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C.G.Smith & Co. Ltd., the sugar division, 1910-1939

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Abstract

This dissertation examines the establishment and progress of C.G.Smith & Co. Ltd. between 1910 and 1939. C.G.Smith, the founder, controlled the firms fortunes during the period and this illustrates the importance of entrepreneurs to a country's economic growth and prosperity. The firm concentrated mainly upon the sugar industry where it was involved in both production and distribution/wholesaling. Smith's prospered because of the protection which the industry was granted by the Government.

Declaration

I declare that this dissertation is my own, unaided work. It is being submitted for the degree of Master of Arts in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

Paul Martin Dickinson

30th day of November, 1988.

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Preface

The dissertation would not have been possible without the consent and unrestricted access granted by Mr G Taylor of C.G.Smith Sugar Limited and Mr M.G.Meehan of Unicorn Lines (Pty) Limited.

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Abbreviations

BRA	Barlow Rand Archives, Sandton.
CPA	J.A.Carson & Partners Archives, Johannesburg.
CGSSA	C.G.Smith Sugar Archives, Durban.
SBA	Standard Bank Archives, Durban.
ULA	Unicorn Lines Archives, Durban.
SASJ	South African Sugar Journal.
SASJA	South African Sugar Journal Annual.
SASYB&GD	South African Sugar Yearbook & General Directory.

Introduction

A number of historians have examined the South African sugar industry. The industry prior to 1910 has been examined in some detail, with Peter Richardson providing an overview of the industry [1] and Maureen Tayal examining the labour component. [2] The industry after 1910 however has received scant attention, [3] with the exception of labour. [4] The history of the various businesses within the industry has received no independent academic attention and only two in-house histories have been written. [5] Hitherto, the standard work on *C.G.Smith* & Co. Ltd. has been R.F.Osborn's *C.G. A Great Natalian* which provides a narrative of C.G.Smith's life rather than a detailed study of his business operations. [6]

This dissertation examines the establishment, adaption and progress of C.G.Smith & Co. Ltd. during the period 1910 to 1940. The rise of the firm is closely linked to its founder Charles George Smith who was a whimsical but shrewd entrepreneur. The examination of the rise of such an entrepreneur may be an a typical example of businessmen in general, precisely because he rose to the top.

Sugar was a major international commodity in this period and the development of the South African sugar industry cannot be separated from the international context. Consequently developments in the international commodity trade, the focus of chapter 1, had an effect upon the sugar industry. The inter-war period was characterized by very slow growth in the 1920s and stagnation in the 1930s. International intercourse was as a result increasing subject to both bilateral and multilateral agreements.

In Chapter 2 I attempt to examine the performance of sugar *within the international environment* at a time when it *was confronted by tariff protection* and preferential access agreements. *In contrast to the commodity trade* in general, sugar experienced a price decline from 1920 until 1937. This crisis led to the International Sugar Agreement of 1937 which was endorsed by all the producing and consuming nations.

How the South African sugar industry responded to the international sugar crisis is the topic of Chapter 3. South Africa became a net exporter of sugar in the period. *Although its contribution* remained insignificant in the *international context; rising from* 0,8 per cent of world *production in 1920/21 to 1,8 per cent in 1939/40.*[7] Government intervention enabled the South African sugar industry to survive. The form this took and the effect this had upon the industry is discussed in the chapter.

The core of C.G.Smith & Co. Ltd business was sugar trading and this is the focus of Chapter 4. The extent to which C.G.Smith's personal friendships helped the business is *examine* gether with his relationship with the *Standard Bank. One of the questions* which has to be examined *is whether Smith's control* of the firm throughout the period was detrimental to the *profitability* of the firm. In particular, the diversification into non-sugar interests, that was motivated by his desire for new frontiers may have been harmful to the core business. He followed a progressive policy towards staff by introducing stock options and a pension scheme.

Two of the more in. sting ventures outside the core wholesaling operation was the move into direct sugar production when Smith's purchased the *Umzimkulu Sugar Company* Limited and the Gledhow - Chaka's *Kraal Sugar Company Limited,* the subject of Chapters 5 and 6. *Both of these ventures* required much of Smith's attention in the inter-war years with their ever pressing need of capital and their serious management problems.

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Smith's move into shipping was an outgrowth of his wholesaling operation and is the subject of Chapter 7. It provided an interesting example of Smith's entrepreneurial skill in seeing a new opportunity for profit.

C.G.Smith's experience in the sugar industry was only one example of the changes which were taking place in the agricultural sector in this period. Nevertheless C.G.Smith stands out as one of the great entrepreneurs of the period who left his mark upon the South African sugar industry.

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CHAPTER 1

The International Economy and the Commodity Trade, 1910-1940

Introduction

The international economy, between 1910 and 1940, was subject to fundamental change, from relatively open trade relationships to tariff-protected national economies within the international setting. The commodity trade was adversely affected by this change and, in particular, primary products, whose prices were falling throughout the world.

The international economy arises from the *need for trade based on comparative advantage*. International *commodity interdependence* is the consequence of:

1) The uneven geographical distribution of physical resources, capital, enterprise and technical skill.
2) Varying population density and consumption habits.
3) Political boundaries. [1]

The Commodity Trade: Pre-1913

Prior to 1913, Europe dominated world trade, despite North America's increasing importance. Europe's trade with the rest of the world was characterized by an exchange of manufactured goods for primary products. The export trade in primary products trebled between 1876 and

1913. [2] The composition of this trade however changed towards the end of the century due to the rapid expansion of metal manufacturing and the increasing importance of minerals. There was also a relative decline in the importance of foodstuffs and agricultural products. World trade in the period 1881 to 1913 grew by an average of 40 per cent per decade. [3] The relative regional position by 1913 can be seen from the table below.

TABLE 1.1
Regional Distribution of World Trade, 1876-1913 [4]
(PER CENT)

	1876-80			1913		
	Exports	*Imports*	*Total*	*Exports*	*Imports*	*Total*
Europe	64,2	69,6	66,9	58,9	65,1	62,0
North America	11,7	7,4	9,5	14,8	11,5	13,2
Latin America	6,2	4,6	5,4	8,3	7,0	7,6
Asia	12,4	13,4	12,9	11,8	10,4	11,1
Africa	c.2	1,5	1,9	3,7	3,6	3,7
Oceania	3,3	3,3	3,4	2,5	2,4	2,4

The problem for undeveloped regions prior to 1913 was to find a commodity which the industrialized nations required and then to sustain their position in world trade. According to Lewis:

> *In trying to grow by exporting primary products to the core, the first difficulty was that the core was not really importing all that much. As we have noted before, the core was more or less self-sufficient in the primary raw materials of the industrial revolution, and what it lacked it obtained from the temperate countries of recent European settlement.* [5]

The predominance of Europe in the international economy before 1913 was the result of industrialization. The integration of other regions into the international economy created opportunities for export-led growth, which was taken up by *Canada, Australia*, New Zealand, Argentina, Chile, Uruguay, the Gold Coast, South Africa and South East Asian countries.

Growth through primary commodity exports was often problematic; for example, cane sugar exporters were confronted with increasing beet sugar production in Europe.

The Commodity Trade: Inter-war Years

(a) Overview

World War One gave a great boost to the production of primary commodities outside Europe, as Europe's own production of primary products declined; for example, sugar-cane cultivation and production rose in Cuba and Java. The cessation of hostilities led to a post war boom for commodities extending through 1919 and into 1920. This surge then gave way to a crash in 1920 and 1921 and to the collapse in the prices of primary products. In 1923 demand and prices temporarily recovered. Sugar was particularly affected, as European beet sugar production was restored. Prices of primary commodities began to fall again in early 1925 and continued to decline until 1929, when they collapsed and remained depressed until 1933. [6] World trade between 1929 and 1932, fell in value terms by 60 per cent and Africa's foreign trade declined by 42 per cent. [7] The revival from 1933 led to a speculative boom during 1936 and 1937, with a subsequent downturn, accompanied by falling prices, in 1938. Between 1928 and 1938, there was a 60 per cent decline in the U.S. dollar value and a 9 per cent decline in the volume, of world exports. [8] The problems of the primary commodity trade were exacerbated by the fact that the twenty-two leading primary commodities in world trade in 1938 represented only 30 per cent of the total value of world trade. [9]

The inter-war period saw a decline in the importance of primary commodities in terms of their share of total exports, with the relative importance of food and agricultural exports continuing to decrease until 1937. The importance of minerals, also a primary product, however grew; while manufacturing retained its position.

TABLE 1.2
Share of Commodity Groups in World Exports, 1913-37 [10]
(PER CENT)

Year	*Food*	*Agriculture*	*Minerals*	*Total*	*Manufactures*	*Total*
1913	27,0	22,7	14,0	63,7	36,3	100
1927	24,3	21,5	15,8	61,6	38,4	100
1937	23,0	21,0	19,5	63,5	36,5	100

In world exports food and agricultural commodities combined lost 5,7 per cent, whilst mineral exports increased by 5,5 per cent. The overall loss for the three commodity groups combined, in terms of world exports, was minimal at 0,2 per cent; but the effect upon some non-industrialized states was catastrophic. This is emphasized by the fact that *non-industrial countries* supplied 50 per cent of the world's *primary commodity* exports, of which, 84 per cent went to *industrial countries*. [11] World exports of manufactures grew by 0,2 per cent during the entire period, but in the crucial late twenties showed an increase of 2,1 per cent, at a time when the demand for food and agricultural products was already declining.

World trade between 1913 and 1937 continued to be centred upon the industrialized states, though Europe declined slightly relative to North America. Europe's share of world trade declined by 11,3 per cent, whilst that of the U.S.A. and Canada rose by 4,3 per cent during the 1920s. In the 1930s, Europe's share of world trade increased by 0,7 per cent and, the U.S.A. and Canada declined by 2,3 per cent. The U.S.A. was largely self-sufficient in primary commodities and its increasing importance in world trade combined with the decline of Europe, was a major blow to primary commodity exporters. The rise of the U.S.A. in world trade meant that when the Wall Street crash occurred in 1929, the effect was all the more powerful.

TABLE 1.3
Share in World Trade, 1913-37 [12]
(CONSTANT PRICES)

Year	*Industrial Europe*	*U.S.A. & Canada*	*Oceania, S.A. & Japan*	*Others*
1913	54,4	14,5	5,4	25,7
1928	43,1	18,8	6,9	31,2
1937	43,8	16,5	9,5	30,2

Note: Excludes U.S.S.R.

In terms of individual nations, table 1.4 shows that, the British Commonwealth between 1928 and 1938 was the main actor in world trade, whilst the U.S.A. suffered a relative decline. The British Commonwealth's share of world trade amounted to 29,3 per cent and the U.S.A.'s to 12,9 per cent, on average, in the period. Industrialized Europe whilst losing ground between 1928 and 1935, recovered to a large extent by 1938; although the trade in primary commodities suffered a decline in that year.

TABLE 1.4
Share of Major Nations in World Trade, *1928, 1935 & 1938*
(PERCENTAGE OF TOTAL $ VALUE) [13]

	Imports			*Exports*		
Country	*1928*	*1935*	*1938*	*1928*	*1935*	*1938*
Br. Commonwealth (a)	29,8	31,7	32,7	27,2	27,5	26,7
France & Territories	7,8	9,4	7,2	7,9	8,1	6,1
Netherlands & Territ.	4,5	4,5	5,1	4,7	4,7	5,2
Belgium & Territ.	2,6	2,1	3,3	2,7	3,2	3,5
Italy & Territ.	3,4	3,5	3,1	2,5	2,4	2,6
Spain & Territ.	1,7	1,7	0,7	1,3	1,1	0,5
Portugal & Territ.	0,5	0,7	0,6	0,3	0,4	0,4
United States (b)	13,0	11,0	9,6	16,3	12,6	14,7
All Others	36,7	34,7	37,7	37,1	40,2	40,3

Note: a) United Kingdom, Ireland, Australia, Canada, New Zealand, South Africa, India & Burma.
b) Philippines, Panorama Canal, Guam, Alaska, Hawaii, Puerto Rico & Virgin Islands.

(b) Commodity Trade Debate

The problems associated with primary commodity production, trade and prices in the inter-war period, is the subject of considerable debate in the literature. Aldcroft views the problem as one of overproduction, associated with the time lapse between initial commitment and actual production. In support of this view, he cites the disparity between population growth and food production, 11 to 12 per cent versus 18 per cent, between 1913 and 1929. [14] Lewis in contrast, maintains that the industrial nations bought too little and too cheaply. [15] Lewis argues that the decrease in the population as a result of the war, combined with the decline in population growth and the decrease in international specialization in the 1930s, meant that trade was adversely affected. [16] Rweyemamu maintains that the problem is the *relatively* sharp changes in demand and therefore in comparative advantage. Furthermore, there was a tendency for industrial nations increasingly to provide the important raw materials themselves. [17] Drummond views the problem as being linked to weaknesses in the *international* financial system. There was uncertainty about fixed exchange rates, the basis upon which international trade was constructed.[18] Foreman-Peck argues that the financial system was the major component in the problems associated with the primary commodity trade. The stocks of primary commodities which accumulated in the 1920s and the *inability to continue financing* these stocks, also assisted to deepen the severity of the problem. [19] Whilst endorsing a view of the financial system as being at the heart of the problem, *Kindleberger attributes the* severity of the problem to the cessation of large scale investment in the *non-industrialized* nations. In normal circumstances, declines in exports were accompanied *by increased borrowing*; a decline in both spheres was catastrophic. [20] Furthermore, *the inability of non-*industrialized nations to purchase manufactured goods from the core, *lent momentum to a* downward spiral in the international economy. The international *commodity trade was subject* to fluctuating fortunes during the inter-war years, there were declines in *prices* between 1921 and 1923, and between 1925 or 1926 and 1933. A gradual *improvement then occurred* until 1938, when prices again slumped.

In looking specifically at Tropical Africa, Forbes Munro argues for shifts in relative advantage over time. Terms of trade for primary commodities were favourable between 1900 and 1913, deteriorated from 1914 to 1922 and then improved until 1929; after which there was no recovery until 1945. [21] Latham disagrees with Forbes Munro, with regard to the time periods in which the terms of trade either favoured or disadvantaged the primary commodity trade. Latham sees a deterioration from either 1925 or 1926 until 1933, when gradual improvement occurred until 1938. [22] The South African sugar industry in contrast to other primary commodities associated with Tropical Africa, experienced unfavourable terms of trade from 1920 until 1937.

Production was out of step with demand and this overproduction crisis was exacerbated by the technological innovation in the developed nations during the inter-war period. Primary commodity producers in the undeveloped regions, suffered a relative decline in income which hindered their investment in new technology and reduced their ability to buy industrial products. In the 19th Century the commodity trade had been an engine of growth for non-industrialised nations [23], but the focus changed in the inter-war period to technical innovation. Technical innovation reduced costs and increased productivity through the introduction of high yield crop varieties and more efficient processing machinery. Lewis notes,

> *The long-run engine of growth is technological change; international trade cannot substitute for this except in the initial period of laying development foundations.* [24]

(c) Search For Stability

The instability of the commodity trade in the 1920s, led to a desire for market and price security. This desire was pursued by two distinct methods.

1) Tariff and other protective barriers moulded around countries and colonial empires.
2) Commodity control schemes by producers with occasional governmental support.

Tariffs, quotas, preferences and exchange control were introduced by nations to protect themselves. The perceived need for protection arose from the experience of vulnerability during the First World War. Subsequent unemployment and the instability of primary commodity prices reinforced the case. The aim of protection was to foster development and to provide strategic security.[25]

Britain implemented a system of imperial preferences in 1919.[26] Preferences were granted to primary commodity items such as bananas, citrus fruit, sugar, molasses, tobacco and wine. [27] In view of the imperial preference granted to cane sugar in 1919, a subsidy to domestic beet sugar producers was introduced in March 1925. [28] Support for domestic producers was expanded with the introduction of the Agricultural Marketing Act of 1931, which aimed at initiating marketing schemes. The only scheme which actually came into operation in Britain was that affecting hops. [29] The 1933 Marketing Act, superseded the previous act and increased the restrictions on primary commodity imports. Schemes propagated under this act covered potatoes, pigs and milk, with potatoes the most successful. [30]

Britain's preferential system was expanded as a result of the 1932 Ottawa Conference, at which a five year agreement was signed between the United Kingdom and the Dominions. The preference system had been limited to a few nations and the conference expanded these benefits to the whole of the British Empire. In terms of the agreement Britain undertook:

1) To continue the preferences already in operation.
2) To impose duties on wheat, maize, butter, cheese, canned and dried fruit, copper, lead, zinc, linseed and rice, imported from non-signatories.
3) To regulate the importation of meat in order to raise the price of meat in Britain and thereby maintain efficient and profitable production.
4) To continue to admit Empire products that previously had been allowed free access.
5) To consolidate the preferences upon tobacco, wine and coffee.[31]

Furthermore, in terms of the Import Duties Act of 1932, Britain introduced a 10 per cent general tariff, with exemption for foodstuffs and raw materials. Protective duties were also included on manufactured items, amounting to as much as 33 per cent. [32] These schemes stimulated Empire production of tropical products and aided price stability, although British producers were not always protected. Preferential access and tariffs were a success in increasing the colonial contribution to British imports, from 22 per cent in 1913 to 36 per cent by 1938. [33] Foreign goods which could enter Britain freely were reduced from 83 per cent to between 30 and 25 per cent, in 1932. [34] These measures may also have given foreign countries new markets as a result of the redirection of trade to within the commonwealth. [35] The various schemes undertaken by Britain, did not cover items which would have affected the cost structure of British manufactures. According to Forbes Munro,

> *Agricultural commodities which were industrial raw materials had no preferential access to British or Dominion markets, because this would add directly to the costs of metropolitan manufactures.* [36]

Other Western countries similarly opted for protectionism. Belgium instituted a policy of favoured access for primary commodities in 1924; France revised its system in 1928. The

French Government sought to control agricultural imports whenever they exceeded 25 to 30 per cent of total imports. [37] The United States also sought to protect its domestic producers and to regulate trading relations by the introduction of the Hawley-Smoot Tariff on imports in 1930. [38] By 1932, customs duties had been revised in Belgium, Denmark, Estonia, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Rumania, Sweden, Brazil, Siam, United States, South Africa and the United Kingdom. [39] The international economy had changed from an open economy to tariff protected closed economies.

The second method pursued to obtain market and price security was commodity control schemes, which assumed two main forms:

1) Cartels, arranged informally among producers or traders, to reduce or defeat competition.
2) Commodity agreements, formally entered into among producers, sometimes with government backing.

Raw material cartels aimed at reducing competition and controlling production without international knowledge or sanction. Cartels dealt with commodities in which industrial nations were the predominant producers and had their origins in the 1920s. Cartels allocated a wide variety of commodities: petroleum in 1928, 1929 and 1932; copper in 1926 and 1935; lead in 1931 and 1938; zinc in 1928 and 1931; tin in 1921; wood pulp in 1929, 1930 and 1935; rubber in 1922; aluminum in 1926; mercury in 1928; cement in 1937; sulphur in 1923; potash in 1924; and phosphate in 1933. [40] The aim was to stabilise prices within a given price range and to divide up the export markets. The major difficulty was to obtain co-operation from all parties, but even if this was attained, the problem of maintaining cohesion remained. Cartels in general, were seldom successful in either the short or long term; with the exception of diamonds.

Commodity agreements in contrast were formal undertakings and covered commodities in which underdeveloped nations were the predominate producers. The first product to be subject to a commodity agreement was tin in 1931, and then in 1933 and 1937. Tea followed in 1933 and 1938, wheat in 1933, rubber in 1934 and sugar in 1937. [41] These agreements all had as their objective the maintenance of the supply and demand curve, rather than simply a price range. This was facilitated by means of limits on acreage and or on output. Commodity agreements were generally successful, in both the short and long-term, in providing market stability for the products.

Conclusion

The international commodity trade between 1910 and 1940, was characterized by instability, as the supply of primary products tended to outrun the demand for them. Both governments and producers introduced control measures, with a varying degree of success, in an attempt to counteract this instability. Trade however did not regain its former momentum, the pre-1914 era of rapid growth being replaced by one of very slow growth in the 1920s and stagnation in the 1930s. Technological innovation became the main driving force within the international economy. International commodity interdependence exacerbated the problem for nations dependent upon the trade to generate earnings. Survival within this setting was dependent upon adaptation and entrepreneurial skill. Sugar in particular, was effected by the problems associated with the international commodity trade in the inter-war period. Sugar is the focus of the subsequent chapters.

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CHAPTER 2

Sugar's Role in the International Commodity Trade

Introduction

The international sugar trade was subject to crises in both the 19th Century and the 20th Century. The former arose as a result of the growth of the sugar-beet industry and the latter as a result of sugar-cane overproduction. In both instances a solution was found by international agreement. The sugar trade bet n 1910 and 1940 was increasingly confronted by tariff protection and preferential access agreements. This coupled with the price decline as a result of overproduction, placed sugar at the forefront of the commodity crisis.

Sugar Production: Pre-1910

Sugar until 1800, was produced exclusively from sugar-cane which is limited by climatic determinants to tropical and sub-tropical zones. However, the Napoleonic era deprived Continental Europe of its traditional supplies of sugar-cane. This led to the commercial experimentation with sugar-beet, developed as a result of the efforts of Marggraf, Achard and Delessert. [1] Sugar could now be derived from two sources, sugar-cane and sugar-beet, located in the tropical and temperate zones respectively. In 1816 following the termination of the Napoleonic Empire there was a virtual collapse of the beet industry in Europe and a return to the cheaper cane-sugar.

