

Some Aspects of Agricultural Credit in Uganda.

The paper is in 2 sections:

- (i) Descriptive account of sources and recipients of credit in Uganda.
- (ii) Use of two case studies to illustrate the likely consequences of granting inadequately planned or supervised credit for farm development.

Section (i)

Agricultural credit in Uganda consists predominantly of "crop finance" provided by the expatriate commercial banks, and of production and farm development credit provided under Government loans schemes. "Crop finance" refers to seasonal credit provided for the purchase of crops from farmers and their movement to the places where primary processing takes place. In the broadest sense it includes also the seasonal credit provided to the Coffee and Lint Marketing Boards for the purchase of the crops from the primary processors. Production credit in this study is defined as "credit provided to individual farmers to assist in financing payments for recurrent inputs needed either (i) annually for annual crops (ii) either annually or at less frequent intervals for perennial crops." Development credit is defined as "credit provided to farmers to assist the extension or long-term improvement of an existing enterprise, or the establishment of a new enterprise."

The current overall pattern of agricultural credit in Uganda shown in terms of sources, channels and recipients is outlined in Table I, pages 20 - 22.

Analysis of present distribution:

1. a. Purchase of unprocessed crop.

Credit for this purpose is provided predominantly by the expatriate commercial banks, and is the only form of agricultural lending in which these banks are extensively engaged. It is a lucrative (because quantitatively very large) and comparatively safe form of lending which has the additional advantage of being annually recurrent. The loans are in the form of heavily fluctuating overdrafts, are outstanding for a few months only, and are renewable at the banks' discretion. The banks obtain most of the funds used for this purpose by transfers within East Africa in accordance with the various crop seasons. The East African Currency Board had been authorised to offer crop finance facilities since 1962, recently up to a maximum of £ EA. 10 Million at any one time.

"To take account of existing conditions in East Africa it (the Board) agreed to include among paper eligible for discount or as security for advances, acceptances of the banks themselves; but it insisted that such acceptances (and also any advances against other security) should be strictly linked to the banks lending for the marketing of the specified crops. These were, in the first instance, coffee, cotton, cloves, pyrethrum, sisal, tea and tobacco; but the list was not exclusive and was capable of extension." 1

In Uganda, the banks will in future have to rely on the Bank of

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(1) East African Currency Board, Annual Report 1962, page 5.

Uganda for this assistance. The expatriate banks lend both to the Cooperative movement (the producers' unions) and to private processors and buyers. They are engaged mainly in financing cotton and coffee buying, but they also provide credit to the purchase of other produce, including groundnuts, tobacco and milk. For these three items part of the credit is channelled through Cooperative Unions.<sup>1</sup> A comparatively small amount of crop finance is also provided to a few producers' unions by the Uganda Commercial Bank (previously Uganda Credit and Savings Bank). It is also provided by produce buyers in the main centres who lend to their up-country agents. This was noted by Anne Martin in 1961:

"The intermediary buyers.....may receive finance for buying from yet larger buyers, - sometimes at quite a distance, like the buyers in Ankole who receive credit from large buyers in Kampala, often their kinsmen, for whom they act as virtually the up-country agent. It should be noted that this particular web of kinship amongst Asian traders forms an extremely cheap and efficient method of channelling the necessary credit into produce-buying."<sup>(2)</sup>

Since the cooperatives still take up only small quantities of minor crops, confining their purchases mainly to groundnuts, maize and finger millet, there is no reason to suppose that this chain of credit has declined in importance since 1961. However, with the establishment of the Agricultural Produce Marketing Board the pattern of marketing may change if the cooperatives further diversify their purchases of produce,

1. b. The processed crop.

In the broader sense, credit provided to statutory marketing boards for the marketing of a crop that has undergone preliminary processing can be regarded as a form of agricultural credit. All the cotton crop in Uganda is purchased from the ginneries by the Lint Marketing Board. The Board receives credit for this purpose from the Uganda Government and from the expatriate commercial banks. Detailed figures for credit obtained by the Board are not available but it was authorised to incur a maximum liability to the banks of £5 million in 1964/65, (borrowing at 7% per annum). At June 30th, 1965, £3,822,995 was outstanding in loans from the banks for the marketing of the 1964/65 crop, all outstanding loans being guaranteed by the Uganda Government.<sup>(3)</sup> As at October 31st, 1964, the Board had £1,302,000 outstanding in short-term loans from the Uganda Government;<sup>(4)</sup> this would presumably increase during the cotton buying season.

All dry-hulled coffee in Uganda is marketed through the Coffee Marketing Board apart from Bugisu arabica. The Coffee Marketing Board receives most credit for this purpose from Uganda Government funds, including the Coffee Price Assistance Fund.<sup>(5)</sup>

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(1) a) namely Busoga District Growers Cooperative Union Ltd., and a recently formed tobacco marketing union in Acholi (both tobacco); Busoga<sup>11</sup> Growers Cooperative Union Ltd. (groundnuts); and Masaka District Livestock Cooperative Union Ltd.  
b) Other crops (mainly maize, finger millet and vegetables) that are bought by primary societies are not yet handled in large enough quantities to be sold to the Unions without the latter risking making a loss. They are normally marketed direct by the societies and apart from the Kigezi vegetables, which are sold in Masaka and Kampala, they are marketed locally.

(2) Anne Martin "The Marketing of Minor Crops in Uganda," p. 16. Department of Technical Cooperation, Overseas Research Publication No.1

(3) Source: Public Accounts of the Government of Uganda, for the year ended 30.6.65.

(4) Source: Lint Marketing Board, Annual Report 1964.

(5) See sections 39 (2) and (3) of the Coffee Act 1963: "If at any time the Board applies to the Government for a loan in order to enable it

At 30th September 1964 (latest date for which figures are available) Government advances outstanding to the Board for the purchase of coffee were worth £4.3 million.<sup>(1)</sup> The Board occasionally obtains crop finances from the commercial banks. The Bugisu Cooperative Union Limited itself markets all arabica coffee produced in the District. It finances purchase of the crop from its own substantial reserves.

To date, a national marketing board has not existed for the purchase and sale of other crops. Private buyers and processors find their own outlets for a wide variety of produce including maize, tea, tobacco and sugar, and the Busoga Growers Cooperative Union Ltd., which handles most of the groundnuts sold through the Cooperative movement, has so far marketed these direct, obtaining credit for their initial purchase from or of the expatriate commercial banks.

2. Production credit:

(a). Provided by institutions.

Most production credit currently available in Uganda is provided under the Cooperative Credit Scheme. Between 1.11.64 and 31.10.65, the societies operating the Scheme lent just over 900,000/- to 3082 Group Farm members, and 5,600,000/- to 32,672 ordinary primary marketing society members. At 31.10.65 18% of all primary producers marketing societies and 9% of all members were participants in the Scheme. From a modest start in 1961, the Scheme has developed as shown in Tables II and III.

