



EAST AFRICA BAG & CORDAGE COMPANY

The East Africa Bag & Cordage Company (formerly Sisal Products Ltd.) having established a soft fibre mill for the manufacture of containers has found great difficulty in competing with containers imported from overseas at a lower price. This difficulty is due mainly to the fact that an export tax exists on raw jute in the countries of origin, but the manufactured products are not subject to such tax. The result is that the landed price in East Africa of the amount of raw jute required to manufacture a bag is very nearly the same as the landed price of a manufactured bag.

2. In view of the encouragement given in the past to the Company by the Government in connection with the establishment of a soft fibre mill and of the importance of maintaining a source of supply for containers in East Africa in the event of overseas supplies being cut off in time of war or communications being disrupted for any other reason, it is considered that some form of assistance should be given to the Company in the disposal of that part of its production which could not be sold in direct competition with imported supplies.

3. The Ministers for Agriculture, Finance and Commerce and Industry have therefore negotiated an agreement with the Company with retrospective effect from April 1st, 1956. The substance of the agreement is as follows:-

- (i) For one year at a time and subject to the approval of the Legislative Council of the Colony, the Jute Control is prepared to consider entering into an agreement with the Company for the purchase from the Company of that part of the Company's production of bags which it is impossible to dispose of elsewhere, up to the limits of the Control's requirements of any particular type of bag. The price to be paid would be based on production costs.

(ii) The maximum period for annual renewal of any agreement entered into would be one of five years. Any agreement entered into would be subject to annual revision as well as to the annual renewal within the period of five years referred to.

(iii) In return for the arrangements envisaged in paragraphs (i) and (ii) above the Company shall:-

a) refund to the Jute Control at the end of each financial year that proportion of the profit, as computed for income tax purposes, derived from the overall activities of the Company after payment of income tax, equal to the proportions of the Company's sales to Jute Control to the total sales of the Company: (e.g. if the Control purchased 45% of the total output of the Company, the Company would pay to the Control 45% of the total profit as computed above;

b) at all times make the Company's accounts available for inspection by an authorised agent of the Government.

4. In addition, administrative arrangements have been made whereby the Control receives the Distributor's Commission payable on all bags purchased from the Company by the Control.

5. The extent of the financial assistance given to the Company can only be computed at the end of each year as it is impossible to forecast import prices. Its cost will ultimately fall on the purchaser of bags and the prices fixed for containers for the current crop year takes this into account. It is considered that it is in the ultimate interest of the agricultural industry and the Colony generally to maintain a stable source of supply within East Africs.

6. The Agricultural Department is investigating the possibility of developing a local source of soft fibre. It is, however, still too early to predict results.

7. Legislative Council will be asked to give covering approval to the agreement for the period April 1st, 1956 to March 31st, 1957, and further approval to the extension of the agreement for the year April the 1st, 1957 to March 31st, 1958.