TABLE 2.1
World Sugar Production, 1850-1910 [7]
(1000 ton)

	1850	*1860*	*1870*	*1880*	*1890*	*1900*	*1910*
Sugar Beet							
Europe	169	352	952	1856	3461	5410	6074
North America	-	-	-	1	2	79	507
Total	*169*	*352*	*952*	*1857*	*3463*	*5489*	*6581*
% World	*16*	*20*	*35*	*48*	*60,6*	*65,6*	*51,8*
Sugar Cane							
North America	*109*	*124*	*81*	*130*	*137*	*146*	*307*
South America	180	141	206	389	598	388	561
Caribbean Islands	419	722	1084	843	1072	746	2674
Asia	116	182	242	426	373	812	1413
Africa	83	202	147	141	215	328	441
South Sea Islands	-	1	11	46	198	437	703
Total	*907*	*1373*	*1771*	*1975*	*2253*	*2896*	*6124*
% World	*84*	*80*	*65*	*52*	*39,4*	*34,4*	*48,2*
Combined Total	**1076**	**1725**	**2723**	**3832**	**5716**	**8385**	**12705**

The rise of sugar-beet production in the 19th Century can be ascribed to two factors. First, sugar-beet was an attractive alternative crop following the collapse of international wheat prices from 1830. It could be utilized both for sugar and as a cattle feed. Secondly, beet production expanded rapidly from 1850 as a result of the protection afforded it by the governments of Europe. Beet-sugar exports were promoted, as producers paid duty at the factory calculated on the volume of beet, refunded when exported, but then calculated on the volume of sugar. Direct bonuses on beet-sugar exports were paid from the 1890s. The German Treasury paid out 1,5 thousand million marks in export bonuses between 1840 and 1902; whilst the French spent 1,3 thousand million francs between 1884 and 1903. [2] Furthermore, the exporter could sell beet-sugar cheaper in a foreign country than in his own. As Chalmin states,

> *The paradoxical situation thus occurred that sugar produced from European beet, was a luxury article (or almost) in the producing countries and at a time when its price was declining in the consuming countries, in particular the United Kingdom.* [3]

Sugar-cane production had been subject to turmoil following the abolition of slavery, compounded by subsidised sugar-beet production. However, the reduction of ocean freight rates by approximately 75 per cent between 1881 and 1902, to some extent enabled sugar-cane production to withstand the onslaught. [4] In 1902 sugar-cane production in Cuba and the Philippines was encouraged by the Reciprocity Treaty with the United States which afforded them a tariff preference of 20 and 25 per cent respectively. [5]

The world demand for sugar had risen dramatically from 1 076 000 tons in 1850 to 12 705 000 tons by 1910. This increase in demand had to a large extent been met through increased sugar-beet cultivation. The predominance of sugar-beet in world production can be seen from the following figures; 60 per cent of world production in 1890, 65,6 per cent in 1900 and 51,8 per cent in 1910. The revival of sugar-cane from the low of 34,4 per cent of world production in 1900 to 48,2 per cent by 1910, was the result of the reduction in ocean freight rates and the Brussels Convention rather than innovation within the sector itself.

The Brussels Convention of 1902 attempted to control sugar-beet production fostered by the bounty system and inadvertently allowed sugar-cane favourable trading conditions. The participants in terms of the convention agreed to the following:

1) The suppression of all direct and indirect bonuses from September 1903.
2) The constant supervision of factories and refineries.
3) The limitation of the surcharge.
4) A special duty on imports of subsidised sugar, with a lower rate to signatory states. [6]

The five year agreement was initially signed by Austria, Belgium, France, Germany, Italy, the Netherlands, Norway, Peru, Spain, Switzerland and the United Kingdom. In 1907 the conven-

tion was extended for a further five years and quotas were introduced, Russia also became a signatory. The convention was again renewed in 1912 although the United Kingdom withdrew. The advent of World War One however nullified the agreement.

Sugar Production: Inter-war Years

(a) Overview

World War One led to the disruption of Europe's sugar-beet industry which stimulated sugar-cane production. The demand for sugar-cane was met by the expansion of production through increased acreage, particularly in Cuba. The cessation of hostilities led to a gradual recovery of sugar-beet production and to a situation in which supply outran demand.

Sugar prices fell dramatically in the inter-war years. Prices fell by over 90 per cent between 1920 and 1922. [8] By 1925 the price had fallen below £14 per ton. The price declined further in 1927 to 13s.0d. per cwt, 6s.3,75d. by 1931 and 4s.8,5d. in 1934. [9] Between 1928 and 1935 the annual average price per cwt fell from 11s.7,5d. to 4s.8d. [10] It was only in 1937 with the prospect of a successful international agreement that the price rose to 6s.0d. per cwt, an increase of 20 per cent. [11] International sugar prices in contrast to the commodity trade in general, experienced a price decline from 1920 until 1937 when prices showed a gradual improvement. This decline in sugar prices was the result of the overproduction crisis which plagued the international sugar trade during the inter-war period.

The crisis was compounded by the following problems: First, the U.S.A. and Britain, the worlds major sugar consumers, both had preference restricted markets during the inter-war period. By 1937, 66 per cent of world exports were subject to preference agreements. [12] Secondly, the desire for national self-sufficiency led to imported sugar being replaced by

domestic production in Austria, Australia, China, Egypt, Estonia, Eire, India, Japan, Latvia, Lithuania, Sweden and Turkey. Thirdly, the nations which relied in part or wholly on the open market were placed in an increasingly difficult position because of the preference agreements, in particular Belgium, Cuba, Czechoslovakia, the Dominican Republic, Java, Peru and the U.S.S.R. These factors led to numerous attempts at price stabilisation through restricted production and market division. These attempts were given substance in numerous international agreements which will be examined in detail later in the chapter.

By the 1920s the U.S.A. was the largest importer of sugar, absorbing 40 per cent of world imports. [13] However this figure is however misleading as over 99 per cent of these imports originated from areas which enjoyed preferential access to the U.S.A. market.

TABLE 2.2
" S.A. Sources of Sugar Supply [14]
(PERCENTAGE)

	1909-13	*1925-29*	*1931-32*
U.S.A.	23,0	17,7	23,7
Hawaii	13,9	12,0	15,5
Puerto Rico	8,4	8,7	12,9
Virgin Islands	-	0,1	-
Philippines	2,9	8,0	14,5
Cuba	47,9	53,0	32,8
Full-Duty	3,9	0,5	0,6

The U.S.A. instituted a preference system on sugar in 1876 when sugar from Hawaii was granted free admission. Puerto Rico followed in 1901 and the Philippines in 1915. Cuban sugar was granted a 20 per cent preference under the Reciprocity Treaty of 1902. The Tariff Act of 1930 gave protection to sugar produced in the U.S.A., Hawaii, Puerto Rico, the Philippines and the Virgin Islands. In 1931/32 this legislation reduced the Cuban share of the U.S.A. market by 20,3 per cent. The Jones-Costigan Act of May 1934, attempted to organise sugar supplies by introducing a system of quotas. Compensation was paid to domestic producers for any losses suffered as a result. In June 1934 a presidential proclamation reduced

the general tariff on sugar from 2,5 cents to 1,8 cents per pound and lowered the duty on Cuban sugar from 2 cents to 1,5 cents. [15] In September, Cuba was granted further relief by the Cuban-American Trade Agreement which reduced the duty on sugar from 1,5 cents to 0,9 cents per pound. [16] The effectiveness of the reduction in duty was limited by the imposition of a quota of approximately 2 000 short tons. This was half the amount of Cuban sugar imports in the mid-1920s. [17] In 1937 the Jones-Costigan Act was revised but the principles remained the same. [18] The American market was governed by preferential access and this did not help to solve the world sugar crisis.

British annual sugar consumption per capita increased by 13,4 lbs. between 1900 and 1937. There was a temporary decrease in consumption amounting to approximately 21,2 lbs per capita, per annum during the First World War and the early 1920s as a result of supply problems and high prices. The consumption of sugar then increased to 87,8 lbs. per capita, per annum between 1924 and 1929. In the 1930s consumption increased to 98,1 lbs. per capita, per annum.

TABLE 2.3
British Annual Consumption of Refined Sugar, 1900-1937 [19]

Period	*Consumption* (lbs.)
1900-09	84,7
1910-14	90,8
1915-19	70,1
1920-24	69,2
1924-29	87,8
1930-37	98,1

Britain granted an imperial preference of 4s.3d. to cane-sugar in 1919. The proportion of Empire sugar to total imports rose as a result to 28 per cent, with Mauritius contributing 16 per cent, the British West Indies 9,3 per cent and South Africa 2,4 per cent. [20] The reduction of the preference to 1s.11d. in 1924 reduced these contributions; but in 1925 the prefer-

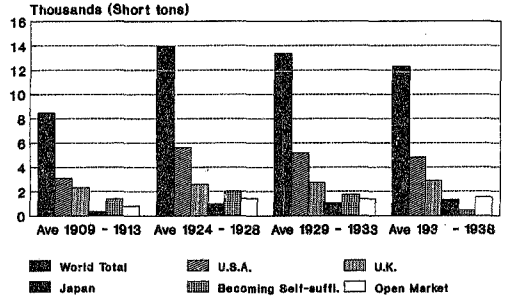
ence was increased to 4s.3d. and this led to the Empire's sugar contribution rising to 35 per cent of total imports, (Mauritius 13,3 per cent, Australia 9 per cent, British West Indies 8,9 per cent and South Africa 3,5 per cent). [21] In 1928 the preference system was changed to a system based on grading according to polarization, in order to discourage imports of white sugar. This change led to a decrease in Empire sugar imports to 32 per cent of total imports, (Australia 10,6 per cent, Mauritius 10,2 per cent, South Africa 5,4 per cent and the West Indies 5,1 per cent). [22] The preference was strengthened in terms of the 1932 Ottawa Conference. The imperial preference and colonial duty led to Britain receiving 50 per cent of its sugar imports ·om colonies and dominions between 1934 and 1938, compared to only 28 per cent between ,20 and 1923. [23] The overall increase in consumption combined with the preference system helped to stimulate sugar production in the Empire which worsened the world sugar crisis.

TABLE 2.4
British Sugar Duty, 1908-1939 [24]
(cwt)

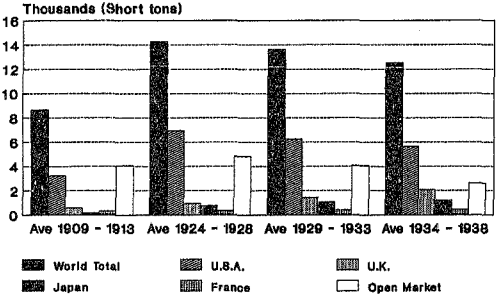
Year	Foreign	Colonial	Preference
1908	1s.10d.	1s.10d.	-
1915	9s. 4d.	9s. 4d.	-
1919	25s. 8d.	21s. 5d.	4s. 3d.
1924	11s. 8d.	9s. 9d.	1s.11d.
1925	11s. 8d.	7s. 5d.	4s. 3d.
1928	11s. 8d.	5s.10d.	5s.10d.
1939	23s. 4d.	17s. 6d.	5s.10d.

The domestic industry was also fostered with the introduction of a subsidy to domestic beet producers in March 1925. This encouraged domestic production which reached 605 thousand tons or one-fifth of total requirements by 1934/1935. [25] However the production of beet was limited in 1936 and the industry was reorganised with the amalgamation of all the factories into one corporation.

World Sugar Imports
1909 - 1938 [27]



World Sugar Exports
1909 - 1938 [28]



The two graphs illustrate the overall picture of world sugar imports and exports between 1909 and 1938. Sugar production peaked at 14 268 000 short tons in 1924/28 and then declined to 12 543 000 tons by 1934/38. The dominance of the U.S.A. and U.K. is apparent. The U.S.A.'s imports grew from 3 095 000 short tons in 1909/1913 to 4 814 000 short tons in 1934/38 and the U.K.'s from 2 330 000 short tons to 2 898 000 short tons. World exports for the open market, that is non-preference, decreased from 4 060 000 short tons to 2 608 000 short tons. The nations grouped under the heading, "becoming self-sufficient', namely Austria, China, Egypt, India, Sweden and Turkey, decreased their imports from 2 028 000 short tons in 1924/28 to 438 000 short tons in 1934/38. South Africa's contribution to world sugar production in the period was insignificant, although it did rise from 0,8 per cent in 1920/21 to 1,8 per cent in 1939/40. [26] The overproduction crisis which sugar faced in the inter-war period was only solved with the 1937 agreement.

(b) International Agreements

There were repeated attempts to stabilize the international sugar market by means of restriction agreements in the inter-war years. Five major agreements were negotiated between 1927 and 1937. The failure of four of these, (the 1927 Paris Agreement, the League of Nations Enquiry, the 1929 Brussels Agreement and the 1931 Chadbourne Agreement) can be ascribed to the inability of the industry to obtain both governmental and producer co-operation on a world-wide basis. The continued downward spiral of prices eventually led to a change in perceptions and to a desire for a comprehensive international agreement. This culminated in the 1937 International Sugar Agreement which succeeded because it enjoyed the universal cooperation of both producers and governments. The agreement brought stability into the international market with a reduction of 18 per cent in world exports compared to the average between 1924 and 1928. [29]

(1) The 1927 Paris Agreement

The first international sugar conference of the inter-war years was held in Paris between the 11th and 14th November 1927. The conference was the idea of Colonel Tarafa of Cuba and aimed at bringing stability back into the international sugar trade. The major decisions were as follows:

1) Czechoslovakia, Poland and Germany would co-operate with Cuba to maintain the supply and demand proportionate to demand.
2) They would obtain the co-operation of other sugar exporters.
3) *They would attempt to increase* domestic consumption from the 1927-28 season.
4) Planting would be regulated from the 1928-29 season.
5) Cuba would submit a proposal by October 1928 with the objective of equalising supply and demand.
6) A permanent committee to be established with two representatives from each signatory country. [30]

The agreement was *initially* signed by Cuba, Czechoslovakia, *Germany and Poland, subject to* ratification in Berlin during November 1927. Belgium became a signatory on the 26th December 1927. However the rejection by Java of the Paris Agreement meant that Cuba had failed in its efforts to obtain an international agreement limiting production. Furthermore, the European states adopted the view that Cuba was solely responsible for the overproduction crisis. Cuba attempted to revive the agreement by a unilateral restriction of four million tons which proved fruitless and highlighted the fallacy of the European viewpoint. The agreement was the first attempt to restrict production and stimulate consumption on a international basis in the inter-war period.

(2) The League of Nations Enquiry

In June 1928 following representations from the sugar industry, the Economic Committee of the League of Nations, undertook a study of the production, consumption and the international trade in sugar. The main points raised in the representations made to the committee were:

1) There was a need for an international agreement between all producers with the aim of stabilising production.
2) Exporting countries should endorse a rational trade policy with regard to sugar.
3) There should be a campaign to increase consumption.
4) Governments should reduce excise duties.
5) The establishment of a central bureau to monitor sugar. [31]

The Committee issued its report on 4th July 1929 but was not prepared to prescribe to nations. It offered only the following tentative conclusions:

1) The difficulties would remedy themselves or be remedied by those engaged in the trade.
2) The Committee reached no conclusions on *the relative merits of the various* proposals put before it.
3) Individual states gave no consideration to the effect of bi-lateral agreements on the world trade in sugar.
4) The time had possibly come for joint action.
5) The Committee would continue to monitor the sugar question.
6) Individual governments should be approached with regard to the issue of lowering excise duty. [32]

The League's report highlighted the inability of an international organisation which relied purely on consensus to provide a solution to the problems of the international sugar trade. An agreement concluded with the consent of all sugar producers and consumers was the only solution.

(3) The 1929 Brussels Agreement

An informal meeting of sugar exporters was convened in Geneva between 4th and 6th April 1929. The meeting was attended by Belgium, Cuba, Czechoslovakia, Hungary, Germany and Poland. The following proposals were made:

1) A pool be formed for sugar produced by participants for export.
2) If dumping was practised by other countries, the above parties would attack these countries in their own markets.
3) To oppose depression of world prices and form a front amongst exporting countries.
4) The representatives would meet again in Brussels after consulting their respective industries. [33]

Following consultations with their respective industries, the participants met again in Brussels from the 29th June to 4th July 1929. The Cuban delegation disassociated itself from point two of the April proposals and it was removed from the agreement. In terms of the agreement signed on 2nd July 1929 the participants agreed to the following:

1) The restriction of exports for four years to the following: Belgium 60 000 tons; Cuba 5 000 000 tons; Czechoslovakia 825 000 tons; Hungary 100 000 tons; Germany 200 000 tons and Poland 383 000 tons.
2) The exportable quantity of sugar limited to that fixed in terms of the agreement.

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2) The exportable quantity of sugar limited to that fixed in terms of the agreement.

3) A common effort to obtain the adherence of other producers.

4) The formation of a permanent committee to monitor the agreement and to foster increased consumption.

5) Violations subject to fines or compensation of other signatories. [34] Success depended upon obtaining the participation of the other major sugar exporters. The failure to convince Java, Peru and the Philippines to become signatories meant that the agreement was again stillborn.

(4) The 1931 Chadbourne Agreement

An international agreement, if it was to succeed, required the participation of both Cuba and Java. The instability of sugar prices in the world market led to preliminary discussions being held in Amsterdam between Cuba and Java in 1931. They then proceeded to Brussels and were joined by representatives from Belgium, Czechoslovakia, Hungary, Germany and Poland. This meeting led to the signing of the Chadbourne Agreement on 9th May 1931. In terms of the agreement:

1) The export quotas were fixed for five years, Cuba agreed to average exports of 805 000 long tons per annum excluding the U.S.A.; Java 2,5 million metric tons; Belgium 30 275 metric tons; Czechoslovakia 570 877 metric tons; Germany 350 000 metric tons; Hungary 84 100 metric tons and Poland 308 812 metric tons.

2) Production not to exceed local consumption and exports combined, with surplus stocks to be eliminated in the course of the agreement.

3) The creation of a International Sugar Council to supervise the agreement.

4) The quotas to be increased proportionately if the world price exceeded 2 cents (U.S.) per pound (U.K.).

5) An attempt to be made to obtain the agreement of other countries. [35]

Subsequently, Peru and Yugoslavia became signatories. Export prices continued to decline and the signatories limited exports accordingly. However the scheme failed to prevent a drop in the sugar price as major producers such as Hawaii, the Philippines and British colonies were not party to the agreement. The open market price of sugar dropped from 6s.3,75d. in 1931 to 4s.8,5d. in 1934. [36] By 1933 the U.K., Japan, Portugal, France, U.S.A. and their possessions exported more than the signatories of the agreement. [37] The agreement expired in August 1935 and was not renewed. As Rowe notes,

> *Failure of the Chadbourne Agreement relates to the failure to raise prices, reflection of the real trouble, namely the increase in production outside the agreement, which more than matched the reduced production of the countries within it.* [38]

(5) The 1937 International Sugar Agreement

In 1933 the problem of the marketing and production of primary commodities was discussed at the World Monetary and Economic Conference held in London. As a result of these talks, the signatories of the Chadbourne Agreement together with the U.S.A. and U.K. were invited to London in March 1934, to hold discussions regarding the international sugar trade. It became clear from this meeting that two issues had to be resolved before an international agreement could succeed. The uncertainty surrounding American sugar policy, subsequently solved by the passage of legislation in 1934. Secondly, the perception by signatories of the Chadbourne Agreement that another accord would not achieve an equable market division. The latter problem was eventually overcome by the fluctuating nature of the sugar market and by the interest displayed by the U.S.A. and the U.K. in a conference.

An international sugar conference was held in London, in April 1937. It was the first time that all the major producers and consumers of sugar attended a conference and reached an agreement. In terms of the agreement it was resolved that:

1) The consumers to be assured of an adequate supply of sugar at a reasonable price.
2) The increased consumption of sugar to be encouraged.
3) The free market for sugar was to be maintained and expanded.
4) The basic export quotas for the free market fixed in metric tons:

Belgium	20 000	Netherlands	1 050 000
Brazil	60 000	Portugal	30 000
Cuba	940 000	Peru	330 000
Czechoslovakia	250 000	Poland	120 000
Dominican R.	400 000	U.S.S.R.	230 000
Germany	120 000		
Haiti	32 500	Total	3 622 500
Hungary	40 000		

5) The stocks not to exceed 25 per cent of a country's annual production.
6) The establishment of an International Sugar Council to administer the agreement. [39]

The agreement was signed by Australia, Belgium, Brazil, China, Cuba, Czechoslovakia, Dominican Republic, France, Germany, Haiti, Hungary, India, the Netherlands, Peru, Poland, Portugal, U.K., U.S.A., U.S.S.R., South Africa and Yugoslavia. The agreement was only concerned with sugar traded in the free market and did not affect bilateral agreements. The 1937 accord was the first to which all major parties within the international sugar trade subscribed and was born out of the nee for order and price stability within the trade.

Conclusion

The international sugar trade was characterised by instability between 1910 and 1940. This was made worse by the restricted access to the major markets of the U.S.A. and U.K. The increasing self-sufficiency of numerous countries meant that those wholly dependent upon the open market faced a deepening crisis. The numerous attempts to control the market failed until 1937 when universal co-operation was obtained from both producers and governments. Stability required strict control and did not allow for the free play of economic forces. South Africa, the focus of the next chapter, survived in this market because of its captive home market and government assistance combined with preferential access to the British and Canadian markets.

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4. Albert & Graves, *op.cit.*, p.1.
5. Geadon-Ashworth, *op.cit.*, p.166.
6. Chalmin, *op.cit.*, p.18.
7. *Ibid.*, p.12.
8. Geadon-Ashworth, *op.cit.*, p.169.
9. Hodson, *op.cit.*, p.253.
10. *Ibid.*, p.460.
11. *Ibid.*
12. Taylor, H, C, *World Trade In Agricultural Products*, New York, 1943, p.97.
13. *Ibid.*, p.93.
14. Robertson, *op.cit.*, p.63.
15. Taylor, *op.cit.*, p.94.
16. *Ibid.*
17. *Ibid.*
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20. Robertson, *op.cit.*, p.44.
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23. *Ibid.*
24. Johnstone, *op.cit.*, p.59.
25. Taylor, *op.cit.*, p.95.

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27. Taylor, *op.cit.*, pp.103-104.
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CHAPTER 3

South Africa as a Sugar Producer

Introduction

Since 1910 the quantitative significance of agriculture in the total economy has been reduced. Agricultures' contribution to the Gross Domestic Product declined by 4,7 per cent between 1920 and 1940, from 24,3 per cent to 19,6 per cent. During the same period mining's contribution declined by 5,8 per cent, secondary industry's contribution increased by 6,6 per cent and services' contribution increased by 3,9 per cent.

TABLE 3.1
Composition of G.D.P., 1920-1940 [1]
(Constant 1958 Prices)

Year	*Agriculture*	*Mining & Quarrying*	*Secondary Industry*	*Services*
1920	24,3	19,8	9,5	46,4
1925	22,2	20,4	10,1	47,3
1930	23,4	19,1	10,7	46,8
1935	22,2	14,9	14,4	48,5
1940	19,6	14,0	16,1	50,3

In contrast to agriculture's decline in terms of G.D.P., the gross value of the contribution of sugar-cane production to total agriculture increased from 3,7 per cent in 1911 to 10,9 per cent in 1940. In the same period South Africa changed from being a net importer to a net exporter of sugar and this resulted in sugar's increased importance within the agricultural sector.