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(4) (Continued from page 2)

"to purchase coffee and the Treasury is satisfied that the Boards funds and resources are insufficient for it to carry out all or any of its functions, the Government shall.....lend to the Board out of the Fund (Coffee Price Assistance Fund) or out of such other funds as are available to the Government....."

"The Treasury may on behalf of the Government: (a) borrow sums of money to be re-lent to the Board by the Government.....(b) pledge or deposit as security for any sum so borrowed any moneys in the Fund and any investment or security in which such moneys have been invest

(1) From 1960 when government first made advances to the Board under the 1959 Coffee Act the balance outstanding at the end of the financial year (October 31) included as follows:

1960	£4.5 million
1961	£2.4 million
1962	£ .8 million
1963	£6.5 million
1964	£4.3 million

1961, 1962 and 1963 were affected by (i) unfavourable weather, (ii) the political situation, and (iii) the influx of coffee from the Congo (1963).

Source: Coffee Marketing Board, Annual Reports 1960 - 1964.

(2) That is; 9% of all members received loans between 1.11.64 and 31.10.65.

Table II. Expansion of Cooperative Credit Scheme

Year	Shillings				
	Amount borrowed from U.C.S.B.+ and relent to members	Amount lent from Societies own funds	Total lent	No. of Societies	No. of borrowing members
A. Loans o/s at 1.11.62	814,955	289,899	1,104,854	122	7,541
B. New Loans; made between: ++					
1.11.62 - 31.10.63	1,884,132	390,361	2,274,493	183	17,204
1.11.63 - 31.10.64	3,076,479	654,107	3,730,586	230	25,161
1.11.64 - 31.10.65	5,186,503	516,206	5,692,709	296	32,672

\* + Uganda Credit and Savings Bank.

Because figures for loans outstanding at the end of the financial do not represent the full value of loans paid out during the year (the loans are for less than 12 months) figures are given, where available, for totals paid out over the whole year.

N.B. 1963/64 and 1964/65 Group Farm loans are excluded, and shown in the following Table.

Source: Annual Reports of the Department of Cooperative Development, 1963, 1964 and 1965 (not yet published).

Table III.

Loans to Group Farms. Shillings

Year	Amount borrowed from U.C.S.B. and relent to members	Amount lent from societies own funds	Total lent	No. of societies	No. of borrowers
A. Loans o/s at					
1.11.63	69,411	-	69,411	2	269
B. New Loans:					
1.11.63 -	527,689	2,505	530,194	19	1,589
31.10.64					
1.11.64 -	916,440	-	916,440	28	3,082
31.10.65					

Source: Department of Cooperative Development, Annual Reports for 1964 and 1965 (not yet published).

The average size of loans made in 1964/65 was 146/- to ordinary society members, and 298/- to Group Farm members.

At least one producers' union(1) currently provides loans for production by lending to individual societies funds that are relent to members for payment for Tractor Hire Service. It is probable that some primary societies which are not members of the Cooperative Credit Schemes still make loans to members, although this has been illegal since the passing of the 1963 Cooperative Societies Act.(2)

As shown in the two tables above, some societies in the Scheme make loans to members from their own funds, thus acting as a source of credit as well as a channel.

1) Bwavi Mpologoma Growers Cooperative Union Limited, Masaka Division.

2) See sections 26-28 of the "Bye-laws of an Agricultural Producers' Cooperative Society Limited," issued under the authority of this Act.

Credit to meet recurrent expenditure is obtained by the subsidiaries of Agricultural Enterprises Limited<sup>(1)</sup> (eight estates and one ranch)

- (i) almost entirely by drawing on interest free overdrafts on current accounts maintained with the holding company (Agricultural Enterprises Limited),
- (ii) from overdrafts with the commercial banks, (iii) from credit provided by the Uganda Development Corporation, which is in turn the holding company for A.E.L.

Private estates can obtain production credit from the commercial banks.

#### 2.b. Production credit; non-institutional.

Various private sources of credit are tapped to meet the cost of recurrent inputs, although borrowing is not necessarily itself on a recurrent basis. At least one source is likely to be developed considerably in the future; this is the provision of credit by traders for the purchase of inputs such as animal foodstuffs.<sup>(2)</sup>

Farm labourers, permanent and temporary, are an important source of credit in kind, although it is probably impossible to estimate the total annual value. In Lango, the agreements under which labourers work for postponed payment are apparently an integral part of a traditional work group system: much farm work is done in two forms of communal work groups, "aler" and "wang tic". Under a system called "dira", members of a "wang tic" work group will accept postponed payment usually in return for a supplement to the normal payment in kind.<sup>(3)</sup> In Buganda labourers agree to work for postponed cash payments over periods ranging from over one to twelve months, but do not receive any increase in payment.

Some of the farmers interviewed this year in Masaka and Lango said that they lent or borrowed seed, and occasionally cash to pay labourers, but none of the farmers interviewed depended on this form of borrowing, whereas some of the Baganda farmers undoubtedly rely on being able to postpone payment of labourers until after the coffee harvest.

(In coffee growing areas it is possible that the lorry owners who transport coffee husks for mulching constitute a further source of credit, and it is proposed to investigate this.)

#### 3. Credit for farm development.

##### a. From public sources:

From July 1962 to February 1964, credit for farm development was available to more farmers than at present. Under the Progressive Farmers Loans Scheme, farmers in any district could apply for medium-term loans from the African Loans Fund and the two International Cooperation Administration Revolving Loan Funds (all of which were administered by the Uganda Credit and Savings Bank), and loans were approved on the satisfac-

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- 1) A.E.L. is itself a subsidiary of the Uganda Development Corporation, a parastatal organisation.
  - 2) This source of credit is reported to be used in Masaka by owners of exotic poultry, and is presumably used elsewhere.
  - 3) Payment is usually postponed for a month, but can be postponed for as much as a year.

tion of very lenient security requirements, and of the intangible and somewhat vague qualifications required before a farmer could be accredited with the title "progressive farmer." (1) Loans worth £260,327 for 2,589 farmers were approved during this period, and £220,867 paid out.(2) Since the Scheme was suspended in February 1964,(3) the Uganda Credit and Savings Bank (since October 1965, the Uganda Commercial Bank) has paid out loans for farm development from the three Funds only under special schemes for Tea Outgrowers and Master Tobacco growers. After the exhaustion of the Funds, the Tea Outgrowers Scheme was continued with a grant of £45,000 from the Ministry of Agriculture and Cooperatives, and it is expected that further expansion of the scheme will take place, assisted by a grant from the World Bank.<sup>i</sup> £19,619 was lent to Master Tobacco Growers after February 1964 for the erection of flue - curing barns. The issue of new loans has now stopped because B.A.T. (Uganda) Ltd. are unwilling at present to guarantee purchase of more flue-cured tobacco. Since February 1964, the Uganda Credit and Savings Bank has also paid out a few loans from its own funds, on mortgage security, for the development of dairy farms and for general farm improvement, but owing to the security requirement these are limited to Buganda.<sup>ii</sup> The expatriate commercial banks have made a few loans to Africans who own farms, ostensibly for agricultural purposes, but these are of small importance.<sup>iii</sup>

Some credit is now made available to farmers by the sale of machinery on hire-purchase terms. This includes equipment such as pumps, hand-tractors, and full size tractors.

