

# THE RHODESIAN JOURNAL

of

## ECONOMICS

*The Quarterly Journal of the Rhodesian Economics Society*

Editorial Board:

A. M. Hawkins (Editor), M. S. Brooks, M. L. Rule and P. Staub.

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**The Role of the African Loan and  
Development Company in African  
Agriculture**

Colin Kirkpatrick

Mr. Kirkpatrick is a Director of the  
African Loan and Development Com-  
pany.

# THE ROLE OF THE AFRICAN LOAN AND DEVELOPMENT COMPANY IN THE FIELD OF AFRICAN AGRICULTURE<sup>1</sup>

COLIN KIRKPATRICK

## When and why the Company was formed

All through my working life I have been connected both here in Rhodesia and also in London, with Development Finance Companies. Since coming to Rhodesia nearly 20 years ago, I have always held the view that here in Rhodesia, our progress and development must depend upon whether, and how, we can raise the standard of living and the cash incomes of the African population, and in particular of those hundreds of thousands now scratching a subsistence living out of the soil.

Some six years ago I read a statement, which impressed me deeply, by an Economist whose name is, I am sure well known to you— Sir Arthur Lewis. As you know, Sir Arthur has had much to do with the economic development of backward nations in various parts of the world. This is what he said:—

“The secret of rapid industrial progress in under-developed countries is to be found more in agricultural extension, in fertilizers, in new seeds, in pesticides and in water supplies than in altering the size of the farm . . . the best hope of raising the standard of living in most of these countries lies in the fact that the backwardness of their agricultural techniques makes possible spectacular advances at relatively low cost.”

At this time, Mr. Cramer (now Managing Director of A.L.D.C.) was Secretary for African Labour. I conferred with him and I asked him what access African farmers had to capital so that they could buy seed and fertilizers, and carry out farm improvements. He told me that there was, in fact, only one source—the (then) Native Development Fund—a fund administered departmentally with very limited funds.

He agreed, unreservedly, with my suggestions that what was needed was the setting up of a financial institution which would specialise in the provision of finance and credit to African farmers. The suggestion was put to the Hon. J. H. Quinton, then Minister of African Affairs, and to the

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<sup>1</sup> Paper read to the Society in January, 1968.

then Prime Minister. While Government declined to participate financially in such an institution, if set up, we were told that Government would give it its full blessing and support in other ways.

The next task was to raise the capital. This was no easy matter because we would be entering into a completely new and uncharted field, attendant with many risks. Nevertheless, a number of leading local financial, mining and industrial concerns promised their support, in the national interest, and subscribed, on a pro bono publico basis, to £140,000 of share capital. This was nowhere near sufficient but it did at least enable a start to be made.

A.L.D.C. was formed; Mr. Cramer resigned from Government service to become Managing Director; and the Company commenced operations in 1961.

#### **Areas in which A.L.D.C. operates and how it operates**

I feel there is no need to explain the Lands Tenure System in Rhodesia nor to go into details of the various types of Lands, i.e. Tribal Trust lands, Unreserved land, the Purchase Areas. Suffice it to say that A.L.D.C. confines its activities, almost entirely, to the higher rainfall Purchase Areas, most of which lie within a 120 mile radius of Salisbury. All of these Purchase Area farmers are able to obtain full freehold title to their farms (which average about 200 acres); and they have all qualified as Master Farmers. Some are indifferent farmers; but we have found many to be hardworking and to be keen and enthusiastic to improve their farms, their farming methods and their crop production. Their essential first need was access to credit to enable them to prepare their lands properly (deep ploughing at the right time) on a contract basis, and to purchase adequate supplies of new seed, pesticides and fertilizers. This is what we have to set out to do; to provide progressive farmers with their essential needs of seasonal crop finance.

As to how we operate, we have initiated a scheme which seems to be working well and to provide benefits to A.L.D.C., as lenders, and to our customers, as borrowers. This is the Group System.