TABLE 3.2
The Gross Value of Sugar's Contribution to Agriculture, 1911-1940, Year Ended 30 June [2]
(R1 000)

Year	*Sugar*	*Total*	*Sugar %*
1911	998	27 130	3,7
1915	1 326	34 752	3,8
1920	3 516	70 010	5,0
1925	2 772	58 570	4,7
1930	4 358	48 790	8,9
1935	5 036	50 728	9,9
1940	7 692	70 800	10,9

The Sugar Industry: Circa 1910

The expansion of cane acreage and production between 1860 and 1909 was linked to a large extent to the economic fluctuations in southern Africa. [3] The acreage under cane increased from 15 088 acres in 1868 to 52 187 acres in 1908 and the sugar produced from 9 174 to 31 537 long tons in the same period. [4] The land area available for cultivation was further increased with the opening of Zululand for cane growing by the government in 1905.

There were 75 mills in operation in 1877 but this decreased to 30 in 1900. [5] The reduction in the number of mills was in response to economic conditions and the increased capital requirements which resulted from technological progress. This trend was enhanced by the formation of the large sugar planting and processing concerns which still dominate the industry; the Illovo Sugar Company in 1890, Reynolds Brothers Ltd. and J.L. Hulett and Sons in 1892, and the Tongaat Sugar Company in 1894.

The sugar industry with a very high ratio of labour to capital was dependent upon large quantities of cheap and reliable labour for its prosperity. Indentured Indian labourers were introduced to Natal in 1860 and by 1911 when indentured immigration ceased, a total of 152 184 labourers had entered Natal. [6] Indians were predominant in both the cane fields and mills. Indians constituted on average 68 per cent of the total labour force in the fields between

1875/76 and 1907/08. [7] In 1901 the milling sector employed a total of 9 460 individuals of which 8 747 were Indians, 522 were Africans and 161 were Europeans. [8] Labour was one of the key elements in the sugar industry and Indian labour was the key component of the labour force.

In the 19th Century Natal was unable to absorb all the sugar produced and exports were of major importance to the viability of the industry. The Cape absorbed 50 per cent of Natal sugar exports between 1860 and 1900 [9], when Natal exports rose from 1 218 long tons to 48 000 long tons. [10] The Natal sugar industry experienced considerable competition in the South African market in the 1880s and 1890s. After 1900 Mauritian sugar was still landed at Durban for £2,5 less than the local selling price. [11] The dumping of sugar also posed a threat to the Natal market, German beet-sugar in the 1890s and Australian and U.S.A. sugar after 1900. Mozambique, as a result of its concession agreement concluded in 1909, was able to gain duty-free access to the Transvaal market.

The colonial government granted the industry minimal protection and customs duties were imposed for the exchequer rather than for the protection of the industry. In 1886 the duty on imported sugar amounted to 8s.4d. but in 1906 this was reduced to 3s.6. at a time when the industry was facing increased competition from overseas. [12]

The sugar industry of Natal prior to 1910 was characterized by insecurity. This insecurity led to the increasing consolidation of the industry within the ambit of large companies which could withstand the fluctuating nature of the sugar market and the economy in general. In 1910 the industry had a capitalisation in excess of one million pounds and the large companies held approximately 55 688 acres of land. [13] It would appear that these concerns were able to dominate the industry because of their access to large amounts of capital through their share issues.

The Sugar Industry: 1910-1939

(a) Production

South African sugar production increased by 726,2 per cent, from 82 000 tons in 1910 to 595 5[illegible] s in 1939. The formation of the Union in 1910 had provided the industry with an assured market and this led to an increase in production of 83,2 per cent between 1910 and 1918. This captive market allowed the industry to continue to expand its production in the 1920s and [illegible]ven sugar was confronted by a world wide overproduction crisis.

Sugar production only declined on six occasions in the 30 year period and these reductions were all linked to natural disasters. In the 1913/14 season there was a 4 per cent reduction as a result of drought and the Indian strike. [14] In 1917/18 floods resulted in a 8,5 per cent reduction in production. [15] Drought again led to declines in production of 24,1 per cent in 1920/21, 20,7 per cent in 1924/25 and 17,1 per cent in 1931/32. [16] A red locust invasion between 1933 and 1935 led to a decrease in production of 8,3 per cent in th[illegible] 1934/35 season. [17]

The acreage under sugar-cane increased 3,6 times between 1911 and 1940, from 107 091 acres to 383 879 acres. The largest increase occurred in the five year period between 1916 and 1920 when 47 826 acres were added, an increase of 44,7 per cent. This was the period when world demand was increasing and prices were high. For the entire period, the average five yearly increase was 29,4 per cent.

TABLE 3.3
Acres of Cane Planted, 1911-1940 [18]

Years	*Acres*	*% increase*
1911-15	107 091	
1916-20	154 917	44,7
1921-25	208 522	34,6
1926-30	270 312	29,6
1931-35	325 024	20,2
1935-40	383 879	18,1

The industry between 1911 and 1932 was dependent upon one variety of cane, namely Uba. This had been introduced [illegible] for its drought and disease resistance. The cane was however very hard [illegible] which made it more difficult, expensive and slower to mill. [illegible] position was further entrenched by legislation which prevented other varieties from being [illegible] between January 1927 and December 1930, in an attempt to eradicate Mosaic disease which [illegible] the cane's growth and consequently led to diminished yields. [19] This attempt at [illegible] was abandoned in 1930 when it was discovered that the disease was endemic in maize and wild grasses and would never be eradicated. [20] In 1925 the Mount Edgecombe Experiment Station had been established to conduct research for the sugar industry. This research resulted in the introduction in the 1930s of four new varieties of cane, namely Co 281, Co 290, Co 301 and POJ. These canes had the advantage of being softer and therefore easier to mill, furthermore they gave higher yields with a greater sucrose content. Their introduction meant that Uba's predominance was reduced in seven years to 23 per cent of the cane harvested.

TABLE 3.4
Varieties Percentage of Cane Harvested, 1934-1940 [21]

Year	*Uba*	*Co 281*	*Co 290*	*Co 301*	*POJ*
1934	97	-	3	-	-
1935	92	-	8	-	-
1936	84	2	24	-	10
1937	54	12	28	-	6
1938	32	21	35	1	11
1939	30	28	30	3	9
1940	23	38	28	3	8

The cane yield increased by 42,8 per cent from 19 tons per acre in 1932 to 27 tons per acre in 1940. There was a 37,3 per cent increase between 1937 and 1939 which coincided with the increase in the proportion of Co 281 and Co 290 being harvested. Thus increases in yield can be ascribed to the introduction of new varieties as there were no major changes in the management of estates in the period. [22]

TABLE 3.5
Average Yield Per Acre, 1932-1940 [23]

Year	*Tons*	*% increase*	*Year*	*Tons*	*% increase*
1932	19,29	-	1937	23,75	11,7
1933	20,24	1,7	1938	27,37	15,2
1934	20,84	2,8	1939	30,22	10,4
1935	20,10	-3,4	1940	27,55	-8,8
1936	21,27	5,8			

In the inter-war years sugar production was affected by three major disputes within the industry which led the industry to request Government intervention. The first arose from the perception amongst growers that millers were making disproportionate profits in the boom following the cessation of hostilities in 1918, and the distribution of these profits. This led to the appointment of the Sugar Inquiry Commission under the chairmanship of W.D. Baxter which presented its report in 1922. [24] The commission found that the growers received 50 per cent of mill proceeds, rather than the 33,35 per cent which growers mistakenly believed they received. The Government implemented only two of the commissions recommendations; those concerning the abolition of the Mozambique concession in 1923 and the establishment of a sugar experimentation station in 1925.

The second dispute resulted in the Board of Trade & Industries Report on the industry in 1926 [25], and was the consequence of dissatisfaction with the importation of sugar into the Union, the organisation of the export market and the payment basis for cane. The intervention

by Government led to the Fahey Agreement of 1926 in which the basis of payment for cane was changed from weight to sucrose content. The planters agreed to participate in the export market by sharing the costs involved and the miller would participate in the export market on a pro-rata basis in accordance with their output. The Government granted the industry increased protection and in return obtained the industry's consent to fix the retail price of sugar.

In the 1930s the world sugar market remained depressed and in terms of the Fahey Agreement growers and millers shared the costs of exports. There were however a few millers who were not party to the 1926 Agreement and they had been able to increase their share of the domestic market without having to bear the costs of the export market. Furthermore, growers output after 1926 had risen by 50 per cent while miller-planters had increased their output by 100 per cent. This placed an unfair burden upon the independent growers who had to share the costs of increased exports. These grievances led to the *third enquiry, the Board of Trade* and Industries Report of 1935. [26] The findings were extensively discussed within the industry before being incorporated in the Sugar Act of 1936. The Act of 1936 provided for the self-government of the industry through the Sugar Industry Central Board that was to be responsible for the settlement of disputes, the administration of quota's and the testing of cane. [27]

Production control was introduced with maximum quota's for each mill which were then subdivided amongst the growers supplying each mill. [28] The grievance of the small growers was addressed as they were allowed to exceed their quota by 3 500 tons at the expense of the larger growers attached to their mill. [29] In the 1936/37 season production was limited by the Government to 476 888 tons and was increased by the supplementary agreement of September 1938. [30] A new system of payment was also introduced, although still based on sucrose content, known as the marginal formula, which gave growers a larger share of the proceeds. [31] The formula took into account both the cost of growing cane and of milling it with reasonable

efficiency. The production of new varieties of cane was also promoted through the introduction of premium prices for such cane. [32] Furthermore, all the mills had to share the domestic and export markets on a pro-rata basis. [33] The Government required the industry to introduce Grade 2 sugar at a lower price in exchange for this restricted self-government.

In terms of the Fahey Agreement of 1926 and the Sugar Act of 1936, the costs of exports were shared between the millers and planters. This, as noted previously, caused a great deal of resentment in the 1930s when the world market was depressed. The local price of sugar in the 14 years between the 1927/28 and the 1940/41 seasons declined by 19,7 per cent and the export price declined by 28,7 per cent. These price reductions however did not curb output as the protected local market financed the losses sustained in the export market. Furthermore, compared to many other producers the local industry was well off.

TABLE 3.6
Prices Obtained for South African Sugar, 1927/28-1940/41 [34]
(£ per ton)

Season	*Local Price*	*Export Price*	*Average Price*
1927/28	17,3	12,9	16,2
1928/29	16,8	12,2	15,5
1929/30	15,2	9,8	12,8
1930/31	14,6	7,7	11,2
1931/32	13,6	7,1	10,4
1932/33	15,0	5,7	10,3
1933/34	15,4	7,4	11,4
1934/35	15,9	6,2	12,5
1935/36	15,6	6,4	10,8
1936/37	15,2	6,4	11,6
1937/38	14,8	7,2	11,4
1938/39	14,7	6,6	11,5
1939/40	13,9	8,1	11,5
1940/41	13,9	9,2	12,3

TABLE 3.7

South African Sugar Production, Exports, Imports & local consumption 1910/11-1939/40 [35]

(Tons - 2 000 lb.)

Season	Production	Exports	Exports % Production	Imports	Imports % Consumption	Total Local Consumption	Manufacturing Consumption
1910/11	82 000	2 780	3,4	32 321	29,0	111 531	-
1911/12	92 000	2 036	2,2	27 055	23,1	117 019	-
1912/13	95 000	2 303	2,4	23 617	20,1	117 314	-
1913/14	92 153	2 073	2,2	25 939	23,6	116 019	-
1914/15	102 653	2 859	2,8	13 744	13,6	113 538	-
1915/16	113 358	3 893	3,4	5 920	5,1	115 385	-
1916/17	114 709	4 047	3,5	7 978	6,7	118 640	14 685
1917/18	104 927	4 039	3,8	16 760	14,2	117 642	16 192
1918/19	150 214	12 898	8,6	10 498	7,1	147 805	17 648
1919/20	189 183	27 495	14,5	1 359	0,8	153 047	19 059
1920/21	143 689	42 725	29,7	2 050	2,0	103 005	16 898
1921/22	148 275	36 692	24,7	17 957	13,7	128 280	13 735
1922/23	159 362	39 181	24,6	13 506	10,1	133 687	13 330
1923/24	203 350	36 458	17,9	963	0,3	167 491	18 015
1924/25	161 250	13 598	8,4	791	0,5	148 483	19 688
1925/26	239 897	70 682	29,4	6 076	2,5	175 324	20 760
1926/27	242 662	66 918	27,6	4 991	2,3	179 843	22 351
1927/28	247 273	68 978	27,9	5 292	2,9	183 587	23 519
1928/29	295 954	96 681	32,7	25 261	11,3	224 514	24 842
1929/30	298 535	126 346	42,3	15 746	8,4	188 041	24 217
1930/31	383 205	210 632	53,6	6 004	3,2	188 577	22 664
1931/32	325 899	159 517	48,9	4 154	2,4	170 536	22 475
1932/33	358 905	179 322	50,0	620	0,5	180 483	23 028
1933/34	391 173	190 865	48,8	7 380	0,7	201 827	25 421
1934/35	358 736	121 172	33,8	1 139	0,5	238 705	29 692
1935/36	417 318	212 307	50,9	1 334	0,6	206 145	32 814
1936/37	446 402	167 599	38,0	1 404	0,5	278 214	32 422
1937/38	507 216	288 067	50,9	1 709	0,7	290 822	37 330
1938/39	522 732	223 784	42,8	1 377	0,5	350 325	37 414
1939/40	595 556	308 763	51,8	960	0,3	287 753	44 522

(b) Exports

South African exports grew from 2 790 tons in 1910/11 to 308 763 tons in 1939/40 and absorbed an increasing proportion of production. The exportation of sugar can be divided into three periods. In the first one from 1910/11 to 1918/19 exports constituted less than 10 per cent of total production. The 1918/19 season is significant because it was the first time in the history of the industry that production exceeded consumption. In the second period from 1919/20 to 1927/28 exports accounted on average for 22,7 per cent of production. However, the average was reduced by the 8,4 per cent recorded in 1924/25 as a result of the drought. In the third period from 1928/29 to 1939/40 exports averaged 45,4 per cent of production.

South Africa's major export market was Britain following the institution of an imperial preference of 4s.3d. in 1919. The country's proportion of Empire sugar imports rose from 2,4 per cent in 1919 to 3,5 per cent in 1925. [36] Britain continued to be the predominant market for South African sugar exports until World War Two. Exports to Britain rose from 51 931 tons in 1926/27 to 206 381 tons in 1938/39 and on average accounted for 75,8 per cent of total exports (*Excludes 1937/38 for which figures are not available*). Canada also became an important export market and absorbed on average 28,6 per cent of total sugar exports between 1929/30 and 1936/37. Canada played a crucial role in 1932/33 and 1933/34 when British imports declined, possibly as a result of the Ottawa Agreement which gave all Empire sugar producers equal access to the British market. In the export market South Africa was insulated from the world sugar crisis through its preferential access to Britain and Canada.

TABLE 3.8
South African Exports To Britain & Canada, 1926/27-1938/39 [37]
(tons 2000lb)

Season	*Britain*	*% total*	*Canada*	*% total*
1926/27	51 931	77,6	8 740	13,1
1927/28	61 267	88,8	-	-
1928/29	85 559	88,5	-	-
1929/30	108 078	85,5	18 262	14,6
1930/31	143 563	68,2	49 852	23,7
1931/32	113 697	71,3	46 420	29,1
1932/33	80 322	44,8	99 000	55,2
1933/34	72 711	38,1	118 135	61,9
1934/35	104 157	86,0	17 015	14,0
1935/36	174 802	82,3	37 700	17,7
1936/37	146 357	86,5	21 000	12,4
1937/38	-	-	-	-
1938/39	206 381	92,2	17 398	7,8

In terms of the International [illegible]ent of 1937, South Africa undertook to export no more than 230 380 tons, [illegible] subject to increase in accordance with the increase in British consumption. [illegible] the 1937/38 and 1938/39 seasons was divided into a A and B pool, and in the 1939/40 season a C pool was added. The institution of quotas did not have a detrimental effect upon the local industry as production quotas had been introduced locally prior to the implementation of international restrictions. Furthermore, exports in the 1939/40 season increased by 84 979 tons as a result of representations by the Ministry of *Food for Great Britain*. [39]

TABLE 3.9
South Africa's Quotas In Accordance With 1937 Agreement [40]
(Tons)

Season	*Total Exports*	*A Pool*	*B & C Pools*
1937/38	258 047	229 476	28 571
1938/39	223 784	189 533	34 251
1939/40	308 763	203 386	105 377

(c) Imports

Sugar imports declined to insignificance in the inter-war period. This was as a result of the Baxter Commission which led to the cancellation of the Mozambique concession and the raising of tariff's which culminated in 1932. Prior to the 1918/19 season imports were important and averaged 16,9 per cent of total local consumption. The two major sources of sugar imports were Mozambique and Mauritius. This was acceptable as domestic production only surpassed local consumption for the first time in 1918/19. Imports then declined to 0,8 per cent of total consumption in 1919/20 and rose to 2 per cent in 1920/21. This decline can be ascribed to strong world demand following the end of the First World War. Imports then surged to over 10 per cent of consumption in 1921/22 and 1922/23 in response to the surplus on the world market. In 1923/24 imports again declined to 0,3 per cent of consumption with the termination of the Mozambique preference.

Imports from Mozambique for the eleven years from 1910/11 to 1920/21 constituted on average 46,2 per cent of total sugar imports. Mozambique achieved this through the 1909 Convention with the Transvaal which allowed Mozambique's sugar duty free access to the latter's market. [41] Furthermore, Mozambique sugar was cheaper than South African sugar because of its lower production costs. This preferential access to the Transvaal caused considerable resentment in the local industry [42], but the agreement had been signed prior to union and was binding. Following the Baxter Commission report, the concession was removed in 1923 when the new trade and labour convention was concluded with Mozambique. [43]

TABLE 3.10
Sugar Imports From Mozambique, 1910/11-1920/21 [44]

Season	*Tons*	*% Imports*	*Season*	*Tons*	*% Imports*
1910/11	3 105	9,6	1916/17	3 545	44,0
1911/12	6 184	22,9	1917/18	16 760	100
1912/13	4 991	21,1	1918/19	9 230	87,9
1913/14	9 745	37,7	1919/20	43	3,2
1914/15	11 428	72,6	1920/21	848	41,4
1915/16	4 018	67,9			

In 1928/29 sugar imports rose to 11,3 per cent of domestic consumption as a result of low world prices, in particular the dumping of sugar by Czechoslovakia on the local market. [45] The large scale importation of sugar continued in the 1929/30, 1930/31 and 1931/32 seasons, with American sugar being dumped at 2 shillings less than the local wholesale price. [46] This led the industry to ask Government for further tariff protection, which was granted. [47] In the seasons from 1932/33 to 1939/40 sugar imports never exceeded 1 per cent of total local consumption as a result of tariff protection.

The duty on imported sugar was raised progressively in order to counter the threat to the domestic industry. The duty was increased on five occasions from 3s.6d. per 100 lb. in 1910 to 16s.1d. per 100 lb. in 1932, an increase of 359 per cent in 22 years. The protection given to the local industry clearly minimized imports and ensured its growth and prosperity in the inter-war period. [48] However, the cost to the domestic economy for protecting the sugar industry was estimated at £1,9 million in 1935 and at £2,2 million in 1939. [49]

TABLE 3.11
Duty On Imported Sugar [50]

Year	*per 100 lb.*
1910	3s.6d.
1915	6s.0d.
1926	7s.0d.
1931	12s.1d.
1932	16s.1d.

(d) Consumption

The per capita consumption of sugar in South Africa rose from 32 lbs. per annum in 1915 to 47 lbs. per annum in 1940, an increase of 46,9 per cent. Britain's per capita consumption in contrast grew by only 15,8 per cent between 1900 and 1937, although from a higher base. [51] South African consumption only declined during the depression years, when it slumped to 37

lbs. in 1935, a fall of 15,9 per cent. Consumption between 1935 and 1940 increased by 27 per cent as a result of the improved economic conditions and the introduction of Grade 2 sugar.

TABLE 3.12
South African Per Capita Consumption Of Sugar, 1915-1940 [52]

Year	*lbs.*	*% increase*
1915	32	-
1920	37	15,6
1925	39	5,4
1930	44	12,8
1935	37	-15,9
1940	47	27,0

In August 1936 a new sugar known as Grade 2 was introduced to the market. [53] The idea originated within the Government and was accepted by the industry as it offered them a opportunity to broaden their product basis. [54] Grade 2 sugar was sold at 2,5d. per lb. and was positioned in the market to cater for the needs of the poorer section of the market, who could not afford 3,5d. per lb. for refined sugar. [55] In the 1938/39 season the 19,7 per cent increase in local consumption was attributed to the increasing demand for Grade 2 sugar. [56] The industry encouraged this trend by initiating an intensive advertising campaign amongst the *African population*. [57]

The introduction of price control also influenced the consumption of sugar on the domestic market. Price control was first introduced on a voluntarily basis with the outbreak of World War One as a result of discussions between the industry and Government. [58] The price was fixed in August 1914 at 17s. per 100 lbs. and was raised the following month to 20s. [59] In April 1917 the sugar price rose to between £34 and £39 a ton as a result of the industry dropping their voluntarily price control. [60] The Government, faced with escalating sugar prices, introduced price control in May 1917, with the producer price fixed at 26s. per 100 lbs. Thereafter, the price was fixed in accordance with market trends, first under the Moratorium Act and then under Act No. 13 of 1922. [61] Price control was abolished in June 1923 when the act

expired. Deregulation could then be allowed because the world sugar prices had slumped and the domestic price of sugar was no longer escalating.

TABLE 3.13
Price Control of Sugar, 1917-1923 [62]
(per 100lb.)

Date	*Producer*	*Wholesale*	*Date*	*Producer*	*Wholesale*
5/1917	26s.0d.	27s.9d.	6/1920	41s.0d.	43s.0d.
6/1917	26s.0d.	27s.9d.	8/1920	51s.0d.	53s.6d.
5/1918	26s.0d.	27s.9d.	8/1921	31s.0d.	33s.8d.
12/1918	21s.10d.	23s.7d.	10/1921	29s.0d.	31s.8d.
1/1919	23s.0d.	24s.6d.	5/1922	25s.0d.	27s.6d.
6/1919	26s.0d.	27s.9d.	4/1923	30s.0d.	33s.0d.
11/1919	29s.3d.	31s.3d.			