The subsidiary estates and ranch of Agricultural Enterprises Limited have obtained most credit for development purpose from Agricultural Enterprises Ltd., which in turn borrows from the Uganda Development Corporation. At December 31st 1964, A.E.L. had one secured long-term loan outstanding to a subsidiary worth £135,000.<sup>(4)</sup> For the most part these companies are directly financed from the share-holding of the parent company, which can of course be increased. (In 1964 the authorised capital of A.E.L. was increased by £1 million, of which £300,000 was issued and fully paid in the same year) (5)

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a) " A progressive farmer, for the purpose of the Scheme is a farmer who actively follows the advice and puts into practice the instructions given to him by the Department of Agriculture, or the Department of Veterinary Services and animal Industry, for the proper management of his farm."

b) Loans are to be regarded as character loans, but farmers will be expected to offer such security in form of crops, livestock and chattels as they are able.

Source: Department of Agriculture, Circular AAL.C.788, dated 1.6.1962.

2) Source: Uganda Credit and Savings Bank, statistics submitted to the Department of Agriculture, October 1964. (It is possible that some additional loans, approved but not taken up, had been cancelled before these statistics were compiled.

3) At 30.6.64, the three Funds combined had a capital of 12,008,543/- (£600,428). At the same date 11,224,706/- (£561,235) were outstanding in loans plus accrued interest, for agriculture and other purposes. The Funds were therefore almost fully loaned up. In addition, 50% (continued on page 8 Footnotes 3,4,5, and i.ii, iii)

The statistics given in the preceding section are inadequate, but they are sufficient to show that by far the largest amount of credit used each year in the agricultural sector is for the "passive" financing of the purchase and movement of existing crops.<sup>(1)</sup>

No use has been made of the published statistics for commercial bank lending to agriculture because there is reason to suppose that they do not accurately represent the commercial banks' position. Thus, in October 1963 the Coffee Marketing Board alone had loans worth £6.5 million outstanding from a consortium of the three main expatriate commercial banks. Yet in December, which comes in one of the two coffee buying seasons and in the main cotton buying season, total loans to agriculture outstanding from the commercial banks were given as £3.3 million. (see "Background to the Budget 1964/65 page 40)<sup>(2)</sup>

Until the commercial bank statistics are clarified it is impossible to relate accurately total credit to agriculture in Uganda to total sectoral output.

It is of interest to note that total non-bank credit to agriculture has doubled in Uganda over the last three years.<sup>(3)</sup> In 1962, non-bank credit to agriculture in each of the three East African countries was valued at: Kenya £6.4 million, Tanganyika £2.6 million, and Uganda £0.3 million (source: J. Loxley op.cit. p. 294). Uganda came much the lowest mainly owing to the absence of privately owned agricultural estates. However, with the development of various Government loans schemes, by December 1965 total non-bank credit outstanding to agriculture had risen to £.6 million. This was in the form of medium-term credit (£397,625) and of very small short-term production loans made under the Cooperative Credit Scheme (total value outstanding at December 1965, £222,300).<sup>(4)</sup>

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3) Cont'd from page 7

of the borrowers were in default for 20% of the amount outstanding. With the exception of a subsidiary scheme for Tea Outgrowers the Progressive Farmers Loans Scheme was suspended, as were all loans for non-agricultural purposes. See Annual Report, Uganda Credit and Savings Bank 1963/64 pp. 9-19.

i) See Uganda Credit and Savings Bank, Annual Report for 1964/65.

ii) "Mailo" land is owned on a freehold system existing only in Buganda Region.

iii) At 31.5.66 the Masaka Branches of the three main expatriate banks had a total of 17 loans outstanding for agriculture, worth approximately £5,800. Although this is a comparatively large sum of money, the grantors were doubtful that a large proportion of these loans had actually been used for farming. They were 'safe' loans made to borrowers who in most cases had substantial regular incomes from off-farm activities.

4) Uganda Development Corporation Annual Report 1964.

5) A more complete account of the credit used by the subsidiaries of A.E.L. is given in Appendix 1.

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For Footnotes 1,2,3, on this page see page 9.



Section (ii). Two Case Studies:

It is the medium-term development loans, provided predominantly from non-bank sources that could and should play an important role in assisting development in the agricultural sector.

But it is dangerous to assume that the provision of credit to purchase more equipment and inputs will be sufficient to mobilise it in a desirable manner

The following two case studies are designed to illustrate the point. They are preceded by a brief explanation of the survey during which they are made.

Owing to the lack of published information on the two "general purpose" Government credit schemes that have operated in Uganda since 1961 (the Cooperative Credit Scheme and the Progressive Farmers' Loans Scheme), it was decided to carry out a limited survey of farmers who had received loans under the Schemes. From the results it was hoped (i) to assess how the loans had been used (generally only possible where loans were provided for the purchase of capital equipment or livestock), (ii) to estimate how large a part credit either had or could play in promoting farm output on the farms visited, (iii) to estimate the extent to which credit was channelled into agricultural enterprises which the borrowers and the writers considered to be their most profitable potential sources of income, (iv) to examine the efficiency of the administration of the Schemes.

A questionnaire was drawn up and administered to a sample of 118 farmers divided between two districts, Masaka and Lango. Schedule I of the questionnaire was intended to obtain general information regarding the farmer (age, education, length of ownership of shamba, source of cash used to develop shamba, other occupations, estimated income from non-farm activities etc.) and regarding the farm (estimated income from main cash crop, standard of maintenance of main cash crop, use of inputs requiring cash expenditure, forms of labour employment and methods of payment etc.). It was hoped that this Schedule would provide information useful in regard to object (ii) above. Schedule II was concerned with credit: sources of credit used, amount obtained, amount applied for, how used, extent of supervision, extent of use of non-institutional credit, repayment position, and plans for future use of credit.

The questionnaire was administered between early January and the end of March this year. Follow-up visits to obtain additional information on standards of coffee husbandry, on income and expenditure over a shorter time period, on use of equipment bought on credit, and on use of local sources of credit were made to 54 of the 60 farmers in the Masaka sample in May, roughly 4 months after the original interview. Revisiting the other 6 farmers had to be cancelled owing to the emergency.

