of coffee in Uganda. The fact is that each society receives different payouts according to the widely differing quality premiums. Since the net payments to growers vary according to the efficiency of primary marketing and processing, there is a tendency to make the members watchful of the efficiency of the operation of their societies.

We have seen that in all the territories of East Africa the co-operative form of organization has been promoted in order to Africanize the marketing and processing sectors since the early 1950s. Co-operative movements were started spontaneously by producers in many instances, but their subsequent development was largely determined by the policies of the respective colonial governments.

Rapid expansion of co-operative membership, the volume handled by co-operatives, and the amount of assets held by co-operatives seem to have been possible only through the active assistance given by the governments. However, the co-operatives were allowed to develop only within the rigid framework designed by the government, which often resulted in supressing spontaneous enterprises such as the Association of Growers in Uganda.

Marketing boards no doubt played important roles in fostering co-operative developments by fixing various marketing and processing cost items at generous levels, and smoothing out fluctuations of producers prices through the use of price assistance funds. In fact, the period of rapid development of co-operatives coin-

TABLE VIII
GROWTH OF CO-OPERATIVE SOCIETIES IN TANGANYIKA

Year	1949	1957	1960	1962	1964
Total number of societies	79	474	691	974	1,358
Total membership	60,445	304,786	326,211	360,848	512,611
Share capital (£1,000)	78	207	249	272	760
Reserves and surplus (£1,000)	276	1,961	3,020	3,020	3,463

Sources: [38, p. 18] [43, p. 105].

TABLE IX
CO-OPERATIVE SHARE OF COTTON CROP IN UGANDA (%)

Year	1951	1955	1960	1965
Percentage of the volume of cotton collected by co-operative	3.2	10.7	22.5	62.5
Percentage of the volume of cotton ginned by co-operatives	1.3	6.6	16.0	52.7

Source: [50, p. 107].

cided the period of producer price subsidies disbursed from the funds accumulated through deductions from the producers during the previous period. African growers' bargaining power was strengthened vis-à-vis the marketing boards in this respect.

However, very often the co-operatives were given entrenched positions in the existing marketing and processing organizations which were inherited from the previous colonial marketing structure. A good example of this was the entry of co-operatives into the ginning industry in Uganda. High cost structures in marketing and processing were inherited in these cases.

The postwar agricultural marketing reorganization in East Africa can be described as Africanization of marketing organizations, and in this respect much has been achieved. However, improvement of marketing and processing efficiency has rarely accompanied these changes. Between 1965 and 1967, co-operatives and marketing boards came under close scrutiny by various committees of inquiry in East Africa, as African producers themselves had grown impatient with some of their inefficiencies. Common problems have been pointed out by these com-

mittees of inquiry, such as the lack of financial control and loss of co-operative funds through embezzlement, delay in transport crops and in payment to producers, spoilage of crops with consequent write-offs, and nepotism and undemocratic practices of co-operative employees and committeemen. The shortage of competent managers and staff personnel, and the lack of understanding by the ordinary co-operative members concerning the functions of the co-operatives have been regarded as the main weaknesses which have needed urgent remedy [48] [42] [50]. Some of these shortcomings have been corrected, but some still remain.

VI. EFFECTS OF THE REORGANIZATION ON THE ECONOMIC DEVELOPMENT OF EAST AFRICA

It is now apparent that the agricultural marketing reorganization has had far-reaching effects on the course of the economic development in East Africa. The colonial marketing organizations which existed in the prewar period were substantially modified during the Second World War, giving the territorial governments institutional devices with which to control their export marketing arrangements.

More precisely speaking, the esatblishment of statutory marketing boards, which were given the powers of fixing producer prices, marketing margins, transport costs, processing charges, and other rates, narrowed the sphere of activity of metropolitan or other foreign commercial firms operating within East Africa. The beginning of auctions of cotton lint in Kampala and Dar es Salaam, arabica coffee in Nairobi and Moshi, robusta coffee in Kampala and Mombasa, where marketing boards acted as monopoly sellers to the competing export firms was a milestone of this new development. The colonial governments thus acquired a device to prevent attempts of collusion among the export firms, and to shield the producers to some extent from the effects of harmful price and volume fluctuations in the external markets.

However, the large surpluses accumulated by these marketing boards immediately after the war led to the practice of using the marketing channels for collecting tax revenue for the governments. To skim off the extra money earned at the time of rising world market prices was considered equitable, and the governments obtained large funds during the 1950s for general development purposes. The greater part of these funds was used for improving roads, wells, and other economic and social overhead projects [55, pp. 346–48] which no doubt helped raise the welfare of the producing areas directly and indirectly. However, such taxing devices became increasingly unpopular among the growers of the crops thus taxed. In the 1960s when the world market prices of these crops declined, the accumulated funds were gradually disbursed to supplement the growers' prices. At the same time the growers continued to contribute export taxes, and thus remained as net contributors to the treasury. The use of marketing channels for collecting taxes for national and local governments has remained an important feature to this day in East Africa, as no other method of taxing farmers has been substantially developed during this period.

A second type of effect concerns the Africanization of agricultural marketing. The rapid growth of co-operative marketing societies under the protection of the marketing boards was promoted in the 1950s by the colonial governments and was inherited and strengthened by the independent governments. The co-operatives no doubt helped to ease tensions in the rural areas where strong antagonisms between Asian traders and African producers had existed. Emphasis on equity which has been a marked characteristic in the economic policy objectives of all three East African governments, has led to the favored treatment of co-operative marketing organizations. The rapid growth of the co-operative movement, in turn, has reinforced the determination of the governments of the three countries to embark on vigorous rural development projects such as the smallholder tea development in Kenya, the co-operative credit schemes in Uganda, and the Ujamaa farm development project in Tanzania.

Ambitious steps have also been taken by the three countries in giving co-operatives monopoly power to purchase certain foodstuffs to be sold locally. But this has proved to be a heavy burden rather than a boost for the co-operative movement. The development of co-operatives has taken place primarily on the strength it gathered as a nationalist movement, and in this context its main target was the replacement of expatriate traders and commercial firms with African organizations. The problems which have arisen with the reorganization of domestic foodcrop marketing have been of a different kind as the co-operatives have come into direct conflict with African traders in this sphere.

The protected development of co-operatievs has made them the agents of the marketing boards, rather than having the marketing boards as agents of the co-operatives. Whether or not the co-operatives in East Africa can gain more autonomy depends on how well they can increase their economic efficiency, as well as whether they can improve their financial integrity, to the benefit of the producers themselves.

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