The market remained deregulated until 1926 when price control was again instituted in terms of the Sugar Prices Act. [63] The domestic sugar market and industry by this stage was again threatened by cheap imports and in exchange for protection, consented to the Government fixing the price of sugar. The maximum retail price for refined sugar was fixed at 3,75d. per lb. and 3,5d. per lb. for mill white. [64] The retail price remained at this level until 1932 when prices were reduced to 3,5d. and 3,25d. respectively in terms of Act No.25. [65] This was the consequence of lower world prices and in exchange for increased protection. The 1936 Sugar Act retained these maximum prices and required that Grade 2 be sold at 2,5d. [66] The price was only increased again in October 1946 [67], due to the low world sugar prices.

The manufacturing sectors consumption of sugar became an increasingly important component of the sugar market, as its consumption increased by 316,1 per cent between the 1916/17 and the 1939/40 seasons. The demand for sugar in this sector originated in the Cape Province where the canning and spirits industries were located, and was augmented by the confectionary trades requirements. In the 12 year period between 1916/17 and 1926/27 consumption in this sector rose by 76,4 per cent. Consumption then declined as a result of the depression by 2 367 tons to 22 475 tons in 1931/32. In 1933 there was an upturn in demand for

sugar from the fruit canneries of the South Western Cape. [68] Manufacturing's consumption of sugar then continued to escalate until 1939/40 when the sector absorbed 44 522 tons.

(c) Milling

The milling sector of the industry was subject to continued consolidation between 1906 and 1940, with the number of mills in operation being reduced from 33 to 22. This crease was the result of company mergers and the high capital cost of the machinery used in the sector. The large capital expenditure is illustrated by the fact that the value of machinery and plant in the 1915/16 season in 31 factories was estimated at £1 253 000 and increased to £2 144 000 in the 1921/22 season despite the reduction in the number of mills to 28. [69] Therefore, the average investment per mill rose from £40 419 in the 1915/16 season to £76 571 in the 1921/22 season.

TABLE 3.14
Number of Sugar Mills, 1906-1940 [70]

Year	*Mills*	*Year*	*Mills*
1906	33	1930	24
1915	31	1935	23
1920	29	1940	22
1925	27		

The objective in milling was to extract the greatest possible amount of sucrose from the cane and the mills operated between May and December when the sucrose content was at its optimum. [71] The efficiency of mills in this reg rd is measured by means of the sucrose extraction, boiling house recovery and overall recovery rates. The comparison of the rates for the 10 year periods between 1925-1934 and 1935-1944 shows that the average mill performance did improve by 6,2 per cent in terms of the overall recovery rate. This can be ascribed in part to the investment in plant and the research conducted into beter extraction methods.

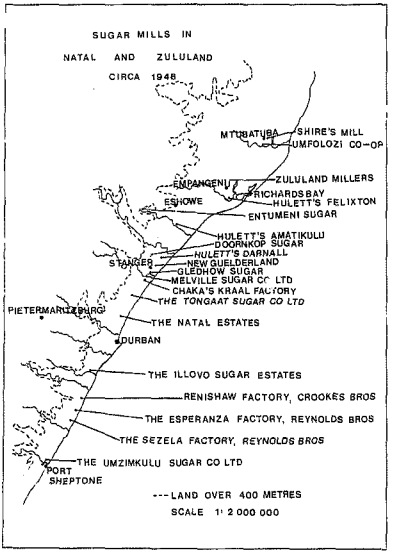

SUGAR MILLS IN
NATAL AND ZULULAND
CIRCA 1948
MTUBATUBA
SHIRE'S MILL
UMFOLOZI CO-OP
ENTANGENI
ZULULAND MILLERS
RICHARDS BAY
ESHOWE
HULETT'S FELIXTON
ENTUMENI SUGAR
HULETT'S AMATIKULU
DOORNKOP SUGAR
HULETT'S DARNALL
STANGER
NEW GUELDERLAND
GLEDHOW SUGAR
MELVILLE SUGAR CO LTD
CHAKA'S KRAAL FACTORY
THE TONGAAT SUGAR CO LTD
PIETERMARITZBURG
THE NATAL ESTATES
DURBAN
THE ILLOVO SUGAR ESTATES
RENISHAW FACTORY, CROOKES BROS
THE ESPERANZA FACTORY, REYNOLDS BROS
THE SEZELA FACTORY, REYNOLDS BROS
THE UMZIMKULU SUGAR CO LTD
PORT SHEPTONE
---LAND OVER 400 METRES
SCALE 1: 2 000 000

TABLE 3.15
Average Mill Performance [72]
(Percentage)

Years	*Sucrose Extraction*	*Boiling House*	*Overall Recovery*
1925-[illegible]	89,83	83,67	75,12
1935-44	92,05	88,36	81,34

However, the efficiency of the mills was limited by the composition of the cane and the cane to sugar ratio. There was only a slight improvement between *1925-1934* and *1935-1944*, which limited the overall improvement of mill efficiency. The improvement that did occur can be ascribed to the utilization of new varieties of cane in the 1930s which contained more sucrose and less fibre. The impact of more efficient milling on the industry as a whole was to improve its profitability.

TABLE 3.16
Composition of Cane [73]

Years	*Sucrose % Cane*	*Fibre % Cane*	*Cane To Sugar Ratio (tons)*
1925-34	13,19	15,78	9,64
1935-44	13,33	15,30	8,73

The sugar mills produced three by-products from the crushed cane, namely bagasse, filter-press cake and molasses. [74] Bagasse was made up of fibre and was used to fuel the mill boilers. The fuel value of bagasse was 15 per cent of the fuel value of coal and a ton of cane produced 0,33 tons of bagasse which was the equivalent of 100 lbs. of coal. [75] Bagasse enabled the mills to reduce their running costs and utilize a by-product in the process. The residue left in the filter-press after the sap passed through it was known as filter-press cake and was used as a fertilizer on the cane fields. [76] Molasses was sold to the manufac[illegible]ring sector either locally or overseas, who used it to produce alcohol and alcohol related [illegible] ucts. [77]

(f) Labour

Labour was an important component within the sugar industry between 1910 and 1940, as it accounted for 50 per cent of the recurring expenditure within the industry. [78] In 1937 the cost of wages and rations was estimated to amount to two million pounds annually. [79] Furthermore, employment within the industry increased by 8,5 times between 1905 and 1945; from 8 000 workers in 1905 to 40 580 in 1920 and reached 68 000 in 1945. [80]

The major change within the labour field was the decline in the importance of Indian labour and the rise of African labour. Indians employed in the cane fields decreased from 56 per cent of the total labour force in 1914/15 to only 7 per cent in 1944/45. In the milling sector the number of Indians employed declined by 28 per cent, from 4 028 in 1925 to 2 190 in 1934. [81] Africans employed in the cane fields increased from 44 per cent of the total labour force in 1914/15 to 93 per cent in 1944/45. In the milling sector the number of Africans employed increased from 4 189 in 1925 to 4 823 in 1934. [82]

TABLE 3.17
Number of Indians & Africans Employed in the Cane Fields [83]

Season	*Indians*	*% Total*	*African*	*% Total*
1907/08	10 924	82	2 484	18
1914/15	11 745	56	9 357	44
1924/25	*9 500*	*36*	*16 473*	*64*
1934/35	4 908	12	33 283	68
1944/45	4 500	7	55 778	93

African employment within the agricultural sector of the industry was a complex process with different recruitment areas for Natal and Zululand. African labour was employed as either casual labour on a monthly basis and recruited locally or as migrant labour recruited on a 180 shift contract from outside the province. There was a tendency to use the casual labour for

planting and cultivation, *and the migrants for cane cutting* although the converse could also apply. The industry was dependent throughout the period upon migrant labour for at least 40 per cent of its requirements. [84] This dependence on migrant labour was the result of what the Farm Labour Committee described as poor housing, feeding and the lack of medical attention. [85] The larger estates provided brick housing but on the smaller estates workers often had to erect their own accommodation. The rations provided to the African labour force consisted on average of: 90 lbs. of maize meal, 8 lbs. of beans, 2 lbs. of sugar, 4 lbs. of meat and 4 lbs. of salt per month, which they had to prepare themselves. [86]

Beinart maintains that Africans viewed the work on sugar estates as hard and the wages as low, which made the mines a better prospect. [87] In 1913 the wages paid to Africans on the gold mines were 73,3 per cent higher than those of sugar and the Natal coal mines paid 46,3 per cent more. Furthermore, the wage figures for gold and coal are based upon 26 shifts and those for sugar upon 30 shifts. In 1937 the position had become even worse with the two sectors paying 94,7 per cent and 60,3 per cent more than sugar. Wages in the sugar industry for the period 1913 to 1937 increased by 25 per cent, but from a very low base. Clearly the sugar industry did not offer the same financial rewards as the other industries. In addition, the *wages paid in Natal were higher than the wages in Zululand.* Actual wage figures are only available for Zululand in 1939 when the difference amounted to 10 shillings or 25 per cent. The farmers maintained that this was due to the smaller size of production units in Zululand and the higher transportation costs which reduced margins, and therefore wages. [88] These factors may have contributed to this trend but the major reason was the presence of migrants from Mozambique, who were prepared to work for lower wages. The farmer often complained about the quality of the migrant labour, which they employed, and maintained that they obtained those migrants rejected by the mines. [89] In view of the way the industry was perceived by Africans and the lower wages paid, it is quite possible that the farmers' assertion was correct.

TABLE 3.18
African Wages For Gold, Coal and Sugar, 1913-1939 [90]

Year	*Gold*	*% increase*	*Coal*	*% increase*	*Sugar*	*% increase*
1913	52s.0d.	-	43s.9d.	-	30s.0d.	-
1921	58s.7d.	12,9	57s.6d.	31,4	-	-
1932	57s.7d.	-1,7	49s.4d.	-13,5	40s.0d.	25,0
1937	58s.4d.	1,2	48s.1d.	-2,6	30s.0d.	-25,0
1939			-	-	40s.0d.	25,0

Note: Gold for Witwatersrand and Coal for Natal, wages for these are for 26 shifts while sugar is for 30 shifts.

The payment for a shift in the case of cane cutters depended upon the completion of the 'standard' which was 1,5 tons of cane cut, trashed and loaded. In the case of burnt cane the standard was increased to 2 tons as there was no trashing. Furthermore, the cane cutters were paid a bonus of 1d. for every 100 lbs. above the standard. [91]

The Natal sugar industry obtained its African migrant labour from Pondoland. The industry was able to attract this labour prior to 1921 because of the system of advances, whereby the migrant could obtain cattle and/or cash in advance of commencing work. [92] The advance system was curtailed with the introduction of the Native Advance Regulation Act of 1921. This was the result of representations by the Chamber of Mines whose recruitment had been detrimentally affected and because of widespread abuse of the system. Mpondo labour was also attracted to the sugar industry because the work was above ground and the contract was relatively short - involving 180 shifts. [93] The industry's position was further strengthened by the malaria epidemic of 1929 to 1932, as Mpondo labourers were not allowed north of the Tugela for fear of their being infected. [94] Mpondo labour remained vital to the industry in Natal and constituted between 10 and 60 per cent of the labour force in 1939. [95]

In 1912 it was already recognised that the sugar industry in Zululand would require labour from Mozambique. [96] This was because Zululand required malaria tolerant labour which

Mozambique possessed. In 1925 the Government prohibited the recruitment of Mozambique labour except for the mines on the Rand. [97] This led to an outcry by the industry which recognised that labour from Pondoland and Basutoland would readily succumb to malaria. [98] The industry's view was vindicated by the malaria epidemic between 1929 and 1932 which led to a decline in Transkei labour and a ban by Basutoland on recruitment for Zululand. [99] Zululand farmers had continued to make use of illegal Mozambique labour after 1925 and this accounted for 50 per cent of those employed in South Africa in 1930. [100] The revised Mozambique Treaty of 1934 made no provision for recruitment *by the sugar industry*, but following representations by the industry to the government, recruitment of *Mozambique labour for the Zululand sugar industry* was allowed *from* the end of 1935. [101] In 1939 Mozambique labour accounted for 40 per cent of the industry's requirements in the *region* but *there* was still an estimated labour shortage of between 20 and 25 per cent. [102] Furthermore, Zululand accounted for 34 per cent of the land under cane but used 41 per cent of the labour. [103] This was ascribed to management problems associated with small production units.

In the years between 1910 and 1939 the only major industrial action within the sugar industry occurred in 1913. The 1913 Indian strike took place between October and November, and involved 15 000 sugar workers. [104] The strike by the Indian sugar workers was a spontaneous action, that was influenced to some extent by the Newcastle miners strike and Gandhi passive resistance campaign. [105] The strike was in protest against the £3 tax payable by Indians who had come into Natal under the Indenture Act of 1895. In 1913 the tax affected about 10 800 Indians. [106] The strike delayed the completion of the cutting and crushing of the seasons cane crop and led to the illegal burning of 150 acres of cane. The strikers returned to work in December and Smuts then appointed a Commission of Enquiry. The Commissions findings were incorporated in the Indian Relief Act of 1914, in terms of which the £3 tax was abolished. [107] *The strike was not the result of conditions within the sugar industry*, but the

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abolition of the tax meant that the Indians were no longer so dependent upon the sugar industry. [108]

Conclusion

The South African sugar industry became a net exporter between 1910 and 1939, and was not affected by the crisis in the international sugar trade to the same extent as many other producers. The industry could not have flourished to the extent it did, had it not been for Government protection and assistance that provided it with a captive home market. This captive home market allowed the industry to finance its export market, which was aided by the preferential access the industry enjoyed in Britain and Canada. Internally the industry was characterized by an uneasy relationship between growers and millers who were forced to co-operate through their mutual need. The Government intervened whenever this relationship became unbearable, and in exchange obtained sugar at a fixed price and, in the 1930s, the introduction of Grade 2 sugar. However when labour matters were involved, the Government always placed the needs of gold mining before those of sugar. By 1939, the industry had established itself on a sound economic footing through the protection it enjoyed domestically. The focus of the subsequent chapters is the operation of C.G.Smith & Co. Ltd., a sugar business, within this environment.

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CHAPTER 4

C.G.Smith & Company Limited, 1910-1939

Introduction

In 1888 Charles George Smith went into business for himself and began buying and distributing both sugar and cattle along the Natal coast. Smith's business prospered and this led to the formation of C.G.Smith & Company Limited in 1910. He did not have much capital to begin with, so he could not go into either farming or manufacturing. Hence he moved into working as a commission agent where the growers and banks provided him with his capital. Smith's core business throughout the period 1910 to 1939 was the selling of sugar on a commission basis.

Charles George Smith was born in London, on the 27th December 1858. In 1861 Charles came out to Natal with his parents. The family did not prosper and he returned in 1868 to England with his mother. In 1873 Smith returned to Natal and found employment with Black and Baxter, who were general merchants in Durban. The firm engaged him to buy and sell livestock on their sugar estate at Umzinto. Smith whilst at Umzinto became acquainted with sugar planting and with the Reynolds and Crookes families. Charles then went to work for W.B.Lyle and concentrated upon the sugar and hides and skins side of the business. He was subsequently appointed as the manager of Lyles sugar estate, the Kirby Vale Estate. It was while resident on this estate that he became lifelong friends with Frank Reynolds; a friendship that was to be very important to his later business activities.

In 1876 Charles went to work for Frank Beningfield, an auctioneer, in Durban. Smith was already a sharp businessman and, in 1879, at the age of 21 years, was given a partnership in the business. Charles remained with Beningfield until 1888, when he and J.Holston went into business for themselves trading as Holston & Smith. The focus of the business was general

auctioneering together with the buying and distribution of both sugar and cattle along the Natal coast. By 1894 Smith was trading on h s own under the name of Smithfield.

In 1902 the need for additional capital as a result of the growth of the business led C.G.Smith to admit two partners, namely J.P.Denham and J.W.Zeeman. [1] By 1909 Zeeman had left the business and the partnership consisted of Smith and Denham. [2] The partnership limited the financial resources of the firm and also meant that Smith and Denham were responsible for all debts. The Standard Bank said of Smith:

Appears a forceful individual, able and enterprising but perhaps not very cautious. [3]

Smith was ambitious and realized that in order to progress they would have to form a limited liability company, which they did in 1910 to take advantage of Union. The core of this business was sugar wholesaling. Smith's business prospered because of the support of the Reynolds and Crookes whom he influenced because of their respect for his ability to market their sugar output. As Osborn notes:

The association of these two great South Coast families, the Reynolds and the Crookes, with C.G.Smith, was probably as ideal, from a business point of view, as it would be possible to find in an enterprise such as sugar. [4]

This personal friendship which Smith built up with these families meant that they remained loyal to him rather than shifting their allegiance. Furthermore, Hulett's were the only other distributor and dominated the industry on the north coast and in Zululand. The support of the Reynolds and Crookes seems to have been reinforced and strengthened by their their animosity towards Hulett's, the rival distributor of sugar in Natal.

Smith's experience and knowledge of sugar distribution and wholesaling was such, that forward integration into distribution and wholesaling on their own behalf when they periodically fell out with him, was not seriously considered. It would also have involved the outlay of large amounts of capital outside their field of operations, namely sugar planting and production.

A detailed analysis of the operations of C.G.Smith & Co. Ltd. in the period 910 to 1939 is extremely difficult because of the lack of records of the core business, sugar distribution. The problem is exacerbated by the lack of copies of the annual reports for the period prior to 1940. As an entrepreneur with limited capital resources, he was always fighting for survival and had little time to make copious notes about his methods or motives. In order to obtain an insight into the operations and methods of C.G.Smith it is necessary to examine the ventures outside the core business, sugar distribution, which the company embarked upon. Some records have survived dealing with the relationship with the Standard Bank, and there are a few records of the marginal enterprises of Imperial Buildings Limited and Natal Cane By-Products, and the failed ventures of African Oil Mills, South African Condensed Milk Company Limited, Atlas Petroleum Products (Pty.) Ltd. and Vegetable Fibre Products of South Africa Ltd. Records dealing with the establishment of the pension fund, one of the earliest in South Africa, provide an insight into the progressive side of C.G.Smith.

Smith retained control throughout the period; his knowledge appears to have been vital to the success of the business. Smith remained an example of what Chandler would refer to as entrepreneurial capitalism. *In these circumstances the company reflected his strengths and* weaknesses.

An Overview: 1910-1939

In October 1910 C.G.Smith & Co. Ltd. was established to acquire Smith's and Denham's business interests in livestock and sugar trading, and shipping. [5] The firm had a share capital of £28 000 divided amongst the founding directors, namely C.G.Smith, F.Reynolds and J.D.Denham. [6] In 1913 the Board was expanded to include C.G.Crookes and S.F.Crookes; H.Brunskill joined in 1914; J.W.Zeeman in 1915 and Wm.Pearce in 1916. [7] This meant that all the major sugar interests on the Natal south coast were represented on the Board; Reynolds Brothers, Crookes Brothers and Illovo Sugar Estates - in the person of Wm.Pearce.

By 1917 the Company had apparently progressed to such an extent that it was decided to reconstruct the firm, in order to provide it with a larger capital base. [8] The capital was in-

creased by £28 000 to £56 000, the 28 000 new shares were preference shares bearing a dividend of 7,5 per cent per annum, subject to the firm making a profit. [9] Reynolds Brothers subscribed for 15 000 shares, Illovo Sugar Estates for 8 000 shares and Crookes Brothers for the remaining 5 000 shares. [10] The Board also created 28 founders shares which would receive 25 per cent of the profits annually. [11] Once again Reynolds Brothers were allocated 15 founders shares, Illovo were given 8 shares and Crookes Brothers the remaining 5 shares. [12] This highlights C.G.Smith's business acumen as through this share allocation C.G.Smith & Co. Ltd. were assured of the agency for their sugar distribution. Furthermore, Smith's probably required the extra capital because of their involvement in Chake's Kraal which had been formed in 1916 and is discussed in Chapter 6.

In 1917 C.G.Smith & Co. Ltd. were appointed the sole agents for a period of 10 years, for the sale of all sugar and other products of Reynolds Brothers, Crookes Brothers, Illovo Estates and Umzimkulu Estates. [13] In terms of the agreement the firm received a 2,5 per cent commission on all business it undertook on behalf of these concerns and they in turn received a rebate of 1,5 per cent on the firm's profits. [14] It was hoped that the rebate would increase the volume of sugar business done through Smith's. [15] The Company was now in a much *stronger position following the injection of additional money into the business and having* secured the agency agreement. C.G.Smith as a result was filled with confidence and began to think in terms of a dynasty. Smith stated that:

> *He was sure this was the nucleus of a very big co-operative concern, not only for their own time, but for those who came after them.* [16]

Smith had his mind set on creating a large company and therefore in 1919 called for an increase in the firms share capital. [17] C.G.Smith was also motivated by two additional reasons. First, the company had acquired Umzimkulu Estates, the subject of Chapter 5, and needed additional working capital. Secondly, he recognised that if the young and talented members of the firm such as Dickens and Brunskill were to be retained, then they had to be given the opportunity of acquiring shares in the business. [19] The proposal put forward by Smith entailed

increasing the share capital to £145 000 through converting the founders and preference shares. [20] However according to legal opinion the rights allocated to these shares had been so well entrenched as to make such a conversion impossible. [21] Therefore in May 1920 the capital of the firm was increased to £131 000 through the creation of 75 000 ordinary shares. [22] This shows the extent to which C.G.Smith was able to impose his ideas for expansion on his fellow directors and his ability to control the financial direction of the firm on a virtually unopposed basis. He was also a very astute businessman in giving the younger members of staff a stake in the company.

However C.G.Smith did not override the Board on all issues and in particular, he encountered objections to certain acquisitions made by the firm. Smith's bought Umzimkulu Estates in 1920, the subject of Chapter 5, and this led to numerous objections by the Board. [23] This opposition forced C.G.Smith to sell the business in 1921 to a private consortium which he headed. [24]

During the 1920 financial year the firm had embarked upon an advertising campaign. [25] The promotion had been a general one and not directed at any particular segment of the market *which raised the ire of C.G.Smith. [26] He felt that unless such a campaign was directed at* the consumer to increase the overall demand in the market, then it was a waste of money. [27] Smith's reaction suggests that he was a difficult associate but one who when so inclined, could pinpoint wastage.

C.G.Smith & Co. Ltd. in accordance with C.G.Smith's desire to expand, had diversified into sugar production and had also become involved in speculative ventures such as African Oil Mills. By 1922 as a result of these activities the firm had accumulated liabilities exceeding £500 000 [28] and this free-spending attitude culminated in the Company recording a loss of £33 000 in 1923. [29] Furthermore, the firm had lost £127 000 of its capital which meant that if it was to survive, it would require the injection of more money. [30] The desperate position of C.G.Smith & Co. Ltd. led to the directors blaming one another for the firm's situation, although it seems that they were all responsible, as in 1922 not a single Board meeting had been

held. [31] The Directors, in order to overcome the financial dilemma faced by the company, decided to sell to a new firm that they would subsequently establish. [32]

The financial records for the period 1910 to 1917 are not available and it is therefore impossible to accurately gauge the company's performance during those years. However the firm became increasingly profitable between 1918 and 1921, with profits rising from £13 897 to £22 588. It appears to have been C.G.Smith's overly ambitious expansion and speculation that led to the loss of £33 000 in 1923.