This needs detailed explanation. When A.L.D.C. started up operations the three local fertilizer companies (i.e. Fisons, Rodia and Windmill) appointed to their respective staffs not only white Rhodesians, in charge of sales in the African areas, but also black Rhodesians to act as their field representatives. Simultaneously we engaged two well known black Rhodesians to act as our field representatives; and they have always liaised, very closely, with the field representatives of the fertilizer companies. And one of the fertilizer companies has recently appointed a distinguished agronomist who is concentrating entirely on the Purchase Areas.

Before embarking on lending operations in any particular area we, together with the field representatives of the fertilizer company concerned, and our representatives, make an assessment of the potentialities, and the needs, of that particular area. As and when possible, we also enlist the support of the local Conex Officer; and on occasions, demonstration plots are established to show what can be done with the proper and adequate use of fertilizer, and of course, of the appropriate type of new seed. Thereafter, we invite a farmer, whom we regard as a "leader", to form the more progressive farmers in his neighbourhood, into a "Development Group". Normally, this particular farmer becomes Chairman of the Group, assisted by a Secretary, a Treasurer, and a Committee of three or four who represent some 20/30 farmer/members of the Group. So far as is possible, we, together with the fertilizer company concerned, then make an assessment of the requirements (seed, pesticides, fertilizer) of each individual member of the group.

A.L.D.C. then places a bulk order for the whole of these requirements with the suppliers concerned; and the suppliers arrange bulk delivery to a selected delivery point. At this point, distribution to individual members of the Group is supervised by the representatives of A.L.D.C. and/or the fertilizer company concerned, against signature of receipt of the goods delivered and a signed stop order on the G.M.B. (Grain Marketing Board). Thus, no cash transactions are involved. A.L.D.C. pays the Group account to the supplier of seed, fertilizer, etc.; and A.L.D.C.'s security for repayment is the stop order of the individual on the G.M.B. That is to say our security is the growing crop; and our advances are refunded when the crop is delivered to the appropriate authority—the G.M.B. in the case of maize, groundnuts and cotton. It will be appreciated therefore that our security is to a very large extent dependent upon weather which indicates the success or otherwise of the agricultural crop.

### Facts and Figures

**Finance.** That there has been a demand for our services is borne out by the following figures:—

1964/65	270	£ 14,000
1965/66	800	85,000
1966/67	1000	110,000
1967/68 (estimated)	900	140,000

(NOTE: The reason for the numerical decline for 1967/68 is because we have withdrawn from certain marginal rainfall areas where the repayment record has been unsatisfactory.)

**Effect on crop production.** The outstanding effect of the use of improved seed and of the proper and adequate use of fertilizer has been to raise

production, in the case of maize, from the traditional 4/5 bags per acre to an average of around 20 bags per acre.

Put in another way, this means that these farmers have increased the value of their crop production as under:—

from say 5 bags per acre on 20 acres	=	100 bags @ 30/-	=	£150
to say 20            "            "	=	400            "            "	=	£600

Looked at in another way, it can be said that the overall result has been as shown below:—

#### 4 years ago

900 farmers @ 20 acres each	=	18,000 acres
@ 5 bags per acre	=	90,000 bags
@ 30/- per bag	=	£135,000

#### Now

900 farmers @ 20 acres each	=	18,000 acres
@ 20 bags per acre	=	360,000 bags
@ 30/- per bag	=	£540,000

In fact, the overall improvement is somewhat better than this because many of these farmers have in the past 2/3 years planted more than 20 acres of maize plus other crops.

This increased value of crop production has of course resulted in other direct benefits to the individuals concerned. More cash for farm implements farm improvements, better housing and other domestic expenses such as school fees; and perhaps more important it has relieved the pressure on the farmer to sell his cattle to provide cash. This latter factor had resulted in serious understocking of cattle in the Purchase Areas.

**Diversification.** In the past 2/3 seasons we have begun to make some progress in crop diversification. We have encouraged the growing, in appropriate areas, of other crops such as cotton, burley tobacco, groundnuts and potatoes. In cotton we have had marked success, particularly in the Copper Queen area. For example, the Chairman of our Development Group in this area reaped, during the past season, 400 bales which at £12 per bale represented a value of £4,800. Diversification, apart from lessening the dependence on maize, has meant that many farmers, and particularly those growing cotton, now employ a significant labour force particularly at harvesting time.