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Footnotes for Page 8.

- 1) cf. J. Loxley "The Development of the Monetary and Financial System of the East African Currency Area 1950-64," 1966.
- 2) The accountants responsible for completing the returns in the Kampala branch of one of the main commercial banks recently stated that all loans to processors (Unions and private) for the purchase of cotton and coffee are entered under the Industry section of the statistical returns, and not under Agriculture.
- 3) This excludes credit from private sources.
- 4) Uganda Credit and Savings Bank, Annual Report 1964/65.

Return visits to these farmers all of whom had loans for the development of livestock enterprises will be made later in the year. It is intended to make return visits to some of the farmers in Lango in September, for the same purpose as in Masaka, except that the writer will be concerned with the performance of operations on cotton not coffee.

Responses to Schedule I concerned with income and expenditure and some farm operations yielded mainly approximate answers, the majority of farmers having no records. In a detailed analysis (not yet made) regard will be given to this fact by (i) examining relative importance of various forms of income and expenditure (ii) estimating, where convenient, ranges of magnitude of output, income and expenditure rather than precise averages, (iii) making use of data obtained in more intensive studies in order to amplify data obtained in this study on the costs of various operations and of establishing new enterprises such as dairy farming, (1) (iv) relying quite heavily on those farmers in the sample who do keep records.

It was possible to obtain accurate answers to more of the questions on Schedule II. (Some of these could be checked against Cooperative Society or Government Department records). But here also it was necessary in some cases to accept estimates of the way in which loans were spent. These also will have to be used with caution.

Response to the questionnaire was reasonably good, in that only two farmers refused to be interviewed at all; both were replaced. Three additional interviews were cancelled because both the interviewer and her interpreter agreed that no attempt was made to give accurate responses; two of these were replaced.

The method of selecting the sample was complicated, varying (i) between the Districts, owing to considerable difference between the number of medium-term loans made in the two areas, and (ii) according to the purpose for which the loans were made, in order to ensure that adequate data were attained on livestock and land-matter loans in Masaka. It is not proposed to outline the method of selection here.

Because a detailed analysis has not yet been made, it is only possible to present some preliminary impressions of the outcome of the survey. These are confined to the medium-term loans, and to producing evidence obtained in Masaka which substantiated the belief that the Progressive Farmers Loans Scheme was, except where subsidiary schemes were devised, too general in purpose, and expanded too quickly and without adequate planning or supervision. The two summaries presented below are concerned with (i) the general "farm improvement" loans, and (ii) loans for the purchase of hand-tractors mainly for use on coffee shambas.

(a) "General Improvement" Loans.

The sample was selected from the list of sixty loans that were made in Sabawali Gombolola, Buddu County. The loans were divided into two

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- 1) E.g. - (i) The Farm Management Survey of The Coffee/Banana Zone of Buganda and Busoga, currently being conducted by Malcolm Hall.  
(ii) "The Performance of Single Axle Tractors on Peasant Coffee Farms in Buganda." W.H. Boshoff and D. Innes in East African Agricultural and Forestry Journal 1961.  
(iii) Report on "Dairy Farming in Kyaggwe and Bugerere counties" R.I Grimble 1965.  
(iv) Special studies by Nakerere Students on dairy-farming in Buganda.  
(v) M. Okai Case study in Lango of "The Adequacy of the Technical Base for the Agricultural Extension Services in Uganda."  
(vi) Subject to Uganda Government permission, the data on the "Small Farm Surveys" conducted in the Northern Region.

than equal groups: those worth less/2500/- and those worth 2500/- or more; six were then selected at random from each.

In the event there was little difference between the two groups; the loans were granted for the same purposes and the distinction lay in the amounts paid out for various purposes, particularly for mulching and construction of produce stores. On the whole the larger loans went to farmers who were in any case wealthier and who in four cases had incomes, in their own estimate of 2,500/- net, or more, per annum from non-farming activities. Seven of the twelve had full-time or part-time employment off their shambas, and four (possibly five) of these estimated that their income from non-farming activities was higher than their income from farming. Where the other activities involved running a duka or cattle-trading, the temptation to divert the loan to what appeared the more profitable occupation is obvious. This gives rise to the criticism that it was not good policy to pay out loans for activities of only secondary profitability to the borrower. One borrower, who was and is working full time in a profitable shop-keeping enterprise in Masaka from which he draws a monthly salary of 400/-, has also had two Government loans for shop-keeping.

The following Table gives the amounts for which the loans were originally granted and paid out, the amounts which farmers could prove having spent on each purpose or in the writer's opinion almost certainly had spent on these purposes, the amounts which they either acknowledged mis-spending or could be shown to have misspent (e.g. a produce store not built), and a residual column for which no satisfactory information was obtainable. This is filled mainly by the amounts paid out for mulching. As it was eighteen months or more since most of the loans had been paid out, even if a farmer had obtained a mulch most of it would have rotted. Probably a maximum of 40% of the amount shown in column 7 was actually used for mulch. As it was originally intended that loans should be paid out in kind wherever possible, the total paid out (Col. 4) is divided into the amounts paid out in cash and in kind (Cols 2 and 3). A comparison of column 4 with column 1 shows, although not as well as individual loans, these parts of the loans that were not paid out for the purposes for which they were originally granted.

Table IV (each column is in shillings.)

Purpose	I	II	III	IV	V	VI	VII
	Total Granted	Total Paid Out			Total Used	Not Used	Uncertain
		Cash	Kind	Total			
Mulching	14,730	14,020	-	14,020	-	1,200	12,820
Water Tanks	4,390	2,420	1480	3,900	2,210	1,490	200
Coffee Drying Trays	1,875	500	750	1,250	437/50	625	185/50
Produce Stores	6,350	7,210	-	7,210	1,700	4,710	800
Spray Pumps	135	100	135	235	215	20	-
Wheel Barrows	300	-	210	210	210	-	-
Tractor Hire	300	1,070	-	1,070	-	1,070	-
Cement Drying Floors	-	250	-	250	500	-	-
Artificial Fertiliser	-	-	300	300	300	-	-
<b>TOTAL</b>	<b>28,130</b>	<b>25,570</b>	<b>2875</b>	<b>28,445</b>	<b>5,572/50</b>	<b>9,115</b>	<b>14,007/50</b>

The table is compiled from information available for eleven of the twelve

loans. Similar data is not available for the twelfth loan but from a description by the borrower of how it was spent it appears that approximately 1600/- were used for farming and 2400/- for an extension to his house. On several occasions it became apparent that Agricultural Assistants saw nothing seriously wrong in permitting a farmer to divert part of a loan from farming to constructing a house. One Agricultural Assistant, asked whether he had successfully recommended any farmers for loans since the Progressive Farmers Loans Scheme was ended, replied in the affirmative, and went on to describe a farmer who had used a loan in this way. Probably the possibility of becoming unpopular locally is felt more strongly than the remote risk that an A.A.'s Departmental superiors would discover what had happened, but there seems to be considerable apathy on the part of some A.A.'s toward the need to supervise loans. It would appear that if A.As are to continue to be responsible for the detailed supervision of loans an effort should be made to explain to them the difference between productive and non-productive expenditure, and also the correct manner of keeping records of farm incomes and expenditure, so that they may assist borrowers to do this.