TABLE 4.1
Profits of C.G.Smith & Co. Ltd., 1918-1923 [33]
(£)

Year	*Profits*
1918	13 897
1919	15 104
1920	21 259
1921	22 588
1922	*
1923	-33 000

Note: * figure not available.

The financial crisis caused by the £33 000 loss in 1923, led to the formation of a new company and the injection of new capital into the company. In April 1923 a new company also called C.G.Smith & Co. Ltd. was formed, with a capital of £187 000, of which £138 000 was paid up. [34] The share issue consisted of 56 000 ordinary shares, 28 000 'A' preference shares allocated pro rata to holders of preference shares in the old company and 103 000 'B' preference shares allocated to holders of ordinary shares in the old company. [35] Reynolds Brothers were the largest shareholders with 74 126 shares; C.G.Smith held 53 000 shares; Illovo Sugar Estates held 31 796 shares and Crookes Brothers held 19 078 shares. [36] This reorganisation meant that the total amount of new money brought into the business was only £7 000, to be used as working capital. Furthermore the sugar agency agreement was renegotiated on the basis of a 2,5 per cent commission to Smith's plus a further 0,5 per cent for the wholesalers. [37] This commission for the wholesalers was to ensure that the firm was competitive throughout the Union. [38]

Relations with the producers were not always smooth and in 1924 the Company was plagued by a dispute between C.G.Smith and F.Reynolds, over the latter's allegations that the firm was being mismanaged. [39] This situation was made worse by Smith maintaining that Reynolds was discussing confidential business matters concerning the firm with outsiders. [40] It culminated with Reynolds saying:

> *He felt that matters in regard to C.G.Smith had gone back and not prospered. He wished to retire from the Board.* [41]

Smith replied that:

> *Present position did not perturb him and not prepared to be threatened and if Sir Frank decided to consult his solicitor, let him do so.* [42]

However the hostility subsided because of their mutual need; Smith's distributed Reynolds' sugar and the latter was the largest shareholder in the firm.

Reynolds's accusation of mismanagement led to a small reduction in the size of the staff in 1925. The apparent motivation was that in order to retain the younger employees it was necessary to retire the older members of staff, although only three persons were put on pension. [43] To make it palatable C.G.Smith reduced his own salary by £500 per year. [44] These changes were minor and appear to have been undertaken in order to appease F.Reynolds.

From 1926 conditions became increasingly difficult as the international market price of sugar fell and this led to increased competition from foreign countries in the domestic market. [45] This possibly had an adverse effect upon the core of C.G.Smith & Co. Ltd. business, namely sugar wholesaling for the various estates on a commission basis. The position was only resolved in the 1930s through increased government protection. The depression increased the

difficulties that the Company faced, particularly as domestic demand contracted. [46] The initial financial crisis of the firm was the result of the difficult trading conditions of the late 1920s and early 1930s. The subsequent financial problem was the result of the expansion of the sugar industry and the increase in sales, which required more working capital to be injected into the business.

The difficult business conditions led the company to strengthen its financial position by implementing four changes in its operations. First, the new agency agreement of 1933 eliminated the 0,5 per cent commission paid to wholesalers but retained the firms commission at 2,5 per cent. [47] Secondly, the terms for sugar sales were changed from 30 days to a cash basis which improved its financial position. [48] Thirdly, in 1934 the company called up 5 shillings per ordinary share and a further 2s.6d. per share in 1936, increasing the capital by £21 000, from £138 000 to £159 000. [49] Fourthly, this financial pressure and the expanding nature of Smith's shipping interests led to the creation of a separate firm - Smith's Coasters in 1927, the subject of Chapter 7. The company's planting interests and other speculative ventures continued to be a drain on its resources and C.G.Smith admitted that:

> *The operation of the Company been extended far beyond their legitimate business of selling sugar.* [50]

The firm encountered further difficulties in the 1936/37 season as a result of the introduction of quotas for the industry. However the firm and C.G.Smith, in particular, refrained from getting involved in any more speculative ventures and concentrated upon sugar distribution. As Smith noted:

> *We have no difficulty in placing our finger on the best part of this business, which of course is sugar.* [51]

This resolve to remain clear of new risks continued to hold sway until 1940. In 1939 Smith stated that:

During the year a good many propositions were turned down owing to the feeling of uncertainty in the political situation and it was this uncertainty which compelled us to hesitate before spending money on new ventures presented to us. [52]

TABLE 4.2
C.G.Smith & Co. Ltd. Profit & Return on Share Capital, 1924-1940 [53]
(Financial year ended 31 March)

Year	*Share Capital (£)*	*Profit (£)*	*Return on Share Capital*
1924	138 000	24 412	0,18
1925	138 000	13 887	0,10
1926	138 000	9 507	0,07
1927	138 000	17 068	0,12
1928	138 000	33 136	0,24
1929	138 000	36 484	0,26
1930	138 000	23 825	0,17
1931	138 000	35 535	0,26
1932	138 000	34 530	0,25
1933	138 000	65 000	0,47
1934	138 000	40 481	0,29
1935	152 000	58 138	0,38
1936	159 000	85 582	0,54
1937	159 000	46 567	0,29
1938	159 000	64 225	0,40
1939	159 000	64 221	0,40
1940	159 000	68 741	0,43

The profits for each financial year are available. In the 16 years from 1924 to 1940, the firm recorded continuous profits. However the international commodity market was characterized by slow growth in the 1920s and stagnation in the 1930s. Sugar internationally experienced a price decline from 1920 to 1937. South African sugar production for the years 1924 to 1940 almost trebled and Smith distributed approximately 35 per cent of the total production. Sales of sugar also increased but prices were low and profits did not rise to the same extent. Smith recorded continuous profits in these years because he could not lose, he was being paid on turnover and when things became difficult there was the agreement among the sugar producers and finally government intervention. If the planters made a loss, he could make a profit. Others could have done this, but only Smith saw the market opportunity and moved in to do it. He provided a service that did not require a large amount of fixed capital and which, if successful, made the producers dependent on him.

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If C.G.Smith had not engaged in the speculative ventures discussed later in the chapter, then the financial results would probably have been better. Furthermore the firms returns from its planting ventures discussed in chapters 5 and 6, and its shipping interests dealt with in chapter 7 were not very profitable in the period. Clearly from the information available, the firm was saved by its involvement in sugar distribution which accounted for the major share of the profits recorded between 1924 and 1940.

Aspects of the Business

This section examines the firms business ventures outside of the core business, sugar distribution, in an attempt to gain more insight into the operations and methods of C.G.Smith.

(a) The Relationship with Standard Bank

Smith provided the Standard Bank with its largest source of income in Natal, and the Bank in turn provided Smith with much of his working capital. Their relationship in the inter-war period can be characterized as one of mutual interest and one which was profitable to both concerns. *However the Bank records only refer to C.G.Smith & Co. Ltd. when it had substantial* debts owing to the Bank and therefore provides an imperfect picture of their relationship.

The Standard Bank viewed C.G.Smith as a wild entrepreneur who often overrode his Directors to the detriment of the firm. In effect C.G.Smith & Co. Ltd. were seen as an extension of C.G.Smith's own person. The General Manager said:

> *Since its inception the Company's financial policy had been practically solely controlled by Sir Chas.G.Smith, a bold and fearless operator, who, in light of after events, has involved himself and his co-Directors in exceedingly heavy liabilities as a result of his speculative policy.* [54]

In spite of this assessment the Bank co-operated with Smith's because of the perceived influence of the firm and its ability to direct business to the Bank. The Bank Report states:

The Company's unique connection with the sugar industry in Natal and the valuable contract under which it cov[illegible] the sale of the whole output of various sugar estates for ten years from 1923, it [illegible]ble to continue to support the Company with the facilities referred to hereunder. [55]

Furthermore, the account operated by C.G.Smith & Co. Ltd. at the Durban Branch was the largest and most profitable account at the Branch. [56] The Company's account had an average turnover between 1922 and 1931 of £2 144 549 per annum, which provided the Bank with considerable income through service charges. The size of Smith's account, together with the influence of the firm in the sugar industry, appears to have motivated the Bank's decision to provide C.G.Smith & Co. Ltd. with large overdraft facilities. The financial resources which, as a result, became available to the Company allowed it to recover from mistakes that would otherwise have forced it into liquidation. The records of the firms banking business for the 1930s are not available. This is unfortunate because sugar production doubled between 1932 and 1940, and one would expect the accounts turnover to have increased considerably. This section consequently provides evidence of the mutually beneficial relationship between the gifted entrepreneur and his bankers. Table 4.3 provides the details.

TABLE 4.3
C.G.Smith & Co. Ltd. Account Turnover & Overdraft Facilities at Standard Bank, 1922-1931 [57]
(£)

Year	*Turnover*	*Overdraft*
1922	2 006 999	174 699
1923	1 664 804	168 488
1925	1 656 251	141 530
1926	*	*
1927	*	*
1928	2 033 661	225 000
1929	2 500 000	225 000
1930	2 816 435	225 000
1931	2 333 698	225 000

(b) Marginal Enterprises

Smith's did not incur losses from their investment in Imperial Buildings Ltd. and Natal Cane By-Products Ltd, but could probably have employed the resources better elsewhere.

Imperial Buildings Limited

In 1913 C.G.Smith & Co. Ltd. purchased 12 627 shares, out of a total of 33 000 shares, in Imperial Buildings Ltd. at 28/6d. per share. [58] This was apparently done in order to acquire new office accommodation for the Company. [59] Imperial Buildings was a sound investment and by the 1920s was receiving annual rentals amounting to £6 000. [60] In 1925 C.G Smith wanted to purchase the Company outright but considered the asking price of £100 000 to be excessive. [61] However in 1935 C.G.Smith & Co. Ltd. became the sole owners of the firm when they purchased the remaining 20 373 shares at £2 per share. [62] This outlay of £40 746 was a premium price to pay considering that the estimated market value was 10 shillings per share. [63] But the apparent motivation was that Imperial Buildings was a company with assets that would appreciate in value from year to year. [64] Furthermore the purchase of the additional office space may have been linked to the expansion of sugar wholesaling consequent upon the increase in sugar output. By 1938 the Company was estimated to be worth at least £100 000 [65], which vindicates C.G.Smith's decision.

Natal Cane By-Products Limited

In 1915 the Natal Cane By-Products Ltd. was floated with a capital of £25 000, subsequently increased to £150 000 in 1918. [66] The Company was established to extract wax from sugarcane but diversified into the production of alcohol motor fuel and industrial alcohol. [67] C.G.Smith & Co. Ltd. were involved with the firm from the inception although they only held 4 049 shares. [68] Natal Cane By-Products was not a profitable concern and first declared a dividend in 1937. [69] Smith's holding in the firm remained low and in 1940 amounted to only 4 748 shares. [70] In view of the Company's performance this appears to have been a wise decision and was possibly due to C.G.Smith's belief that the concern was badly managed. [71]

(c) Failed Enterprises

The desire for new frontiers led C.G.Smith to invest in a number of speculative ventures, outside the sugar industry, and as a result the firm lost approximately £75 000.

African Oil Mills

African Oil Mills was established in 1920 with a share capital of £56 250. [72] The major shareholders were C.G.Smith with 33 000 shares and C.G.Smith & Co. Ltd. with 10 000 shares. [73] The firm also issued debentures of £20 000 and C.G.Smith & Co. Ltd. were the major subscribers with £17 400. [74] The Company was formed to manufacture edible oils and cattle feed. [75] However the first years operations resulted in a loss of £10 000. [76] This deficit was ascribed to the problems experienced in obtaining raw materials and to the incompetence of the management. [77] The issue of mismanagement was one which confronted most undertakings with which C.G.Smith was associated. It appears to have been due to C.G.Smith's inability to supervise those in control and the realization by the management that Smith's would come to their rescue if they encountered problems.

In an attempt to place the firm on a profitable basis, they diversified into the manufacture of soap in 1923. [78] The C any was, as a result of this change, able to minimize its losses. [79] However this expansion brought African Oil Mills into direct competition with Lever Brothers who resisted their encroachment by dropping soap prices, which reduced *margins and hence African Oil Mills profitability.* [80] The Board began to realize that they had ventured into a field in which they had no expertise and that the prospects for success were minimal. This led to the decision to sell the firm if a buyer could be found. [81] The minutes reveal their naivety

> *At the time, they thought it was an enterprise that suggested agricultural development and C.G.Smith & Co. Ltd. should be in it.* [82]

This highlights the failure of the directors to examine the business proposition properly prior to investing in it and can possibly be ascribed to C.G.Smith's whimsical way of doing business.

In the late 1920s the firm continued to flounder due to severe competition experienced in the soap market, presumably from Lever Brothers. [83] The Board wanted to liquidate the ven-

ture but this would have meant that C.G.Smith & Co. Ltd. would have lost £22 000, excluding their share and debenture holdings. [84] According to the Bank Report:

> *Since the inception of the Company every effort has been made to establish the business on a sound paying basis, but without success, and they have had to face a heavy loss at the end of each financial year, with the result that the whole of the capital has been lost and their shares may be regarded as of no value.* [85]

Furthermore the decision regarding the liquidation was complicated by the fact that C.G.Smith & Co. Ltd. had in the 8 years of the firms operation received £8 000 in selling commission and interest on their debenture holdings. [86] Therefore the Board resolved to leave the decision to C.G.Smith. [87] Smith in typical fashion attempted to turn the business around and acquired the remaining 13 250 shares at 0,25d. per share. [88] This made African Oil Mills a wholly owned subsidiary of C.G.Smith & Co. Ltd. However the Company continued to record losses and was sold for £10 000 in 1936. [89] Selling soap on commission was outside Smith's normal business, but selling on commission was his business. It failed because Smith came up against a more formidable opponent than Hulletts in the form of Unilever. African Oil Mills *had consumed approximately £75 712 provided by C.G.Smith & Co. Ltd.* Thus C.G.Smith's refusal to abandon African Oil Mills in 1928 had cost a great deal of money and had not been in the best interests of C.G.Smith & Co. Ltd.

South African Condensed Milk Company Limited

In 1923 S.A.Condensed Milk Co. Ltd. was floated with a share capital of £20 000. [90] C.G.Smith purchased 4 850 shares in the firm in order to obtain its selling agency, but did not bother to consult his Directors. [91] The Company was faced with the problem of having to overcome the local preference for imported brands. [93] This was exacerbated by the dumping of foreign condensed milk on the local market in 1924 which decreased the ventures prospects. [94] In 1924 the share capital was increased by 10 000 shares - 2s.6d. paid up: and C.G.Smith & Co. Ltd. purchased 5 000 shares. [95] The Company made a profit of £2 300 in 1925 which was utilized to reduce the value of the plant by £1 500 and carried forward a

balance of 800. [96] This decision was greeted with hostility by C.G.Smith who believed that a dividend should have been paid to shareholders. [97] As a result the firm sold its shares in S.A. Condensed Milk Co. Ltd. in 1925. [98] Smith saw an opportunity to sell on commission and he was correct. He sold when he did not receive the income he expected.

Atlas Petroleum Products (Pty.) Ltd

In 1927 C.G.Smith & Co. Ltd. became the agents for Atlas Petroleum Products, a subsidiary of a Soviet petroleum firm. [99] The fuel was marketed in Natal and Zululand under the name of Arop. [100] However in the 1930s the Soviets felt that they could market the product themselves and the association with C.G.Smith & Co. Ltd. ceased. [101] The undertaking had resulted in a loss of £20 000 to C.G.Smith & Co. Ltd. [102]

Vegetable Fibre Products of South Africa Ltd

In 1934 C.G.Smith was approached with the idea of establishing a firm to produce paper products from bagasse. [103] This led Smith to establish the firm in 1934. [104] C.G.Smith whilst on a visit to London discovered that the extraction of the residue sugar from bagasse had not been overcome and thus the venture could not succeed. [105] The project was abandoned and *the company never actually operated. [106] Smith saw an opportunity to sell another sugar by-*product, paper from bagasse. It failed as a result of technological difficulties.

(d) C.G.Smith & Co. Ltd. Pension Fund

Smith saw the need for the distribution firm with its contacts to maintain staff loyalty. Hence he established a fund in accordance with the trend in Britain. The development of private schemes in Britain began in the 1880s and was the result of a change in perceptions on the part of both employers and employees. [107] The employers saw it as a means of retaining important personnel who were essential to the preservation of the firms competitive advantage. [108] Whilst employees viewed such schemes as more secure than the old system of ex gratia payments and began to think of pension cover as an essential part of an employment contract. [109] The self-managed funds were normally confined to the large firms who possessed the necessary technical skills to administer the fund. [110] The smaller firms relied upon the

insurance company to manage the scheme and between the 1930s and 1950s, the major growth was in insurance managed schemes. [111]

In South Africa it appears that during the inter-war years the majority of companies that provided retirement benefits did so by means of provident funds or insured superannuation funs. [112] In a provident fund the employee and employer made contributions which upon retirement where paid out in a lump sum. [113] The superannuation fund took the form of a pension purchased ' ... an insurance company through the proceeds of endowment assurance policies taken out on the life of an employee. [114]

C.G.Smith & Co. Ltd. was a leader in the establishment of pension funds, although it was preceded by the Union government, provincial government and many municipal funds. [115] Furthermore the Natal Building Society Pension Fund and the Corner House Pension Fund were established in 1916 and 1925 respectively. [116] The difficulty in establishing who preceded C.G.Smith & Co. Ltd. is due to the fact that pension funds were only first registered in 1958 by the Registrar of Pension Funds. [117] However Smith's appear to have been atypical in that they operated their own fund rather than getting an insurance company to manage it for them. The firm's sugar companies and shipping interests did use insured superannuation funds. [118] This was perhaps because the burden of administration and investment then fell upon the insurance company.

C.G.Smith first raised the issue of the need for a retirement fund for staff in 1918. [119] In 1923 with the reorganisation of the firm it was decided that a sum of £20 000 would be placed in a non-contributing pension fund. [120] Pensions were to be paid on a annual basis and at the sole discretion of the Directors - effectively making it an ex gratia arrangement. [121] Thus Smith was aware of the trend towards such private funds in Britain. Furthermore he ·.alized that the establishment of such a scheme was essential to retaining the services of employees on a long-term basis. Smith stated:

> *That, in his mind, was a satisfactory solution to it because in a concern with a Pension Fund it gives a sense of security to the employees.* [122]

In January 1928 a further scheme was established and called the C.G.Smith & Co. Ltd. Pension Fund. [123] The scheme operated on a £ for £ basis and was open to all European employees of the firm. [124] In order to qualify for benefits an employee had to have ten years continuous service and the retirement age was set at 60 years for males and 55 years for females. [125] The fund started with 35 members and by 1933 this had increased to 37 members, of which 31 were male and 6 were female. [126] In 1933 the total value of the fund was £10 956 and 45 per cent of the money was invested in sugar industry debentures. [127] The actuaries in their appraisal of the fund in that year, felt that too large a percentage of the resources had been committed to one industry. [128] Furthermore the fund had a deficiency of £3 754 because all members had paid contributions at a level rate of 5 per cent. [129] This highlighted the problem of administering a fund on a in-house basis without the proper expertise.

*In 1933 there was a disagreement amongst the members as to whether they should have a pen*sion scheme or an insurance scheme. [130] This debate apparently arose because members feared that in the case of sudden death the benefits to dependents from the fund would be too small and an insurance policy would offer better cover. [131] It may have also been the result of the actuaries report which found that the scheme was under funded. C.G.Smith maintained in front of the staff that the fund offered the better prospects although he knew that this was incorrect. [132] The debate then fizzled out and the employees elected to remain in the fund. This shows that C.G.Smith was charismatic and people trusted him.

In June 1936 it was decided to amalgamate the two funds, namely the Pension Fund of 1923 and the C.G.Smith & Co. Ltd. Pension Fund of 1928. [133] This enabled the firm to consolidate its pension obligations and allowed it to wipe-out the deficiency of the 1928 fund. In terms of the agreement a sum of £20 792 was incorporated from the 1923 fund and amalgamated fund became responsible for six pensions totalling £781 per annum. [134] The money remained invested in C.G.Smith & Co. Ltd. bearing interest of 5 per cent per annum. [135]

In January 1928 a further scheme was established and called the C.G.Smith & Co. Ltd. Pension Fund. [123] The scheme operated on a £ for £ basis and was open to all European employees of the firm. [124] In order to qualify for benefits an employee had to have ten years continuous service and the retirement age was set at 60 years for males and 55 years for females. [125] The fund started with 35 members and by 1933 this had increased to 37 members, of which 31 were male and 6 were female. [126] In 1933 the total value of the fund was £10 956 and 45 per cent of the money was invested in sugar industry debentures. [127] The actuaries in their appraisal of the fund in that year, felt that too large a percentage of the resources had been committed to one industry. [128] Furthermore the fund had a deficiency of £3 754 because all members had paid contributions at a level rate of 5 per cent. [129] This highlighted the problem of administering a fund on a in-house basis without the proper expertise.

In 1933 there was a disagreement amongst the members as to whether they should have a pension scheme or an insurance scheme. [130] This debate apparently arose because members feared that in the case of sudden death the benefits to dependents from the fund would be too small and an insurance policy would offer better cover. [131] It may have also been the result of the actuaries report which found that the scheme was under funded. C.G.Smith maintained in front of the staff that the fund offered the better prospects although he knew that this was incorrect. [132] The debate then fizzled out and the employees elected to remain in the fund. This shows that C.G.Smith was charismatic and people trusted him.

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In 1938 the fund was again subjected to an actuaries valuation. [136] The value of the fund had increased to £44 786, including the loan of £20 000 to C.G.Smith & Co. Ltd. [137] The investments had been diversified to the satisfaction of the actuaries; with £14 176 invested in mortgage debentures, £5 552 in Union loan certificates and £3 955 in Government and Municipal Stocks. [138] The fund now had 39 members and was regarded as being in a strong financial position. [139] The fund continued to grow in strength and by 1940 had a nett value of £52 109. [140]

The C.G.smith Pension Fund was important for two reasons. First, it showed that C.G.Smith kept up with business trends in Britain and realized the importance of retaining staff on a long term basis. Secondly, the fund was atypical in South Africa during the inter-war years, as most firms preferred provident or superannuation funds.