#### The Human Factor

As A.L.D.C. deals only with Africans it was considered important, right at the very start, that there should be African representation on the

Board of Directors; and I think in fact we were the first company in Rhodesia to appoint African directors. We have three well known Africans on our Board, one of whom is President of the African Farmers Union; another is a Public Relations Officer of the Rhodesian Brewery Company; and the third is a successful farmer who is also Chairman of his local District Council. Our office is staffed very largely by Africans; and we have, as I have already indicated, two Africans (former farmers) who act as our field representatives. They are constantly in the farming areas in which we operate and maintain close personal contact with our customers.

I can say that A.L.D.C. has been able to build up a tremendous amount of goodwill with its customers; and I am sure that one of the contributory reasons for this is that it is a joint effort of black Rhodesians working, hand in hand, with white Rhodesians. I think too that there is a fundamental difference in the average African's approach to a Government department or to a Government official as compared with his approach to representatives of a completely independent private enterprise organisation such as A.L.D.C.

The importance of the human factors involved cannot be emphasised too strongly. Our experience, over the past few years, has been that once having gained the trust and confidence of our customers, we get a ready response to our advice and guidance.

### **The Future**

In concluding this paper I feel I must make some general observations, which are more in the nature of the expression of personal opinions.

4. While I think it can be said we have played no small part in the improvement of agricultural practice in the Purchase Areas, and have succeeded in increasing the cash income of some hundreds of those who farm in these areas, I must emphasise that we are only touching the fringe of the problem. Millions are needed not just a few hundred thousand.

Our effort, though perhaps important in the national interests, can hardly be regarded as a strictly commercial operation. And it would be quite impossible for a concern such as ours to go out and borrow, on its own, the substantial funds required. As it is, even in a good season we can barely cover our expenses; and there is always the need to have a reserve in hand to cover "carry overs" in a poor agricultural season.

The need to provide for "carry overs" in a poor season naturally affects adversely, our liquidity; and this in itself affects our ability to obtain adequate overdraft facilities from our bankers (the Standard Bank) to whom I must now pay tribute for the way in which they have supported us over the past 5 years.

In fact, what A.L.D.C. really needs, if it is to continue, is some form of subsidy either by means of an outright grant or the provision of long term loan funds (from Government or some other source) at NON-commercial rates of interest.

As to the future, I have always held the view that the right way to tackle this tremendous job is for the setting up of an independent African Agricultural Credit Corporation with substantial Government financial assistance and, of course, representation.

We at A.L.D.C. had high hopes of the Conference (on African Agricultural Development) organised by the N.R.B. (Natural Resources Board) held at the University in February 1966. This Conference was attended by some 150 persons, including Ministers, Heads of Ministries, representatives from a wide range of commercial and industrial undertakings, the I.C.A. organisation, Women's organisations, Chiefs and officials.

In accordance with a Resolution adopted at this Conference the N.R.B. set up a Finance Committee under the Chairmanship of Mr. A. Pendered and with members representing Associated Chambers of Commerce, Association of Rhodesian Industries, African Farming Development, African Loan & Development Company, the Land and Agricultural Bank and the Ministry of Agriculture.

The Committee, in its final report, recommended the establishment of a credit organisation under commercial management and with Government backing in the form of an initial equity capital of £100,000 and a "soft" loan of a further £100,000 in order to attract finance from the private sector.

It was envisaged by the Committee that this small scheme, although only a beginning, would provide the nucleus of an organisation which could, in time, meet all the financial needs in the development of the Tribal Trust Land.

As to the outcome of this recommendation I would, in conclusion, quote verbatim from the 25th Annual Report (1966) of the N.R.B.

"The Board supported these recommendations which were rejected by Government on the grounds that the needs for agricultural credit in the Tribal Areas could, with modifications in the present systems, be met by existing organisations. The Board remained of the opinion that in the absence of specific counter proposals by Government to meet the position, the recommendations put forward by the Finance Committee remained the only practical basis on which to proceed."

Salisbury.



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