The only available figures on the use of the loans are those shown in Table II. This makes it impossible to determine the effect that they had on production. In total it is almost certain that any increase in output was well below the value of the loans paid out. Only four of the farmers appeared to have spent a large portion of their loans on mulching, and in one case on artificial fertiliser. 43% of the funds paid out were not for immediately productive purposes. The funds for produce stores were granted with little regard to the size store a farmer was likely to need, or its likely cost. Coffee drying trays, if used, may improve the quality of kiboko, but the farmer is not paid any premium for this improvement. Water tanks, (those owned by farmers in the sample at any rate,) are used for the benefit of the family, and not for watering crops.

Loans for mulching were paid out at a standard minimum rate of 300/- per acre (in one instance this rose to 600/-) irrespective of where the farmer obtained the mulch. The costs of mulching in different circumstances are not known exactly, but it is quite obvious that the range is considerable, from the farmer who uses his own sorghum and maize stems, or swamp grass cut at the bottom of his shamba, to the farmer who lives some distance from a coffee factory, but buys husks, or who has to pay labourers to go a long distance to cut and transport elephant grass, possibly paying the owner of the grass as well.

Despite the fact that mulching is an input for which there is a recurrent need, few of the shambas had been mulched before the loans were granted and only two had been since. Part of the value of the mulch must have been wasted owing to poor standards of pruning.

It is improbable that farmers who misspent part of their loans were able to release much cash at a later date for farm expenditure. Certainly no farmer suggested that this had happened.

(b). Loans for the purchase of Landmasters.

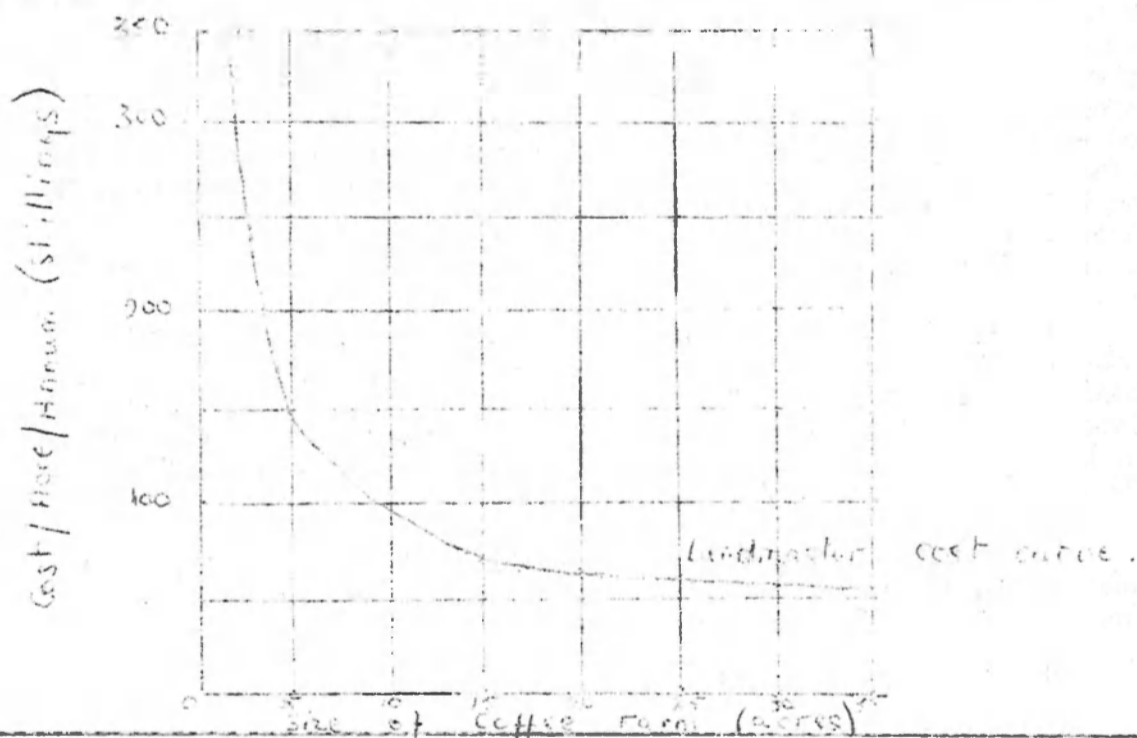
Apart for the "general improvement" loans, one other group in Masaka, for the purchase of Landmasters, was predominantly unproductive. Before describing the use of these loans a summary is given of the information that was available at the time the loans were granted as to the probable costs of operating a landmaster.

A landmaster is a walking type tractor to which a range of implements can be fitted, including a plough, cultivator, grass-slasher, and trailer; stationary, it can be used to pump water and hull coffee. Its importance lies in that it is a comparatively cheap labour-saving device, and is also fairly easy to operate; it costs roughly one tenth

the value of a full-sized tractor. The price has not remained constant, but most farmers in Masaka bought the basic machine plus the cultivator for 2845/25, less a 600/- Government subsidy. The only additional implements known to have been bought were several trailers, at a cost of 2066/75 less a 600/- subsidy, two ploughs and one grass-slasher. These Landmasters were to be used predominantly on coffee it was not envisaged by those who had conducted research into the use of the machine that farmers would use the plough - a time consuming alternative to rotary cultivation in weeding coffee - but that they would use the cultivator and slasher, and where necessary the trailer of pump. (1)

A survey was made of the performance of the Landmaster and other single axle tractors on peasant coffee farms in Buganda in 1961 (1) in order to compare the total costs of operation (recurring costs plus depreciation) with the assumed annual costs of weeding and slashing an acre of coffee by hand-labour on similar farms. "The common operations in coffee, using hand labour only, usually consist of one hand digging followed by three to four weed slashings per annum". (2)

The assumption was made that weeding and slashing by hand-labour cost 100/- per annum on a "planned farm", where standards of maintenance are higher, and 50/- to 60/- per annum on an ordinary peasant holding. Making certain other assumptions also, (3) the following cost curve was derived for the Landmaster, which appeared to be the most suitable tractor. (The Landmaster was preferred because it (i) operated more cheaply than the other tractors on comparatively small farms (12½ acres and over), (ii) at 10 acres the cost per acre fell just below 100/-, (iii) the work produced was good, (iv) the initial capital outlay comparatively small, and (v) the local agents were apparently competent.)