Conclusion

C.G.Smith & Co. Ltd. became a very successful enterprise between 1910 and 1939. The core of the business was selling sugar on a commission basis. The major part of the profits in the inter-war period also accrued from this commodity wholesaling, a market which few others identified or exploited as well as C.G.Smith & Co. Ltd. It was a business in which personal contacts were so important and could make the difference between success and failure. Smith's dominance of the distribution of sugar can be ascribed to his contacts with the major south coast sugar interests, namely those of the Reynolds, the Crookes and Pearces. The increase in production meant there was a need for increasing quantities of working capital. This need was met by the overdraft facilities granted by the Standard Bank.

The need for government support came in the 1930s, and protection for the sugar industry rose from 3s.6d. per 100 lb. in 1910 to 16s.1d. per 100 lb. in 1932, an increase of 359 per cent in 22 years. [141] Dealing in a primary commodity was a high risk business until the government stepped in to manage the market in 1936. This effectively meant that the Union was a captive market for the local industry and that the Company was able to engage profitably in sugar wholesaling. Without Government assistance and protection for the industry, this would have

been much more difficult, though no doubt Smiths wholesaling talents would have been applied to imported sugar.

C.G.Smith remained at the helm throughout the period and this meant that the management of the business was not separated from the ownership. Smith in this respect was similar to American retail tycoons who also did not separate ownership from control. [142] The responsibility for strategy and policy implementation were confused and not clearly demarcated. [143] Short-term gains were often preferred to long-term growth and stability to the detriment of the firm. Staff loyalty was ensured by the pension scheme and stock options. These innovations placed the firm at the forefront of change in the South African business community.

Notes

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3. *Ibid.*, 17/7/1909-30/8/1909, p.31.
4. *Ibid.*, p.9.
5. BRA, C.G.Smith & Co. Ltd., Minute Book, 26/10/1910, p.1.
6. *Ibid.*, 30/4/1917, p.16; Osborn, *op.cit.*, p.131.
7. *Ibid.*
8. *Ibid.*
9. *Ibid.*, 12/3/1918, pp.4-5.
10. *Ibid.*, 30/4/1917, p.16.
11. *Ibid.*, p.17.
12. *Ibid.*, 23/8/1921, p.92.
13. *Ibid.*, 23/8/1918, p.11.
14. *Ibid.*, 8/12/1919, p.25.
15. *Ibid.*
16. *Ibid.*, 19/10/1917, p.4.
17. *Ibid.*, 8/12/1919, p.24.
18. *Ibid.*, p.27.
19. *Ibid.*
20. *Ibid.*, 27/1/1920, pp.37-39.
21. *Ibid.*, 29/5/1920, p.44.
22. *Ibid.*, 22/12/1920, p.49.
23. *Ibid.*, 8/12/1919, p.21.
24. *Ibid.*, 19/1/1921, p.54; 23/5/1921, pp.84-86.
25. *Ibid.*, 22/12/1920, p.24.
26. *Ibid.*
27. *Ibid.*
28. *Ibid.*, 18/1/1923, p.138.
29 SBA, General Managers Office, Letters to London, Vol.72, 6/6/1924, p.616.
30. BRA, C.G.Smith & Co. Ltd., Minute Book, 18/1/1923, pp.145-146.
31. *Ibid.*, 8/2/1923, pp.152-153.
32. *Ibid.*, 23/5/1923, p.226.
33. *Ibid.*, 23/10/1918, p.13; 8/12/1919, p.22; 23/12/1920, p.54; 19/10/1921, p.119; SBA, General Managers Office, Letters to London, Vol.73, 6/6/1924, p.616.
34. BRA, C.G.Smith & Co. Ltd., Minute Book, 24/7/1924, pp.239-241.

35. *Ibid.*
36. *Ibid.*, 23/3/1934, pp.220-221.
37. *Ibid.*, 10/1/1924, p.294.
38. *Ibid.*, p.295.
39. *Ibid.*, see 25/9/1924.
40. *Ibid.*
41. *Ibid.*, p.28.
42. *Ibid.*, p.29.
43. *Ibid.*, 18/12/1925, pp.50-52.
44. *Ibid.*
45. *Ibid.*, 28/9/1929, pp.319-320.
46. *Ibid.*, 30/9/1926, p.142.
47. *Ibid.*, 29/9/1932, p.163.
48. *Ibid.*, 10/2/1933, pp.169-170.
49. *Ibid.*, pp.177-178.
50. *Ibid.*, 6/6/1935, pp.291-292; 11/6/1937, p.1.
51. *Ibid.*, 17/6/1937, p.77.
52. *Ibid.*, 23/6/1939, p.92.
53. *Ibid.*, 16/6/1924, p.17; 16/10/1925, p.109; 30/9/1926, p.154; 17/9/1931, p.84; 15/9/1932, p.134; 10/2/1933, p.185; 14/6/1934, p.254; 6/6/1935, p.296; 27/5/1936, p.354; 17/6/1937, p.33; 24/6/1938, p.57; 2/6/1939, p.75; 21/6/1940, p.102; SBA, General Managers Office, Letters to London, Vol.83, 18/11/1927, pp.766-767; Vol.85, 28/8/1928, p.817; Vol.89, 25/10/1929, p.176; Vol.91, 7/11/1930, Schedule 9.
54. *Ibid.*, Vol.85, 28/8/1928, p.816.
55. *Ibid.*, Vol.78, 3/2/1926, p.437.
56. *Ibid.*, Vol.98, 23/12/1932, p.789.
57. *Ibid.*, Vol.78, 3/2/1926, p.439; Vol.85, 28/8/1928, p.814; Vol.89, 25/10/1929, pp.175-176; Vol.93, 26/6/1931, p.361; Vol.98, 23/12/1932, p.789; Inspection Report, Durban Branch, 4/11/1922-10/1/1923, p.24; 14/12/1923-10/4/1924, p.24; 3/5/1925-31/6/1925, pp.15-16.
58. BRA, C.G.Smith & Co. Ltd., Minute Book, 19/10/1917, p.4; 6/6/1935, p.279.
59. Osborn, *op.cit.*, p.48.
60. SBA, General Managers Office, Letters to London, Vol.79, 2/7/1926, p.603.
61. BRA, Imperial Buildings Ltd, Minute Book, 11/11/1925, p.20.
62. BRA, C.G.Smith & Co. Ltd., Minute Book, 6/6/1935, p.280.
63. *Ibid.*, p.279.
64. *Ibid.*, p.280.
65. *Ibid.*, 16/6/1938, p.40.
66. Osborn, *op.cit.*, pp.45-46.
67. *Ibid.*
68. BRA, C.G.Smith & Co. Ltd., Minute Book, 21/6/1940, p.98.
69. *Ibid.*, 2/6/1939, pp.79-80.
70. *Ibid.*, 21/6/1940, p.98.
71. *Ibid.*, 22/8/1925, p.225.
72. SBA, Inspection Report, Durban Branch, 31/3/1929-30/5/1929, p.12.
73. BRA, C.G.Smith & Co. Ltd., Minute Book, 22/8/1923, p.254.
Ibid., 16/7/1924, p.21.
Osborn, *op.cit.*, p.47.
76. BRA, C.G.Smith & Co. Ltd., Minute Book, 30/9/1926, p.149.
77. *Ibid.*, 22/8/1923, p.254.
78. *Ibid.*
79. *Ibid.*, 10/7/1924, p.3.
80. *Ibid.*, p.4.
81. *Ibid.*, 16/6/1925, p.197.
82. *Ibid.*, 16/10/1925, p.108.
83. *Ibid.*, 22/7/1927, p.199; 23/5/1928, p.244.
84. *Ibid.*, 17/1/1929, p.281; 9/8/1929, p.292.
85. SBA, Inspection Report, Durban Branch, 31/3/1929-30/5/1929, p.12.
86. BRA, C.G.Smith & Co. Ltd., Minute Book, 6/9/1928, p.257.
87. *Ibid.*, 17/1/1929, p.282.

88. *Ibid.*, 6/2/1930, p.330.
89. *Ibid.*, 24/9/1936, p.329.
90. *Ibid.*, 26/4/1923, p.203; 25/9/1924, p.30.
91. *Ibid.*
92. *Ibid.*, 26/4/1923, p.202. Reynolds inquired about holding.
93. *Ibid.*, 30/10/1923, p.274.
94. *Ibid.*, 16/7/1924, p.22.
95. *Ibid.*, 25/9/1924, pp.30-31.
96. *Ibid.*, 19/5/1925, p.65.
97. *Ibid.*
98. *Ibid.*, 28/7/1925, p.69.
99. Osborn, *op.cit.*, p.47.
100. *Ibid.*
101. *Ibid.*
102. BRA, C.G.Smith & Co. Ltd., Minute Book, 6/6/1935, p.296.
103. Osborn, *op.cit.*, p.48.
104. BRA, C.G.Smith & Co. Ltd., Minute Book, 27/5/1936, p.314.
105. *Ibid.*
106. *Ibid.*
107. Hannah, L, *Inventing Retirement: The Development of Occupational Pensions in Britain*, London, 1986, pp.5,10.
108. *Ibid.*, pp.22-25.
109. *Ibid.*, pp.26-27.
110. *Ibid.*, p.37.
111. *Ibid.*, p.38.
112. Correspondence with H.Mitchley, J.A.Carson & Partners, 22/1/1988.
113. *Ibid.*
114. *Ibid.*
115. *Ibid.*
116. *Ibid.*
117. *Ibid.*
118. *Ibid.*
119. BRA, C.G.Smith & Co. Ltd., Minute Book, 11/9/1918, p.16.
120. *Ibid.*, 22/8/1923, p.253.
121. CPA, Report on Valuation of C.G.Smith Pension Fund at 31/12/1938, pp.1-2.
122. BRA, C.G.Smith & Co. Ltd., Minute Book, 22/3/1923, pp.253-254.
123. *Ibid.*, 1/9/1920, p.230.
124. *Ibid.*, p.229.
125. CPA, Report on Valuation of C.G.Smith & Co. Ltd. Pension Fund as at 31/12/1933, p.1.
126. *Ibid.*, pp.2-3.
127. *Ibid.*, pp.4-5.
128. *Ibid.*
129. *Ibid.*, p.14.
130. BRA, C.G.Smith & Co. Ltd. Pension Fund, Minute Book, 27/1/1933, p.34.
131. *Ibid.*, p.36.
132. *Ibid.*, p.37.
133. BRA, C.G.Smith & Co. Ltd., Minute Book, 29/6/1936, pp.50-51.
134. *Ibid.*
135. *Ibid.*
136. CPA, Report on Valuation of C.G.Smith Pension Fund at 31/12/1938.
137. *Ibid.*, p.3.
138. *Ibid.*, p.4.
139. *Ibid.*, pp.2,15.
140. BRA, C.G.Smith & Co. Ltd. Pension Fund, Minute Book, 19/2/1941, p.96.
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CHAPTER 5

The Umzimkulu Sugar Company *Limited*

Introduction

C.G.Smith's and later C.G.Smith & Co. Ltd's, involvement in Umzimkulu extended over a period of 36 years between 1904 and 1940. This is a study in mismanagement over a long period - mismanagement at the production level and at the board level. The dominant personality of C.G.Smith coupled with his determination to make the company work *led to the eventual profitability of the firm.* The ability to depend upon C.G.Smith & Co. Ltd. allowed the firm to survive and eventually prosper, something that without recall to the latter's financial resources would have been impossible.

Sugar-cane had been grown commercially on the northern bank of the Umzimkulu river from 1868 by Archibald Sinclair. [1] In 1898 the Umzimkulu Sugar Company Limited was established under the chairmanship of J.C.Maydon to produce both sugar and tea. [2] The Company established its mill, the most southerly sugar-cane mill in the world, *on the southern bank of the Umzimkulu river some 5 km* from Port Shepstone and 125 km from Durban. [3] However most of the sugar-cane was grown on the northern bank, necessitating the transporting of the cane across the river to the mill a factor which was to cause considerable problems in later years. The Company did not prosper and was reorganised and registered as the *Umzimkulu Estates Limited in 1904. [4]*

The Early Years: 1904-1919

Umzimkulu Estates Limited was founded in March 1904 with a share capital of £27 500 subsequently increased to £32 000 and a debenture issue of £50 000. [5] The Company's major shareholders were J.C.Maydon with 11 769 shares; J.W.Leuchars, with 5 714 shares; F.Reynolds with 3 200 shares and C.G.Smith, with 3 500 shares. [6] C.G.Smith was already involved in the distribution of sugar and presumably bought into the business in order to have a foothold in the production side of the industry. The estate was backward and the large capital base provide by the reorganisation of the business in 1904 allowed the company to engage in extensive replanting and modernization. [7] In 1906 there were 2 504 acres under cane of which 2 171 acres had been planted since 1904. [8] The Directors decided to erect a suspension bridge across the Umzimkulu river in order to alleviate the cane transport problems and this was completed by May 1907. [9]

TABLE 5.1
Umzimkulu's Turnover, Profit and Return on Share Capital, 1905-1908 [12]

Financial Year End	*Share Capital* (£)	*Debentures* (£)	*Turnover* (£)	*Profit* (£)	*Return on Share Capital*
31/05/1905	27 500	50 000	13 333	-8 899	-0,32
31/05/1906	32 000	50 000	15 291	-17 382	-0,54
31/05/1907	32 000	50 000	18 938	-19 613	-0,61
31/05/1908	32 000	50 000	27 767	-17 899	-0,56

Note: The financial year for 1905 was for 14 months and therefore cannot be directly compared with other years, as it does not reflect 12 month's trading.

The Company continued its programme of upgrading and the area under cane was increased to 2 880 acres in 1908. The improvements to the estate were reflected in the increasing amounts of sugar produced; production rose from 691 tons in 1904/05 to 788 tons in 1905/06, 1 400 tons in 1906/07 and reached 1 958 tons in 1907/08. [10] The poor return and intensive nature of tea cultivation led the company to abandon tea in 1908 and to concentrate solely upon sugar. [11] The improvements had required the expenditure of large amounts of money

and this was reflected in the poor financial position of the company, which recorded losses in the first three years amounting to £19 613. The breakeven point was reached in 1908 when a profit of £1 314 was recorded but this had to be used to offset the large deficits of previous years.

The records for the period 1909 to 1914 are not available and it is therefore impossible to assess the company's performance during those years [15]. However it appears that the company remained in a precarious position, as the Standard Bank Inspection Report of 1912 states:

> ... the estate is burdened with a heavy debt, the greater part of which is overdue, and a large proportion of assets in growing canes, with a consequent unsatisfactory working position. [16]

By 1913 the acreage under cane had increased to 1 417 hectares but poor management and an inefficient water supply system continued to hamper the efficient operation of the Board of directors. The new manager, Mr. Ingram, reduced the breakeven point of 3 000 tons of sugar per crop and by the end of his first year of management. The estate [was] on a special report of 27 tons [per hectare] ... but [it] was managed ...

> ... at the end the output was 40 per hectare. 1 000 tons of sugar. If [he] had only produced 700 tons [he] would make a handsome profit. [16]

The lack of efficient management which plagued the farm was shown in the 1916-17 season when 1 000 tons of sugar was obtained from 800 acres of cane [17]. This was highlighted by L.G. Smith who in August 1917 stated:

> *This year they were suffering from the lingering effects of bad management to the extent of deterioration of crops.* [18]

The second problem was the result of the extremely low level of the Umzimkulu river in the 1916/17 season which meant that the water was full of impurities that clogged the tubes and piping of the boilers in the mill. [19] This led to a debate from January 1917 amongst the Board over the removal of the factory to a site on the Umtentweni river. [20] The proposal would give them the added advantage of direct access to the railway line and would enable the Company to obtain extra cane from planters along the line. [21] The debate continues into April with *C.G.Smith pressuring the directors* to relocate the mill. According to the minutes:

> *C.G.Smith stated that he had not much of a holding in the Company but he would increase his holding if there was a proper scheme for the raising of capital and removal of the mill.* [22]

However, the proposal floundered because of the problems, *given the record of the concern*, associated with the raising of *the necessary capital*, of approximately £20 000 to £25 000. [23] *Furthermore, it* was felt that the Board had overreacted and that in the 20 years of operation on the Umzimkulu site there had been relatively little expenditure as a result of burnt out boilers from impurities in the water. [24]

These problems and their inability to resolve them led the Board to decide unanimously to offer the Company to Reynolds Brothers Limited in July 1917 [25], *with Reynolds Brothers taking* over the Estate and mill as a going concern, *paying for the shares* at par and paying off the debentures. [26] *However the negotiations* broke down in October 1917 because Reynolds *Brothers* felt that the price was too high for the firm to be a viable business proposition. [27] The non-profitability of the concern, together with the associated problems of low sugar production, bad management and the water supply, led to the eventual disposal of the business. In April 1919 the Umzimkulu Estates Limited was put up for auction and purchased by

Reynolds Brothers Limited for £111 600. [28] C.G.Smith & Co. Ltd. then purchased the company from Reynolds Brothers on the 30 June at cost price. [29] There is no mention of an auction in the board minutes of 19 April 1919. It is simply stated that Reynolds Brothers as holders of 31 691 shares, the remaining 309 shares being part of a deceased estate, had decided to voluntarily wind up the company. [30] The acquisition of the firm by Reynolds Brothers in 1919 appears to be a contradiction of their 1917 decision, particularly as they paid an additional £29 000 for the firm. However, F.Reynolds was a board member of C.G.Smith & Co. Ltd, and a personal friend of C.G.Smith. The sale of the company to C.G.Smith & Co.Ltd. within months of the purchase indicates that the transaction was entered into on behalf of C.G.Smith, in order to out manoeuvre Maydon and the other board members.

TABLE 5.2
Umzimkulu's Turnover, Profit and Return on Share Capital, 1914-1919 [31]

Financial Year End	*Share Capital* (£)	*Debentures* (£)	*Turnover* (£)	*Profit* (£)	*Return on Share Capital*
31/03/1914	32 000	40 000	-	-3 870	-0,12
31/03/1915	32 000	40 000	25 099	-7 532	-0,24
31/03/1916	32 000	40 000	46 707	3 927	0,12
31/03/1917	32 000	40 000	44 403	21	0,00
31/03/1918	32 000	40 000	39 037	-3 866	-0,12
31/03/1919	32 000	40 000	71 224	-2 868	-0,09

The financial position of the company between 1914 and 1919 remained precarious. In 1915 the low turnover led to a loss of £3 662 which, combined with the previous years loss of £3 870, left the company with a debit balance of £7 532. In the 1915/16 season there was a marked increase in turnover and the company recorded a profit of £11 459, allowing the accumulated losses to be written off, and leaving a net profit of £3 927. The reduction in profits in 1917 was a result of water problems. In the following year turnover dropped as a result of the poor condition of the cane and increased maintenance costs amounting to £5 744 that resulted in a loss of £3 866. In 1919 the maintenance costs of £11 716 led to losses despite the highest turnover in its history.

The Lean Years: 1920-1939

The acquisition of Umzimkulu Estates by C.G.Smith & Co. Ltd. was not endorsed by all the directors. Frank Reynolds, in particular, felt that it was a burden and should be sold. The minutes state:

> *Sir Frank Reynolds was of the opinion that, as a going concern, Umzimkulu is not going to be a success, and the best course would be to realize the assets.* [32]

In an attempt to forestall Reynolds' prediction and to place the firm in a profitable position, the freehold land amounting to 3 393 acres was sold to soldiers who returned from World War One. [33] The reduction of expenses incurred, would enable the company to concentrate its resources upon the leasehold land and the mill. This rationalization increased confidence and C.G.Smith said at the Board meeting of 27 January 1920:

> *Prospects next year with control exercised by S.F.Crookes, were distinctly bright.* [34]

However the problems of processing sufficient cane to reach breakeven point continued to plague the firm. C.G.Smith then indicated that the firm was going to sell Umzimkulu Estates and in an apparent contradiction of his previous statements said:

> *He would propose at the next meeting to get rid of the factory either to the planters or to anybody who will deal with it and finish with it as far as C.G.Smith are concerned. They had never any intention of holding it.* [35]

C.G.Smith's whimsical way of buying and selling suggests that he was a difficult colleague and that his business methods were debatable - and not very efficient.

On the 31 March 1921 the Umzimkulu Estates, comprising the leasehold land and the mill, was sold for the sum of £50 000. [36] A new company was formed called The Umzimkulu Sugar Company Limited, with a capital of £40 000 and a debenture issue of £20 000. [37] C.G.Smith & Co. Ltd. received 35 000 shares and the entire debenture issue in view of the purchase price, the remaining 5 000 shares being subscribed for by the planters at Umzimkulu. [38] The 35 000 shares were then sold to *C.G.Smith (in his private capacity), F.Brunskill and N.McKenzie for £30 000, divided* equally amongst them. [39] The involvement of *C.G.Smith* & Co. Ltd. remained considerable however, as in addition to the debentures, the firm was owed £35 000 by the returned soldiers who had purchased the freehold land. [40] Clearly, C.G.Smith had a inherent faith in the estate with which he had been associated since 1904, a belief his fellow directors did not share. He therefore continued his association with Umzimkulu in his private capacity.

