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SESSIONAL PAPER 1 OF 1967.

The Loans (Guarantee) Act

Guarantee to the Canning Crops Board

Canning Crops Board: Guarantee

In accordance with the Loans (Guarantee) Act the Minister for Agriculture has given notice of the following Motion:

"That this House approves the proposal of the Government to underwrite a guarantee to be given by the Canning Crops Board for the repayment by 30th June 1970, together with interest thereon, of a loan not exceeding K£250,000 (two hundred and fifty thousand pounds) to be extended by Barclays Bank DCO to Kenya Cannery Ltd. to increase the Company's working capital".

Following a ruling given by Mr. Speaker, this Sessional Paper is presented to Members to provide them with background information on the proposed Government guarantee.

Over the past few years deliveries of pineapples to the Kenya Cannery Ltd. factory at Thika have fallen off considerably in quality and quantity due to a) recurring drought, b) loss in confidence in pineapple growing for canning c) competition from the expanding fresh fruit market.

The reduction of deliveries to below the cannery's processing capacity combined with periodic marketing difficulties has led to Kenya Cannery Ltd. suffering annual losses of considerable magnitude with the risk that the factory, which employs a labour force of 650 people, would be forced to close. Since Kenya Cannery provides the major outlet for pineapples and since the greater part of the factory's output is exported, the Government decided that every effort should be made to assist the factory to remain in production and operate profitably with a view to future expansion. The Government therefore entered into negotiations with various international fruit processing companies which ended in the California Packing Corporation entering into an agreement in 1965 with the Kenya Government whereby they agreed to undertake the management agency of Kenya Cannery Ltd., to make available their marketing organization, and to extend the capacity of the factory to enable it to double its intake from smallholder outgrowers. The Government on its part undertook a pineapple development programme to extend smallholder production and at present some 2,700 small-holders deliver fruit to Kenya Cannery's factory.

Unfortunately lack of planting material has delayed the expansion programme while the cannery has expanded its processing capacity. Insufficient pineapples will be available, therefore, in the next two years to enable the cannery to work economically. Thus on top of debts incurred previously, projections forward indicate that losses will continue until 1969 when pineapple production will be sufficient to enable the cannery to break even. Thereafter the company is expected to operate on a sound financial footing.

Negotiations with Barclays Bank DCO have now been concluded by the Company under which Barclays will provide additional finance until the Company's operations are on a stable and viable basis. This additional finance will take

the form of overdraft facilities up to K£250,000 with interest at 7 1/2% and repayable by 30th June 1970. Repayment is guaranteed by the Canning Crops Board and the Bank and the Board have requested the Government to underwrite the Board's guarantee. In the event that the guarantee were called on public funds is expected to be temporary only, since over a period the Board will be able to recover any outlays by means of the cess on the crop.

The Government endorses the view that this guarantee should be given to the Canning Crops Board to enable production by Kenya Cannery Ltd. to be maintained in the next two years until profitability is restored, after which, as announced when the Calpak Agreement was signed, there is every prospect of a major expansion for this industry to the benefit of growers and processors and the country as a whole.

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Ministry of Agriculture and Animal Husbandry,
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29th May, 1967.