- (1) See W.H. Boshoff and D. Innes: "The performance of Single Axle Tractors on Peasant Farms in Buganda." East African Agricultural and Forestry Journal, October 1961.
- (2) Boshoff and Innes, op.cit.
- (3) The main assumptions were:
  - (a) All activities are performed during a 12-week period, for 3 hours per day, 6 days a week. The total of 12 weeks may be distributed throughout the year.
  - (b) Slashing occupies the Landmaster over the balance of the year.

The graph on page 13 shows that the Landmaster will operate at just under 100/- per acre on ten acres of coffee, at 75/- per acre on fifteen acres, and on a thirty to thirty-five acre holding it becomes competitive with the costs of hand-labour on an ordinary peasant holding, which one would not normally expect to be this large. All the conclusions depend on the assumption that the Landmaster does 360 hours work on rotavating per annum, and is used for the rest of the year on slashing. For less work, costs per acre would be higher. Further trials demonstrated that the Landmaster cannot compete with the standard charges for local transport of 80 cents per ton mile, but that benefits might be anticipated "on the farm itself for carrying mulch, farmyard manure or livestock feed, and possibly to transport produce to the main roads" where no alternative means of transport is available.

During 1962 and 1963 the purchase of Landmasters was encouraged in Masaka Division, Government subsidies and loans being made available to assist their purchase. According to a survey conducted in June 1965<sup>(1)</sup> there were and presumably still are, fifty-six hand-tractors in the Division (all except three purchased during or after 1962), fifty-two of them being Landmasters. Two Landmasters are owned by the District Farm Institute, two by the owners of a private coffee estate and forty-eight by individual farmers. So far as is known none of the farmers has a planned farm, although one was in the course of being planned in late 1965. All the owners have rotary cultivators, and the 1965 survey, in which twenty-five owners were interviewed (excluding the District Farm Institute)<sup>(2)</sup> showed that fourteen of these had no other implements, nine had trailers, two had ploughs, and only one had a grass-slasher, the implement which Boshoff and Innes assumed would be used during most of the year. Not all of the implements, nor all of the machines, are in use.

Eleven farmers received Government loans for the full value of the machine (generally less subsidy) and where it was bought, the trailer (also less subsidy). The 7% interest rate on the loans, and the 9% penalty rate on amounts in default, added to the total cost per acre per annum as compared to that calculated by Boshoff and Innes but this was probably approximately off-set by the Government subsidy. However, the loans were repayable in three to four years, depending on whether a trailer was bought and whether the loan was for any additional purposes, which meant that a farmer had to meet repayments in a shorter time period than Boshoff and Innes allowed for depreciation. He therefore, had to find the additional cash from another source or from exceptionally high savings on expenditure on labour.

In 1965 the impression was that most of the Landmasters in the Division were not in use or working order owing to extreme difficulty in obtaining repairs, and to the mechanical inexperience of the owners. The Divisional Agricultural Annual Report for that year stated that 20% of the Landmasters in the Division were in working order, while the other 80% were in need of major or minor repairs.

In January and May this year enquiries were made about fifteen Landmasters, including those owned by the D.F.I. and the estate, and nine belonging to farmers who had received loans.

The following information was obtained:

- (a) The D.F.I. is getting full use from two machines, using the cultivator, slasher and trailer, and occasionally the plough. The two slashers,

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(Continued from page 13)

- (c) The tractor and implements depreciate over five years.  
(d) The level of performance achieved in the trials is also achieved by the peasant farmers.  
(1) Unpublished survey by M. Quenby, then Assistant Agr. Officer, Masaka Division.  
(2) Referred to hereafter as the D.F.I.

however, are used mainly for slashing grass on the D.F.I. compound. The D.F.I. has no coffee; it is not, therefore, a good standard for comparison with ordinary farms growing coffee as a main cash crop.

(b) In May, both the Landmasters on the private estate were out of order. The owner in any case considered a full-size tractor to be more efficient for cultivating the 30 acre estate, owing to the higher rate of cultivation. (1)

(c) Of the two farmers who had not received loans, one had not used the machine since it was bought in 1964, having been preoccupied with developing a dairy farm, and then absent in America for 9 months on a farm management course. The other was using his irregularly for small amounts of on-farm transport, and to cultivate less than ten acres of coffee. He also uses hand labour.

(d) Of the nine farmers who received loans, one had not used his Landmaster since mid-1964, and two not since early 1965; (2) one had died, and the present owner was not traced.

Of the five who by May had used their machine at all during 1966 one had used his once to cultivate approximately one acre; one had used his "several" times but it was out of order in May; one had used his in February to transport provisions and furniture for his son's wedding (the son, who had also been the driver, then moved to another shamba); one, who had a full time job and no driver, claimed he had used his occasionally at the weekend to transport husks before hiring it out on a permanent basis in April; the last had used his for approximately 44 machine hours both to cultivate his coffee and to transport crops and coffee husks.

No farmer had approached one-third of the 360 hours per annum for cultivating assumed necessary in the 1961 survey. In addition none of the farmers had used the machine for slashing, and only a minimal amount of transport work had been done. Extra income might have been earned by hiring out the Landmasters, but up to April this year no farmer had done this. The main reasons were apparently a fear that the owner would not be paid, or if paid at all, only inadequately, or that the machine might be damaged. Probably the owners had made little effort to find out about the possibilities for hire-work and there were some misconceptions, one owner stating he would not only have to buy the petrol himself, but to send one or two people in addition to the operator to pull back branches, clear stones etc. One farmer, however, did make a little income from the transport and sale of coffee husks.

The owners themselves obviously do not see their Landmasters as an investment from which they expect a minimum return (in terms of labour saved or otherwise) in order to recover their recurrent and capital outlay, and they are in fact meeting the costs of their investment with income from some other source. Certainly there is no determination to get as much use as possible out of the Landmasters. Some of the more general reasons for this are listed below, but it is impossible to generalise as to the more immediate causes of disuse. These are listed immediately below for five of the nine farmers who obtained loans:

1. Landmaster bought in 1961. Owner thought by the Agricultural Department to be promising farmer. (The encouragement of Landmaster

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(1) As both the large tractor and the Landmaster had been bought second-hand with the estate, the owner was not concerned with the cost of capital depreciation.

(2) The reasons are given below.

apparently  
Office

purchases in the Division was based on the probably erroneous conclusion that this farmer was using his very profitably. The costings available at the Divisional Agricultural were optimistically weighted against hand-labour; (see Appendix II). In 1964 he began building a permanent house and stopped using the Landmaster in order to save fuel costs. It had not been used since.

2. Owner has only shamba visited with layout well suited to mechanical cultivation (flat, row-planted, well pruned). He stated he could not find a driver, and had not attended a training course himself. He had had little or no contact with the Agricultural Department since the machine was bought in 1963. It had been used for a total of one month, when it was operated by a relative. The shamba is in a remote gombolola, 40 miles from Masaka, where repairs would have been delayed and expensive.