The formation of the new company *under private management* did not revive the firms fortunes *and it remained in* a difficult financial position. The Standard Bank Inspection Report of 1923 noted that:

> *It would appear that the Bank has provided most, if not all, of the actual cash required for the Company's operations. I think the Company is leaning too heavily on the Bank for assistance.* [41]

In 1924, *C.G.Smith* was *himself* also of the opinion that Umzimkulu had not performed up to *expectations.* [42] Smith wanted Reynolds Brothers to acquire the firm and a committee was appointed to investigate the possibility, but nothing came of the proposal. [43] In July 1924, the majority of the shares held by the planters reverted to C.G.Smith & Co. Ltd. as a result of the planters inability to pay for them. [44] H.Brunskill, one of the founders, was also forced

through financial difficulties to return his shares. [45] This highlighted the failure of the ex-soldier settlement scheme with which both C.G.Smith & Co. Ltd. and The Umzimkulu Sugar Company Ltd. had assisted to the best of their ability. [46] By 1925 the planters' debts to C.G.Smith & Co. Ltd. exceeded £40 000 [47], and eventually grew to approximately £59 000 in 1926. [48] The marginality of the estate meant that it had to be well managed but the planters were unable to produce good quality cane and this weakened the firm's position. According to the Bank Inspection Report:

> *The company has had an unsuccessful career and their future prospects do not appear to be very promising as their property, which situated near Port Shepstone, is rather too far south to grow sugar with success, especially at moderate or low prices.* [49]

The Board realized that for the *Company to be profitable*, the freehold land would have to be *re-acquired from the planters.* [50] The cane would otherwise remain sub-standard and this in *turn would continue to reduce* the profitability of the milling operations. [51] In order to *finance the* acquisition of the freehold land, the share capital of the firm was increased to £55 000 in the course of 1927. The major shareholders were C.G.Smith & Co. Ltd. with 30 966 shares; C.G.Smith with 12 367 shares and N.McKenzie, with the remaining 11 667 shares. [52] In 1928, C.G.Smith transferred his personal shares to C.G.Smith & Co. Ltd. which increased the latter's holding to 43 333 shares or 79 per cent of the total issue. [53] The firm was however still short of money and the capital was expanded to £80 000, C.G.Smith & Co. Ltd. holding 76 000 shares and N.McKenzie, 4 000 shares. [54] McKenzie's holding was acquired by C.G.Smith & Co. Ltd. in the early 1930s, resulting in Umzimkulu becoming a wholly owned subsidiary. [55]

The problems of sustaining the flow of cane to the mill persisted as the *suspension bridge* could only carry between 400 and 500 tons of cane per *day.* [56] *This meant that* the

profitability of the concern was severely limited, as it had been throughout the firms history, by the siting of the mill on the south bank of the Umzimkulu river. This was exacerbated in 1931 when the bridge was destroyed by floods and a temporary causeway had to be used until 1933 when reconstruction was completed. [57]

The Company's position improved in the 1932/33 season as a result of increased cane yields on the estate which allowed the mill to produce more sugar. [58] This it appears was the result of the company purchasing the land formerly held by the ex-soldiers. The return to profitability led C.G.Smith to say in 1933 that:

> *He also wished to pay tribute to the management, under the control of Mr Cheadle, for the good results achieved.* [59]

However the prosperity did not continue and in 1936 there were again complaints about the mismanagement of the estate. C.G.Smith stated:

> *Our experience at Umzimkulu has made it the Cinderella of all the factories. There is not another estate in Natal that has been so badly and wilfully mismanaged.* [60]

The problem could not simply be ascribed to the management at Umzimkulu the board was equally responsible for the state of the company. Cane had been planted on inferior land which had become exhausted and fertilizer had not been used on the fields until 1934. [61] The Board had never supervised or checked on operations and as a result there was 831 acres of cane in the 3rd and 4th ratoon. [62] This incompetence was perhaps the result of knowing that if the firm was in a fix, they would be bailed out by *C.G.Smith & Co. Ltd. C.G.Smith* summarized the position well when he said:

All along we have been 'giving it another chance'. It is all a mistake. There should be no such thing as 4th ratoons at Umzimkulu. I do not care if you say it gives you 20 tons per acre one year, there should be nothing done after the 3rd ratoon but ploughing out and replanting. We have come there that is 15 years old. What a confession to have to make if we had to sell the place! [63]

The failure to pursue a programme of replanting meant that the average return for the 1936/37 season was only 12 tons of cane per acre, compared to the industry average of 21,2 tons of cane per acre in 1936. [64] The local management of Umzimkulu responded to the criticism concerning the low returns and standard of management by arguing that it was the result of locusts and the severe drought experienced. [65] Furthermore, Mr Cheadle pointed out that when he took control in 1924 the yield per acre was 10,7 tons and this had been increased to 20 tons per acre in 1934. [66] Clearly, there is some merit in this argument but the fact that the estate had cane which was 15 years old, indicates that Cheadle had been negligent.

The return per acre was also hindered by the large amount of Uba still in production which provided a lower yield than the new varieties. In the 1936/37 and 1937/38 seasons, the Company replanted a total of 1 346 acres with the Co.281 and Co.290 cane varieties [67], whilst overall between 1936 and 1938 a total of 2 500 acres was replanted. [68] This programme of renewal insured the continued viability of the firm but, raised the problem of the crop valuation which stood at £49 000 in 1936, a gross over valuation. [69] Therefore the replanting was undertaken without being capitalized in the crop account and in 1939 was estimated at £49 154 for 5 600 acres. The unsuitable land was taken out of production. [70]

The production of sugar at Umzimkulu increased by 346,2 per cent between 1922 and 1940, from 2 908 tons to 10 068 tons. However the increase in production was below average, as

within the industry as a whole, production rose by 401,6 per cent. [71] The productivity of the estate was therefore markedly lower than the industry average, as a result of its mismanagement. After the revelations of 1936, the firm's operations improved continuously and this was reflected in the improved production figures which impacted positively upon profits.

TABLE 5.3
Umzimkulu Sugar Production, 1922-1940 [72]
(Year ended 31 March)

Year (tons)	Sugar	% increase (tons)	Year	Sugar	% increase
1922	2 908	-	1932	5 163	-4,2
1923	2 599	-10,6	1933	7 023	36,0
1924	3 563	37,1	1934	6 261	-10,9
1925	2 843	-20,1	1935	4 873	-22,2
1926	3 820	34,4	1936	5 780	18,6
1927	3 994	4,6	1937	6 027	4,3
1928	4 027	0,8	1938	8 273	37,3
1929	3 923	-2,6	1939	8 632	4,3
1930	4 465	13,8	1940	10 068	16,6
1931	5 388	20,7			

The Umzimkulu Sugar Co. Ltd. recorded continual losses between 1922 and 1934, as a result of mismanagement and the poor siting of the mill. The firm's position appeared to be worse than it actually was because of the accumulated losses, which meant that profits made in the period were utilized to reduce the accumulated deficit. This is illustrated by the position in 1933 when the company produced a record of 7 023 tons of sugar, the profit of which was used to reduce the accumulated loss from £21 935 to £9 379. The position improved from 1936 with the extensive replanting programme and this made a major contribution to the large profits recorded from 1938. The recovery was aided by the concession obtained in 1936, in terms of which, the concern could sell 4 000 tons of sugar in the local market without any export obligations. [73]

TABLE 5.4
Umzimkulu's Turnover, Profit & Return on Capital, 1922-1940 [74]

Year	*Share Capital* (£)	*Turnover* (£)	*Profit* (£)	*Accumulated Profit* (£)	*Return on Share Capital*
1922	40 000	61 032	-13 548	-13 548	-0,34
1923	40 000	48 984	-10 049	-23 598	-0,25
1924	40 000	8 584	7 387	-16 211	0,18
1925	40 000	54 717	-7 252	-23 463	-0,18
1926	40 000	66 411	-3 087	-26 551	-0,08
1927	40 000	68 907	3 782	-22 769	0,09
1928	55 000	79 118	5 664	-17 104	0,10
1929	80 000	76 889	10 551	-6 552	0,13
1930	80 000	77 935	-7 149	-13 702	-0,09
1931	80 000	76 270	-3 159	-16 858	-0,04
1932	80 000	63 486	-5 076	-21 935	-0,06
1933	80 000	81 778	12 556	-9 379	0,16
1934	80 000	76 880	7 138	-2 240	0,09
1935	80 000	63 004	2 911	206	0,04
1936	80 000	63 829	-1 416	-152	-0,02
1937	80 000	75 991	-60	259	0,00
1938	87 129	98 126	16 478	13 438	0,19
1939	87 500	104 577	25 488	14 656	0,29
1940	87 500	116 245	28 128	28 128	0,32

Note: Figures are for financial year ended 31 March.

Conclusion

Umzimkulu was for most of its history a 'Cinderella' Company, although it did become a profitable concern in the late 1930s. The tenacity of C.G.Smith is shown by his refusal to abandon Umzimkulu in spite of adversity. He was instrumental in ensuring that C.G.Smith & Co. Ltd. retained Umzimkulu once they had acquired the entire share capital in the early 1930s, perhaps to the detriment of C.G.Smith & Co. Ltd. Lord Leverhulme also purchased concerns which did not always help Lever Brothers; for example, Mac Fisheries to help unemployed fishermen. [75]

The crucial factor with regard to the company's difficulties was the *mismanagement of the* firm as a result of the neglect of both the *local management and the Board*. Cheadle *at the*

production level failed to undertake systematic replanting of the cane. The Board was excessive in its delegation of authority. This highlights C.G.Smith's preparedness to delegate authority together with his inability to supervise those in control and this nearly led to the firms bankruptcy.

Umzimkulu's survival can be ascribed to its association with C.G.Smith & Co. Ltd. which allowed it access to financial resources that it would otherwise not have obtained. It was permitted through this linkage to recover from mistakes that, without such recourse, would have led to its closure.

Notes

1. *SASIA*, 1925, p.96c.
2. *Ibid.*; *SASYB&GD*, 1930, No.1, p.27.
3. Osborn, R. F, *Valiant Harvest: The Founding of The South African Sugar Industry, 1848-1926*, Durban, 1964, p.326; *Smithlink*, Volume 1, No.4, 1977, pp.9,18.
4. *Ibid.*
5. *CGSS4*, Umzimkulu Estates, Financial Report & Statement, 31/05/1905, 31/05/1906.
6. *Ibid.*
7. *Ibid.*
8. *Ibid.*
9. *Ibid.* 31/05/1907; Smithlink, *op.cit.* At the time of erection it was *the largest single-span* bridge in Africa.
10. *Ibid.*, 31/05/1908.
11. *Ibid.*; SBA, Inspection Report, Durban Branch, 17/07/1909-30/08/1909, p.35.
12. *Ibid.*, 1905-1908.
13. Interview Alan Herbert, Archivist, C.G.Smith Sugar Limited, Durban. 1987.
14. SBA, Inspection Report, Durban Branch, 8/07/1912-9/08/1912, p.12.
15. BRA, Umzimkulu Estates, Minute Book, 27/07/1916, p.25 - attached report.
16. *Ibid.*, p.3.
17. *Ibid.*, 19/07/1917, p.88.
18. *Ibid.*, 8/08/1917, p.97.
19. *Ibid.*
20. *Ibid.*, 17/01/1917, pp.53-54.
21. *Ibid.*
22. *Ibid.*, 28/04/1917, p.76.
23. *Ibid.*, 28/06/1917, p.81.
24. *Ibid.*, p.82.
25. *Ibid.*, 19/06/1917, p.92.
26. *Ibid.*
27. *Ibid.*, 18/10/1917, p.110.
28. Osborn, *op.cit.*, 1964a, p.40.

29. *Ibid.*
30. BRA, *op.cit.*, 19/04/1919, p.129.
31. CGSSA, Umzimkulu Estates, Financial Report & Statement, 31/03/1915, 31/03/1918, 31/03/1919; BRA, *op.cit.*, 31/03/1916, 31/03/1917.
32. BRA, C.G.Smith & Co. Ltd., Minute Book, 8/12/1919, p.21.
33. SBA, Inspection Report, Durban Branch, 4/11/1922-10/01/1923, p.25; BRA, C.G.Smith & Co. Ltd., Minute Book, 20/09/1927, p.201; *SASA*, 1925, p.96d.
34. BRA, *op.cit.*, 27/01/1920, p.42.
35. *Ibid.*, 22/12/1920, p.61.
36. *Ibid.*, 19/01/1921, p.64.
37. *Ibid.*, 29/05/1921, pp.84-86.
38. *Ibid.*
39. *Ibid.*
40. *Ibid.*, p.87.
41. SBA, *op.cit.*
42. BRA, C.G.Smith & Co. Ltd., Minute Book, 19/01/1924, p.297.
43. *Ibid.*, p.298.
44. *Ibid.*, 10/07/1924, p.14.
45. *Ibid.*
46. *Ibid.*, pp.22-3.
47. *Ibid.*, 16/01/1925, p.48.
48. *Ibid.*, 30/09/1926, p.150.
49. SBA, Inspection Report, Durban Branch, 31/05/1925-21/06/1925, p.16.
50. BRA, *op.cit.*, 25/01/1927, p.169; 11/08/1927, p.182.
51. *Ibid.*
52. *Ibid.*, 23/09/1927, p.201; SLA, General Managers Office, Letters to London, Volume 85, 28/08/1928, p.439.
53. *Ibid.*, 6/09/1928, p.258.
54. *Ibid.*, 23/08/1929, p.308.
55. CGSSA, Umzimkulu Sugar Co. Ltd. Minute Book, 31/05/1934, p.52.
56. BRA, *op.cit.*, 6/09/1928, p.258.
57. *SASYB&CD*, 1933, No.4, p.236.
58. CGSSA, *op.cit.*, 1/06/1933, p.30.
59. *Ibid.*, p.32.
60. *Ibid.*, 10/04/1936, p.98.
61. *Ibid.*, 26/04/1936, p.3; 18/01/1937, p.1.
62. *Ibid.*, 10/06/1937, p.104.
63. *Ibid.*, 26/04/1936, p.3.
64. *Ibid.*, 15/01/1937, p.1; See Table 3.5.
65. *Ibid.*
66. *Ibid.*
67. *Ibid.*, 18/01/1937, p.1.
68. *Ibid.*, 23/06/1937, p.172.
69. *Ibid.*, 26/04/1936, p.1.
70. *Ibid.*, 18/05/1937, p.152.
71. See Table 3.7.
72. *Ibid.*, Financial Reports & Statements, 1922-1940.
73. *Ibid.*, 29/05/1936, pp.1-2,11.
74. *Ibid.*, Financial Reports & Statements, 1922-1940.
75. Wilson, W, *The History of Unilever*, Volume I, London, 1954, pp.261-262.

CHAPTER 6

The Gledhow-Chaka's Kraal Sugar Company Limited

Introduction

C.G.Smith and C.G.Smith & Co. Ltd. were involved in other unsuccessful [illegible] such as the Chaka's Kraal Sugar Co. Ltd., the Gledhow [illegible] Estates Ltd. and the New Lot Sugar Estates (Pty) Ltd. In 1934 these marginal businesses were merged to form the Gledhow-Chaka's Kraal Sugar Co. Ltd. which proved to be a very profitable venture.

Chaka's Kraal Sugar Company Limited: 1916-1934

The Chaka's Kraal Sugar Company Limited was formed in 1916, with a share capital of £15 000. [1] The major shareholders were W.L.Reynolds with 7 000 shares; C.G.Smith & Co. Ltd. with 4 800 shares; Reynolds Brothers Ltd. with 3 500 shares and Umzimkulu Estates Ltd. with 1 050 shares. [2] The company was formed to acquire the mill on the Oaklands Estate in Umhlali, owned by H.L.Reynolds. [3] Chaka's Kraal was purely a milling concern with no plantations of its own. [4]

In 1919 it was decided to move the mill further away from the Umhlali river and to increase the mill capacity from 1 500 tons to 5 000 tons of sugar per season. [5] This expansion was financed through the enlargement of the company's capital to £35 000; C.G.Smith & Co. Ltd. purchased 10 000 shares and H.L.Reynolds, the former owner, purchased 10 000 shares. [6] A debenture issue of £25 000 was also raised. [7]

However, *the firm was plagued by* a cane shortage which reduced its profitability. In the 1920/21 season the company made a loss of £15 907 because there were only 10 days of proper crushing throughout the season, as a result of the shortage of cane. [8] Furthermore, the relocation and expansion of the mill had been financed by a loan of £40 732 from C.G.Smith & Co. Ltd. [9] Chaka's Kraal was faced with a financial crisis and according to the minutes:

> *C.G. stated it seemed to him, from a proper business aspect the firm should be liquidated, but there was a chance of retrieving the position ...* [10]

C.G.Smith proposed to the Board that the shareholders should abandon their shares to C.G.Smith & Co. Ltd. [11] There was general opposition to this idea amongst the directors and a counter proposal was made that the shares should only be pledged. [12] This idea was however rejected by C.G.Smith. [13] The position of Chaka's Kraal was hopeless without the support of C.G.Smith & Co. Ltd. and the firm would have *been forced into liquidation;* Smith's would then have been *able to buy* ... In September 1921 all the shares of Chaka's *Kraal* were abandoned by the other shareholders to C.G.Smith & Co. Ltd. [14]

Smith's now the sole shareholders, embarked upon a bold reorganisational programme. First, Chaka's Kraal and Addison Brothers-Gledhow mill were in close proximity to each other, and were working part-time because of insufficient cane. The Chaka's Kraal mill was closed down and the cane redirected to the Gledhow factory. [15] The cane was delivered to *Chaka's Kraal* and then transported to Gledhow, *with the latter paying for the loading and railage costs.* [16] This agreement was *continued in the* 1921/22 and 1922/23 seasons. [17]

Secondly, the programme of tramline development initiated in 1920 to encourage farmers to plant sugar-cane and thereby solve the firms cane supply problems, was expanded. The

original idea had been to build a line of approximately 11 km. [18] In 1924 the tramline system consisted of a 8 km line along the Ilelo Valley and a 13 km line across the Umhlali river to the Compensation flats [19], at a estimated cost of £50 000. [20] This gave Chaka's Kraal access to 9 000 acres of cane land. [21] The planters paid between 2s.0d. and 2s.6d. per ton of cane, dependent upon the distance, for the use of the line. [22] The tramline system was however plagued by servitude problems which were only resolved in 1924 with the purchase of the Oaklands Estate, consisting of 939 acres of land with 740 acres under cane, for £27 000. [23] In 1928 there were 29 km of tramlines which eventually provided 12 000 acres of cane. [24]

Chaka's Kraal as a result of the factory expansion, tramline development and the purchase of the Oaklands Estate, was heavily indebted. This was compounded by the debenture issue of £25 000 which fell due in December 1925. [25] The Board decided to utilize this opportunity to consolidate the firms liabilities which in addition to the debentures, included an overdraft of £50 000 from the Standard Bank. [26] A new debenture issue of £75 000 was floated in order to unify the debts. [27] However this did not solve Chaka's Kraals financial problems and the Standard Bank report of 1926 stated:

> *The position of the Company, is however unsatisfactory, as on a fair valuation of assets the whole capital has been lost and there is a large deficiency.* [28]

The Company's financial position remained precarious in the late 1920s due to the low sugar price and bad management. This led the Board to endorse a proposal in 1927, to incorporate Chaka's Kraal into the Illovo Sugar Estates Limited. [29] However this merger was abandoned because it would have required the investment of large sums of money in Illovo. [30] Clearly the Board was attempting to recover its losses and certainly did not want to invest more money.

In 1930 Chaka's Kraal was placed in a crisis situation when the firm recorded a loss of £21 775. [31] This loss was ascribed by the Board to the local managements incompetence and led to the dismissal of the manager. [32] It appears that there was a shortage of competent personnel but the company never thought of undertaking training programmes. Similarly to Umzimkulu, bad management was the result of knowing that when the firm was in trouble they would be rescued by C.G.Smith & Co. Ltd. Furthermore, the firm also owed C.G.Smith & Co. Ltd. an amount of over £83 000. [33] These factors led to a debate amongst the Board members as to whether Chaka's Kraal needed to be restructured or liquidated, a problem which had also been encountered at Umzimkulu. The closure of the company would have meant a substantial financial loss to C.G.Smith & Co. Ltd. and would also have been a major psychological blow. C.G.Smith made his position clear when he said:

> *Whatever difference of opinion there maybe in connection with Chaka's Kraal, the fact remains that we have a factory there and C.G.Smith & Co. have advanced over £100 000 to build up that factory.* [34]

In 1930 the firm was reorganised with a share capital of £100 000. [35] The major shareholder was C.G.Smith & Co. Ltd. with 99 265 shares and the remaining 735 shares were issued to the Board members. [36] C.G.Smith & Co. Ltd. were owed £83 323 by the company and this was reduced to £40 035 through the cancellation of the interest payments. [37] The original share capital of £35 000 was also written off and this left a debit balance of £5 035 owing to Smith's. [38] The new share issue was then utilized to liquidate further liabilities amounting to £91 195 and provided Chaka's Kraal with £8 805 for working capital. [39] Chaka's Kraal had consumed £189 518 provided by C.G.Smith & Co. Ltd. This illustrates once again that C.G.Smith's business methods were debatable and seldom in the best interests of C.G.Smith & Co.Ltd.

Following the restructuring, the company recorded modest profits of £3 965 in 1932 and £5 194 in 1933. [40] However, Chaka's Kraal remained in a marginal position because of its reliance on planters for its cane and this dependence did not allow it to make substantial profits. Investment in the business had been undertaken on a large scale and had possibly led to it being overcapitalized. Chaka's Kraal survived because of C.G.Smith's tenacity and the access it enjoyed to the financial resources of C.G.Smith & Co. Ltd., perhaps to the detriment of the latter. In 1934 the firm was incorporated in the Gledhow-Chaka's Kraal Sugar Co. Ltd.

Gledhow Sugar Estates Limited: 1916-1934

In 1920 F.A.Idison sold the Addington Estate, comprising a mill and 12 000 acres of cane land to a private consortium for £200 000. [41] The Company changed the name to Addison Brothers Limited and issued share capital to the value of £61 000 [42], divided equally among the six shareholders, namely C.G.Smith, F.Reynolds, C.J.Crookes, S.F.Crookes, J.J.Crookes and W.Pearce. [43] The firm also issued debentures to the value of £100 000, allocated to Addison in part payment of the purchase price. [44]

The Company utilized 6 000 acres of the estate for its own planting operations [45], and the remaining 6 000 acres were leased out, under a settlement scheme for returned soldiers. [46] Non-economic factors led them to hire out the land when they were short of cane. This settlement scheme was probably undertaken at the request of C.G.Smith, who had initiated a similar scheme at Umzimkulu Estates Ltd. [47]

TABLE 6.1
Addison's Profit & Return on Share Capital, 1921-1923 [49]

Financial Year End	*Share Capital* (£)	*Debentures* (£)	*Profit* (£)	*Return Share Capital*
31/03/1921	61 000	100 000	-2 372	-0,04
31/03/1922	61 000	100 000	-62 109	-0,98
31/03/1923	61 000	100 000	-15 049	-0,25

Addison Brothers milling operations were hampered by a shortage of cane which was overcome to a degree by the cane obtained under agreement from Chaka's Kraal in the 1921/22 and 1922/23 seasons. [48] However, the Company was unsuccessful in its first three years of operation and accumulated a deficit of £77 158 which effectively meant that the capital was lost. If Addison Brothers had not been highly geared then it would not have made losses; it would have made small profits.