3. Owner is full-time trader, shamba neglected. No other driver. Landmaster broke down early in 1965, was taken to be repaired, and has not been collected.

4. Owner is full-time Government clerk, with poorly maintained shamba. In financial difficulties (recently divorced and re-married); sacked driver, sold part of shamba and hired out Landmaster on permanent basis.

5. Full-time farmer. Prefers hand-labour. Estimates Landmaster can cultivate one acre a day, given dry soil, but requires two extra labourers to pull back branches and weed round base of trees. In same time could do the work as cheaply by hand-labour.

For one reason or another all except one of the nine preferred hand-labour. It is notable that those who wish to save money do not use their Landmasters. Several farmers complained that they were unable to use them on wet soil, and that this restricted the time during which they could be used for cultivating. Most of the shambas were not row-planted, or even if they were, were poorly pruned. This would tend to decrease the efficiency of operation.<sup>(1)</sup>

The mechanical know-how of the farmers themselves was minimal. This meant firstly that more repairs were necessary than might otherwise have been the case, and secondly that if minor repairs were necessary, the farmers either couldn't do them, or did them inadequately. The Uganda distributors mentioned incorrect mixing of petrol and oil and failure to perform simple maintenance correctly (e.g. cleaning a dry filter with water) as examples of the kind of things that went wrong. The farmers themselves also complained of the speed with which parts wore out,<sup>(2)</sup> and the same complaint was made by the District Farm Institute. Repairs, however, are hard to obtain. Limited facilities are available in Masaka, but most spare parts must be obtained from Kampala, and all major repairs done there. Part of the difficulties of operation and repair may be due to the short training course for operators.

Most of the Agricultural Assistants and Supervisors in the Division had no training in Landmaster use and maintenance, and had no conception of the full cost involved or the amount of work which had to be done before a Landmaster could be an economic investment. They advised

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- (1) The rows are approximately 9' wide. The more suckers and unpruned branches there are spreading across the rows, the harder it is to cultivate. Efficiency is also reduced because some farmers are growing the spreading variety of robusta.
- (2) One farmer had had to replace, in two years of spasmodic use, the rear-wheel shaft, all the rotary hoes, the clutch cable, the throttle lever and a piston-ring, in addition to various nuts and bolts.



farmers, whose shambas and whose operating costs with hand labour were not large enough to justify mechanisation, to buy Landmasters. It is unlikely that any of the nine farmers with loans were spending more than 60/- per acre per annum on weeding and slashing. According to the costings quoted earlier they should not, therefore, have expected to find a Landmaster a profitable substitute for hand-labour or anything less than 30 acres of coffee. Only two of them claimed to own this much coffee: one was not using the machine and the other cultivated only a very small fraction of his shamba with the Landmaster.

The second farmer mentioned on page 16 exemplifies the importance of providing loans for only one enterprise, whenever possible. This farmer was granted a loan not only for a Landmaster but also the purchase of cattle and fencing materials and for mulching (plus various minor items such as a spray pump). He did not use the Landmaster, did not buy the mulch, and did not use the fencing materials. Judging by previous performance, he would have done better if he had been in contact with the extension services.

To summarise the results:

1. No farmers in the Division were selected as test-cases on whose farms Landmasters use could have been carefully studied and recorded.
2. The Landmasters were sold to unplanned farms where labour costs were low and it was hardest for the Landmasters to compete.
3. Some of the farms were too small.
4. Repair facilities were inadequate.
5. The courses for operators were extremely short, lasting for one or two weeks.
6. Most of the Agricultural Assistants, from whom owners might have expected advice were not given instruction either in Landmaster use or maintenance.
7. Although most of the loans for Landmasters will probably be repaid, they will not be repaid from profits or savings accruing from their use.

Thus, it seems that neither the majority of general improvement loans made in Masaka, nor those for the purchase of Landmasters, were productive. They emphasise the point that supervised farm development loans have to be made with careful selection of borrowers, and with thorough planning and supervision by adequately qualified personnel. Probably the best way to make these loans is to devise schemes for the promotion of particular enterprises. Such schemes now exist in Uganda to assist the establishment of Tea Outgrowers, Master Tobacco Growers (active 1961 - 65, but now suspended owing to the unwillingness of B.A.T. to guarantee to purchase additional output of flue-cured tobacco), dairy farmers and ranchers.<sup>(2)</sup>

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- (1) Free courses were provided by the Government, and there should have been no delay of more than several months in obtaining a driver with some training. However, the course only lasted 1-2 weeks, and with probably eight students working on one machine, this gave them little chance to grasp the mechanics, the costs of operation, and the best methods of use of the machine.
  - (2) The fifth supervised credit scheme, applied on Group Farms, comes in a different category, being concerned with "seed time to harvest" loans to finance annually recurrent operations.

The success of these schemes still depends on selection of borrowers, planning and supervision, but they have the advantage over more general schemes in that (i) planners and supervisors require special experience in one enterprise only (e.g. tea growing or dairy-farming), (ii) in some cases (e.g. for tea and tobacco growers) it is possible to arrange for repayments to be made by the processor direct to the lending institution, the processor deducting the value of repayments from the amount due by him to the farmer, (iii) where all the loans in a scheme are being provided for the same purpose it is easier to arrange for their systematic provision in kind, in so far as this is possible, (iv) it is also easier to devise a system whereby each borrower is required to put into the initial stages of the project some of his own effort and / or money before the loan is granted.

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The only one of these schemes with which the writer is directly acquainted is that for the assistance of dairy farmers as it is operated in Masaka. The scheme as put into practice is open to criticism on the grounds that planning and supervision are still unsatisfactory. One consequence is that farmers are apparently getting low milk yields.<sup>(1)</sup> Rough calculations show that these must frequently be insufficient to cover running costs, let alone to recover costs of capital development.

The absence of sufficient numbers of well-qualified staff will probably impede the expansion of medium-term credit over the next few years or, if it does not affect the number of loans paid out will certainly affect (i.e. reduce) their impact on production. However, if qualified supervisory personnel are available such schemes might usefully be extended to assist, for example, the substitution of arabica coffee for robusta coffee in the higher areas of Ankole and Masaka. On the other hand, there seems little point in paying out substantial sums of credit for the extension or improvement of enterprises devoted to crops or livestock produce for which there is not a good market (e.g. robusta coffee in S. Uganda) or for which returns barely cover costs of production.

Farm development loans should be restricted to enterprises that are known to be profitable and that appear from market analyses to be likely to remain so.

#### Provisional Conclusions.

The writer's provisional conclusions are set out below:

- a. Agricultural credit can not be relied upon to lead automatically increase in output. It must be integrated with agricultural extension, and with prior investigation of markets. Its use should take account of the findings of agricultural research stations.
- b. Credit must be provided with care because
  - (i) loanable funds will be limited;
  - (ii) the failure of successive credit schemes will make it difficult to obtain funds to finance a new scheme.

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(1) Only five dairy farms established partly with borrowed funds were visited in Masaka, but the average milk yields for these were comparable to the 11 pints per day per exotic milking cow quoted by J. Grimble (op. cit.) for Mengo.

(iii) repeated mistakes might discourage potential borrowers from making use of the available facilities.

c. Where credit is used to establish new and unfamiliar enterprises and to introduce new and unfamiliar techniques, it cannot reasonably be expected to lead to increases in output unless

- (i) loans are granted for well-planned projects
- (ii) there is a market for the increased output
- (iii) the borrower knows how to manage the new enterprise or operate the new technique
- (iv) he continues to do so correctly.

d. Therefore, where government credit schemes are used to assist the development of farms currently using a minimum of capital equipment and traditional techniques credit should be expanded only as fast as available extension services permit. It may be necessary to budget for an increase in extension personnel in order to administer the scheme.

e. To expand credit with much less if any supervision on the grounds that this is risk capital and that provided say 60% of the projects finally succeed in making a profit, it does not matter if the rest fail, (nor that the default rate is high in the short run), is an unsatisfactory solution at least in Uganda. This is because the chances of an unsupervised or poorly supervised project starting successfully are low, due to (i) unfamiliarity with new equipment and techniques and (ii) the temptation (which may sometimes be economically justified), to spend the borrowed funds in another way, e.g. on domestic consumption, acquisition of domestic capital or the operation of a more profitable non-agricultural enterprise. Several part-time farmers interviewed had used agricultural credit to stock ducks. This may not be damaging to the economy as a whole, but it does not directly assist agricultural development.

f. The only feasible alternative, in countries such as Uganda, to the provision of supervised credit is direct government participation in the form of ownership of part of the equity capital, and the use of the accruing rights to ensure the employment of skilled management. This is viable only on farms that are sufficiently capitalised, few of which currently exist in Uganda. It is an alternative that might be useful in the future.

Table I. Sources, Channels and Recipients of Credit.

<u>Type of Credit</u>	<u>Sources</u>	<u>Comment</u>	<u>Channel</u>	<u>Recipient</u>
1. Crop Finance				
a) Unprocessed Crop	Expatriate Commercial banks	Expatriate banks provide most of this type of credit	Cooperative Producer's Unions	Primary Cooperative marketing Societies
"	Expatriate Commercial banks			Private produce buyers and processors
"	Bugisu Cooperative Union Ltd.			Affiliated primary societies
"	Uganda Commercial Bank		Producers' Unions	Primary Cooperative Marketing Societies
"	Private produce dealers	(Could also be channel for group (ii) above)		Up-country agents
b) Processed Crop	Expatriate Commercial Banks	All loans guaranteed by Government		Lint Marketing Board Coffee Marketing Board
"	Uganda Government			Lint Marketing Board
"	Uganda Government	include loans from Coffee Price Assistance Fund. (Still?)		Coffee Marketing Board

Table I Continued

2. Production Finance a) Institutional	Uganda Commercial Bank	Cooperative Credit Scheme (including loans for Tractor Hire Service)	Primary marketing Societies and Group Farms	Individual members
	Expatriate Commercial Banks			Private agricultural estates
	Producers' Unions	Mainly for Tractor Hire Service	Affiliated primaries	Individual members
	Primary Cooperative Societies	Using their own funds mainly under Cooperative Credit Scheme		Individual members
b) Private	Private Traders			Individual farmers
	Lorry owners	for transport of husks		Individual farmers
	Labourers on farms			" "
	Individual farmers			" "
3. Capital Finance a) Institutional	Funds owned by Uganda Government	administered by Uganda Commercial Bank		" "
	Uganda Commercial Bank	granted on mailo security only		" "

Table I Continued

Type of Credit	Source	Comment	Channel	Receipient
	Expatriate Commercial Banks	very few; quite stringent security requirements		Individual farmers
b) Private	Supplies or machinery	Hire purchase		" "
	Uganda Development Corporation	is holding company for A.E.L.		Subsidiary Companies (para-statal estate enterprises)

APPENDIX I

Credit Used by the Subsidiary Companies of Agricultural Enterprises  
Ltd. (A.E.L.)

A.E.L. is acquiring an increasing number of subsidiaries.

Most credit has been and still is obtained by the subsidiary companies in the form of advances on current account lent interest free by A.E.L., which in turn borrows on the same basis from The Uganda Development Corporation (U.D.C.) In the case of developing companies the practice is for the holding company (A.E.L.) to convert the balance on their current account to equity capital at the end of each year.

However, because the U.D.C. is currently short of funds, several subsidiaries of A.E.L. have raised direct loans and this pattern of borrowing is likely to continue. Existing agreements are, therefore, outlined below.

The Commonwealth Development Corporation has directly provided credit in sterling, and repayable in sterling, to two subsidiaries of A.E.L. The provisions are given below in note form:

(i) Mvunge Tea Company Ltd.

Maximum £360,000

Drawing, 1964-66

Interest  $7\frac{1}{2}\%$

Up to 31.12.66, interest capitalised. Interest paid from 1.1.67 - 31.12.71.

Repayment of principal and capitalised interest commences in 1972 by means of 7 equal annuities of principal and interest.

(ii) Buganda Plantation Co. Ltd.

£100,000

Drawing in one installment 31.12.64

Interest  $7\frac{1}{2}\%$

Interest payable up to 31.12.70.

Repayment by 4 equal annual installments of principal and interest commences 31.12.71.

Barclays Overseas Development Corporation has provided direct advances to three of A.E.L.'s subsidiaries, the first two paid and repayable in sterling, and the third in East African currency:

(i) Kiko Tea Co. Ltd.

£55,000.

Drawings 1964/65

Interest  $7\frac{1}{2}\%$

Repayment in 16, half-yearly installments commencing 1.1.68

APPENDIX I

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(ii) Kigezi Plantation Co. Ltd.

£60,000

Drawings 1964/65

Interest  $7\frac{1}{2}\%$

Repayment in 16, half-yearly installments commencing 1.1.68

(iii) Ankole Tea Co. Ltd.

£90,000

Drawings 1961-62

Interest  $7\frac{1}{2}\%$

Repayment 1964-70.

All these loans are secured by a charge on the relative company's assets.

A.E.L. itself has advanced £250,000 to the Ankole Tea Co. Ltd. on a secured Loan Account (the security is a second charge on the Company's assets):

Drawings up to 31.12.65

Interest  $7\frac{1}{2}\%$

Repayments to begin in 1971.



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