Addison Brothers was also badly managed, a problem which appears to have beset most firms with which C.G.Smith was associated. In 1924 the Company's position was further undermined by accusations from planters that they had been underpaid for cane delivered to the mill. The basis of these claims was that in 1921 the average tonnage per truck was 3 tons 128 lbs, in 1922 it decreased to 2 tons 1143 lbs and in 1923 was 2 tons 1101 lbs. [50] The difference between 1921 and 1922 was 1985 lbs, and between 1922 and 1923 it was 1027 lbs. [51] In February 1924 an employee of the firm pleaded guilty in the Magistrate's Court to faking the weights on the weigh-bridge and claimed it had been done on the instructions of the local manager. [52] The Directors conducted tests on the weigh-bridge in June and concluded that the average discrepancy was 300 lbs per truck. [53] It was decided to relieve the manager of his duties. [54] The matter was settled when the Board agreed to pay planters on the basis of 300 lbs per truck for the 1923/24 season only. [55]

According to the minutes the Directors decided in 1924 to restructure the company in order to reflect the full value of their investment. [56] However, it appears that the real reason for the reorganisation was to increase the working capital. The Gledhow Sugar Estates Limited was formed with a equity of £189 000 [57], and subsequently increased to £246 000. [58] The debenture issue of £100 000 was retained by the new company. [59] The shares were divided equally amongst the six members of the syndicate. The Crookes' acquired F.Reynolds holding upon his death in 1929 and W.Pearce sold his shares to them in 1933. [60] This meant that the

Crookes' controlled 205 000 shares and C.G.Smith, in his personal capacity, owned 41 000 shares in Gledhow. [61]

The production of sugar at Gledhow increased by 166,8 per cent between 1925 and 1934, from 7 292 tons to 19 459 tons. [62] This increase was limited to some extent by the continued cane shortage, but it was above the industry average of 142,5 per cent. [63] The increased production impacted positively upon profits between 1927 and 1933, although *they did fluctuate.* Gledhow's financial position appears to be better than it *actually* was *because the a* ..mulated deficit which was substantial, is not available. [64] *The amalgamation* offered the prospect of a clean slate and the *possibility of higher profits* which the Director's naturally accepted.

TABLE 6.2
Gledhow's Profit & Return on Share Capital, 1927-1933 [65]

Financial Year End	*Capital* (£)	*Debentures* (£)	*Profit* (£)	*Return Share Capital*
31/03/1927	246 000	100 000	35 047	0,14
31/03/1928	246 000	100 000	3 124	0,01
31/03/1929	246 000	100 000	43 062	0,18
31/03/1930	246 000	100 000	*	*
31/03/1931	246 000	100 000	19 058	0,08
31/03/1932	246 000	100 000	15 302	0,06
31/03/1933	246 000	100 000	19 529	0,08

Note: * denotes figure unavailable.

New La Mercy Estates (Pty) Limited: 1927-1934

In 1920 the La Mercy Sugar Estate was purchased by a syndicate for £300 000. [66] However the Company went into liquidation as a result of mismanagement and was auctioned in January 1927. [67] It was acquired for £80 000 by a consortium headed by C.G.Smith. [68] The Company was restructured with a capital of £25 000 and renamed the New La Mercy Estates (Pty) Limited. [69] The major shareholders were C.G.Smith with 9 200 shares; E.Erikson, a merchant, with 3 000 shares; A.W.Dickens, a director of Smith's, with 3 000 shares and

C.G.Smith & Co. *Ltd. with 2 600 shares.* [70] In the first two years of operation the Company *made modest profits* amounting to £1 931 in 1928 and £2 043 in 1929. [71]

The Board consisting of C.G.Smith, E.Eriksen and A.W.Dickens however realised that the milling operations were too small to be profitable. [72] Therefore, when they were approached by the Tongaat Sugar Company Ltd. in May 1931, they agreed to sell the *mill and* freehold land amounting to 1 700 acres for £72 500. [73] *The firm became exclusively a* planting concern, with three farms, *namely Hillbrow*, Hillendale and Eliphinstowe; and the cane in *terms of the sale* was sent to the Tongaat Sugar Co. Ltd. [74] The Eliphinstowe estate although managed as part of New La Mercy, was actually a separate company - Eliphinstowe Estates Limited. [75] In 1934 the Company became part of the amalgamation which resulted in the Gledhow-Chaka's Kraal Sugar Co. Ltd.

The Gledhow-Chaka's Kraal Sugar *Company Limited: 1934-1940*

The Gledhow-Chaka's Kraal Sugar Co. Ltd. was established on the 13th June 1934 with an issued share capital of £600 000. [76] The major shareholders were the Gledhow syndicate with 360 000 shares; C.G.Smith & Co. Ltd. with 157 000 shares; the New La Mercy owners with 23 000 shares; A.W.Dickens with 9 500 shares and the Eliphinstowe owners with 3 500 shares. [77] This meant that the Crookes' controlled 57,9 per cent of the share issue or 379 998 shares and C.G.Smith & Co. Ltd. controlled 31.8 per cent or *193 000 shares.*

The firm also *issued debentures of £200 000* and the major subscribers were Reynolds *Brothers* Ltd. with £50 000, L.F.Reynolds with £50 000 and M.Reynolds with £50 000. [78] This investment of £150 000 by the Reynolds' was probably undertaken in order to help Smith's and the Crookes' with whom they co-operated throughout the inter-war period.

The amalgamated company was comprised of the Gledhow Sugar Estates Ltd; the Chaka's Kraal Sugar Co. Ltd.; the New La Mercy Estates (Pty) Ltd. and the Eliphinstowe Estates Ltd. [79] The firm possessed two mills, namely Chaka's Kraal and Gledhow; 19 114 acres of land, of which 15 080 acres were planted with cane and a tramline system of 128 km. [80] The merger provided the firm with more land on which to expand cane production and enabled the concern to distribute the cane supply so that both mills could work at full capacity, and offered the prospect of increased profits.

The prospects for the expansion of the cane growing aspects of the business were promising following the formation of Gledhow-Chaka's Kraal. In December 1933 the Gledhow syndicate had begun a irrigation scheme of 200 acres of sugar-cane which was cut in the 1934/35 season and produced an average yield of 39 tons per acre. [81] In 1936 the average yield per acre, for the industry as a whole, was only 21,2 tons. [82] Therefore the firm expanded the area of cane under irrigation and by 1936 it encompassed 700 acres. [83] Furthermore, the project had only cost £3 000 because the Umvoti river flowed through the middle of the estate. [84] The great potential of the scheme was severely limited as a result of the imposition of quotas within the sugar industry in 1936. [85]

The Company had to reformulate its strategy in the wake of the 1936 restrictions on production. First, the firm inherited fields which were exclusively planted with the low yielding Uba cane variety; but by 1940 Uba constituted only 25 per cent of the plantations. [86] The new varieties that were utilized in the replanting programme produced greater yields and this forced the firm to reduce the total area under cane. [87] Secondly, the concern now had unused land and this led to a diversification in crops. By 1939 a total of 95 000 Soligna gum trees had been planted at Chaka's Kraal and 16 000 at Gledhow. [88] A total of 350 acres of maize was also grown and was used to feed the labour force, thereby reducing overheads. [89] Thirdly, the £200 000 debenture issue had originally been floated to provide the company with suffi-

cient money to expand its planting interests. [90] However the restrictions prevented the Board from implementing this expansion and in 1939 it was decided to utilize the surplus funds, to reduce the debentures by £100 000. [91]

Sugar production at Gledhow-Chaka's Kraal rose by 75,7 per cent between 1935 and 1940, from 30 561 tons to 53 690 tons. The rise of 25,4 per cent in 1940 was as a result of the British request for whatever sugar could be produced.

TABLE 6.3
Gledhow-Chaka's Kraals Sugar Production, 1935-1940 [92]
(Year ended 31 March)

Year	*Sugar* (tons)	*% increase*	*Year*	*Sugar* (tons)	*% increase*
1935	30 561	-	1938	38 561	-1,4
1936	35 912	17,5	1939	42 826	11,1
1937	39 116	8,9	1940	53 690	25,4

The Company proved to be a very profitable venture in the six years of operation between 1935 and 1940. If there had been no restrictions on production prior to 1940, the profits would probably have been higher. The reason for the decline of profits in 1936 is not known but the reduction of 1938 was due to the drop in the average price of sugar.

TABLE 6.4
Gledhow-Chaka's Kraals Turnover, Profit & Return on Share Capital, 1935-1940 [93]
(Year ended 31 March)

Year	*Capital* (£)	*Debentures* (£)	*Turnover* (£)	*Profit* (£)	*Return on Share Capital*
1935	600 000	200 000	408 147	72 252	0,12
1936	600 000	200 000	400 713	49 202	0,08
1937	600 000	200 000	483 096	93 127	0,16
1938	600 000	200 000	464 101	53 970	0,09
1939	600 000	200 000	515 071	82 321	0,14
1940	600 000	100 000	598 898	118 517	0,20

Conclusion

The history of Chaka's Kraal prior to 1934 was very similar to that of Umsimkulu, as C.G.Smith kept the business afloat when it should have been closed. The Company relied upon planters for its cane supply and this dependence prevented it from making substantial profits. Gledhow was purchased at an inflated price and the heavy debt burden prevented the company from becoming financially viable. These problems were overcome with the formation of the Gledhow-Chaka's Kraal Sugar Co. Ltd. which was a very profitable venture.

Prior to 1934 the firm's tended either to be over-capitalised or to have *underestimated* the costs of operations. Furthermore it took over ten years to reach *profitability and then only* as a result of political intervention. Therefore *it seems that C.G.Smith* and the Crookes' were not very competent in their *management of the business* - luck played a major role.

Notes

1. BRA, Chaka's Kraal, Minute Book, 12/12/1919, p.13.
2. *Ibid.*, 2/03/1917, p.9.
3. Osborn, *Op.cit.*, 1966, p.43.
4. BRA, C.G.Smith & Co. Ltd., Minute Book, 16/10/1925, p.104.
5. *Ibid.*, 18/12/1919, p.19; Chaka's Kraal, Minute Book, 18/08/1920, p.28.
6. *Ibid.*, 12/12/1919, p.17.
7. *Ibid.*, p.14.
8. SBA, Inspection Report, *Durban Branch*, 4/11/1922-10/1/1923, p.15; BRA,C.G.Smith & Co. Ltd., Minute Book, 15/02/1921, p.77.
9. *Ibid.*, 15/02/1921, p.76.
10. *Ibid.*, p.79.
11. *Ibid.*
12. *Ibid.*
13. *Ibid.*
14. *Ibid.*, 30/10/1923, p.270.
15. BRA, Chaka's Kraal, Minute Book, 2/11/1921, p.43.
16. *Ibid.*
17. *Ibid.*, 22/08/1923, p.251.
18. *Ibid.*, 10/08/1920, p.30.
19. *SASA*, 1923, p.120.
20. BRA, C.G.Smith & Co. Ltd., Minute Book, 22/08/1923, p.251.
21. *SASA*, 1925, p.120.
22. BRA, Chaka's Kraal, Minute Book, 6/10/1924, p.44.
23. BRA, C.G.Smith & Co. Ltd., Minute Book, 30/09/1926, p.144.

24. CGSSA, Chaka's Kraal, Minute Book, 6/08/1928, p.49; *SASYB&GD*, 1933, No.4, p.240.
25. BRA, C.G.Smith & Co. Ltd., Minute Book, 7/01/1926, p.109.
26. SBA, Inspection Report, *Durban Branch*, 31/05/1925-31/07/1925, p.13.
27. BRA, C.G.Smith & Co. Ltd., Minute Book, 7/01/1926, p.109; Chaka's Kraal, Minute Book, 13/01/1926, p.81.
28. SBA, General Managers Office, Letters to London, Vol.78, 5/02/1926, p.440.
29. BRA, Chaka's Kraal, Minute Book, 5/01/1927, p.129.
30. *Ibid.*, 23/02/1927, pp.143-148.
31. CGSSA, Chaka's Kraal, Minute Book, 25/09/1930, p.83.
32. BRA, C.G.Smith & Co. Ltd., *Minute Book*, 21/01/1931, p.56.
33. CGSSA, Chaka's Kraal, Minute Book, 4/12/1930, p.93.
34. *Ibid.*, p.91.
35. *Ibid.*, 17/09/1931, p.116.
36. *Ibid.*
37. *Ibid.*, 4/12/1930, pp.93-96.
38. *Ibid.*
39. *Ibid.*
40. *Ibid.*, 8/09/1933, pp.127-128; BRA, C.G.Smith & Co. Ltd., 1/06/1933, p.200.
41. *Osborn, op.cit.*, 1964, p.189; BRA. Addison Brothers Ltd., Minute Book, 26/02/1924, p.11.
42. SBA, Inspection Report, Durban Branch, 4/11/1922-10/01/1923, p.12.
43. Osborn, *op.cit.*, 1966, p.44.
44. BRA, C.G.Smith & Co. Ltd., Minute Book, 27/01/1926, p.46.
45. *SASYB&GD*, 1930, No.1, p.93.
46. *SASYB&GD*, 1931, No.2, p.210.
47. *See Chapter 5.*
48. BRA, Chaka's Kraal, Minute Book, 22/08/1923, p.251.
49. SBA, Inspection Report, Durban Branch, 4/11/1922-10/11/1923, pp.12-13; 14/12/1923-10/04/1924, p.12.
50. BRA, Addison Brothers Ltd., Minute Book, 4/03/1924, p.19.
51. *Ibid.*
52. *Ibid.*, 6/03/1924, p.27.
53. *Ibid.*, 16/05/1924, *pp.51-54.*
54. *Ibid.*, p.55.
55. *Ibid.*, 27/06/1924, p.78.
56. *Ibid.*, 26/02/1924, pp.10-11.
57. *Ibid.*, 3/07/1924, p.83.
58. SBA, General Managers Office, Letters to London, Vol.83, 18/11/1927, p.757.
59. BRA, Addison Brothers Ltd., Minute Book, 3/07/1924, p.83.
60. CGSSA, Chaka's *Kraal, Minute Book*, 29/03/1934, p.154.
61. *Ibid.*
62. BRA, Addison Brothers Ltd., Minute Book, 20/5/1925, p.141; *SASYB&GD*, 1934, No.5, p.231.
63. See Table 3.7.
64. See SBA, General Managers Office, Letters to London, *does not provide* comprehensive figures but does state that the accumulated debt was substantial.
65. SBA, Inspection Report, *Durban Branch*, 4/12/1933-26/02/1934, p.12; General Managers Office, Letters to London, Vol.83, 18/11/1927, p.757; Vol.89, 25/10/1929, p.166; Vol.98, 23/12/1932, p.770.
66. BRA, C.G.Smith & Co. Ltd., Minute Book, 22/09/1927, p.210.
67. BRA, Chaka's Kraal, Minute Book, 23/02/1927, pp.144-145.
68. BRA, C.G.Smith & Co. Ltd., *op.cit.*
69. *Ibid.*, 1/03/1928, p.236.
70. *Ibid.*, 23/08/1929, p.309.

71. *Ibid.*, 23/05/1928, p.245; 9/08/1929, p.297.
72. *Ibid.*, 17/09/1931, p.76.
73. CGSSA, File 24, New La Mercy Estates Ltd.
74. BRA, C.G.Smith & Co. Ltd., Minute Book, 1/06/1933, p.201.
75. CGSSA, Gledhow-Chaka's Kraal, Minute Book, 29/06/1934, p.12.
76. *SASYB&GD*, 1935, No.6, p.146.
77. CGSSA, Gledhow-Chaka's Kraal, Minute Book, 4/07/1934, pp.10-13.
78. *Ibid.*, p.14.
79. *Ibid.*, pp.10-13.
80. *SASYB&GD*, 1935, No.6, p.146.
81. CGSSA, Gledhow-Chaka's Kraal, Minute Book, 20/12/1934, p.85.
82. See Table 3.5.
83. CGSSA, Gledhow-Chaka's Kraal, Financial Statements, File I, Shareholders Meeting, 22/5/1936, p.13.
84. *Ibid.*
85. See Chapter 3 for the details of the restriction in terms of the 1936 Sugar Act.
86. CGSSA, Gledhow-Chaka's Kraal, Financial Statements, File I, Shareholders Meeting, 20/8/1940, p.14.
87. *Ibid.*, 15/06/1939, pp.5,9.
88. Ibid., Gledhow-Chaka's Kraal, Minute Book, 22/02/1939, p.43.
89. *Ibid.*
90. *Ibid.*, 24/11/1938, p.23.
91. *Ibid.*, 30/04/1939, p.53.
92. *Ibid.*, Financial Statements, File I, 1935-1940.
93. *Ibid.*

CHAPTER 7

Smith's Coasters

Introduction

During the course of the 19th Century, with the discovery of diamonds and gold, overland communications improved, cargo traffic increased and with it the demand for coastal shipping then attracted a large number of shipowners. In 1895, Durban was linked via a railway line to the Witwatersrand [1] The increase in cargo was of such a magnitude that the deep-sea liners engaged in international trade found it profitable to engage in coastal trade as well. In 1852 the General Screw Steam Shipping Company of London, began a steam coaster service to carry mail between Cape Town and Port Natal. [2] The first shipment of 40 tons of unrefined sugar was carried in 1861 by the ninety ton 'Natalie' from Umkomaas to Durban. [3] The saving which coasters offered the sugar planters of this particular area was substantial, amounting to £2 10s 0d for each ton of sugar transported to Durban. [4] The service was, however, terminated within a couple of years.

In 1888 C.G.Smith went into business for himself and began buying and distributing sugar and cattle along the Natal coast. These business ventures required an effective distribution network which led to Smith's move into the coaster industry and to the formation, establishment and adaptation of his coaster interests, which was a profitable business venture in the inter-war years.

The Early Years: 1889-1914

The need for a regular coastal service for sugar-cane planters was highlighted by the planters meeting at Umzinto in November 1888, which voted to support a shipping company if one was floated. In 1889 C.G.Smith purchased the 90-ton steamer 'Somtseu' to engage in coasting along the Natal south coast. [5] This may to some extent have been motivated by the previous year's planters meeting.

The demand for a coaster service on the south coast expanded and the increased traffic led to the expansion of Smith's fleet. Until 1901 when the railway line was completed, the 'Somtseu' transported sugar from Port Shepstone to Durban. In 1896 the 150-ton steamer 'Umzimvubu' was bought to handle traffic between Port St Johns and Durban. The 191-ton steamer 'Frontier' was acquired in 1897 to replace the 'Somtseu' and together with the 'Umzimvubu' provided coasting services as far as East London. The increasing possibilities for coastal trade led to the acquisition of the 'Penguin', a steamer of 243 tons in 1903, but it was wrecked on the Natal coast in 1906.

When the railway reached Port Shepstone in 1901 and ensured speedy transportation of goods, the need for ports on the south coast receded. Moreover the coasters were beset by a number of problems in terms of access to rivers. First, the lack of navigable rivers confined their influence to the development of coastal areas. The Broede River was navigable for 48 km for vessels of less than 150 tons. [6] Second, the railway bridges across the rivers were built so low that coasters could not pass beneath them. [7] Sandbars were a further problem, which increased, as each rivers catchment area became settled. The extension of agriculture as a result of port facilities increased the silt content of rivers and blocked their mouths. [8] The expansion of the railways and the high costs involved in removing the sandbars meant that the problem was not tackled. Port Shepstone was restricted to vessels with a draft of 2 metres or less in order to pass over the bar and Port St Johns was eventually abandoned because of the problem of crossing the sandbar.

However, the closure of the ports on the south coast was compensated by several factors. First, the expansion of the economy led after 1903 to the increasing use of the coasters for the redistribution of sugar from Durban to East London. Secondly, a regional trade with Madagascar was initiated as a result of the Rinderpest which from 1897 annihilated cattle herds in Natal. [9] Smith began to use his coasters to transport cattle from Madagascar to Natal to meet his government and military contracts as well as for work on the sugar estates. [10]

The importation of oxen was considerable between 1898 and 1899 following the outbreak of rinderpest and between 1902 and 1903 after the Anglo-Boer War. This trade was augmented by the importation of sugar from Mauritius which provided a profitable supplement to the cattle trade. Although the coasting interests were started as a service for C.G.Smith's other business interests, they gradually gained a momentum of their own.

TABLE 7.1
Natal Imports from Mauritius and Madagascar, 1896-1904 [11]

Year	*Mauritius* (£)	*Madagascar* (£)	*Oxen*
1896	7 502	56	-
1897	29 480	5	-
1898	6 920	4 584	2 122
1899	2 486	9 809	2 462
1900	-	5 012	1 198
1901	29 233	2 313	881
1902	1 630	94 489	23 059
1903	12 328	67 650	16 463
1904	78 641	8 699	2 193

The period 1904 to 1914 saw an overall contraction in the coaster industry, with a downturn in the coastal trade of both sugar and cattle. Smith's survived through its involvement in the regional trade. On the eve of World War One the coastal business was not particularly profitable - a fore taste of what was to come in the 1920s - because of railway competition.

In the 1920s the coastal shipping industry passed through a major crisis which forced a radical re-organisation of the industry. First, it suffered from the legacy of the Sea Competitive Railway Rates. These rates, first introduced by the Cape Colonial Government, were retained by the Union Government under the jurisdiction of the South African Railways Administration from 1911. This legislation involved charging railway rates which were below the shipping rates for the coastwise movement of commodities. The initial reason for the policy was to utilise underutilised railway rolling-stock capacity. [12] In addition to lower rates, the railways continued to expand and improve services which meant that firms sent goods by rail in preference to coasters. The railways transported high tariff freight, such as foodstuffs and liquor, leaving the coasters with the low tariff bulk cargo's of sugar and paper. This curtailed their expansion into other goods. The Sea Competitive Railway Rates applied until 1954 when they were abolished because they involved an uneconomical service that could no longer compete with road transport. The Sea Competitive Railway Rates were largely responsible for confining the coaster service to the transportation of sugar and paper in the period 1908 to 1954.

Secondly, the coaster industry suffered badly from the general depression of the 1920s and 1930s. The shipping depression was due to railway rates, foreign interlopers and the return of ships used in the war which meant a sudden surplus of ships and a consequent drop in freight rates. In 1918 the South African coasting fleet consisted of 12 ships. [13] Smith in the face of this adversity, streamlined his fleet by reducing it from four to two ships by 1922, with the more economical 648-ton 'Karin' and 1200-ton 'Kate', purchased for £5 489 and £6 500 respectively, replacing the 'Umzimvubu' and 'Frontier'. [14] Because of the increasing demand for sugar the firm expanded its business by offering a service to Port Elizabeth and Knysna in addition to the transportation of sugar undertaken by the 'Karin' between Durban and East London.

The coastal industry was kept afloat by the expansion of the sugar trade, especially to the Cape Province where the cannery and spirits's industries were located. In the 11 year period be-

tween 1916/17 and 1926/27 the consumption of sugar by the manufacturing sector rose by 58,7 per cent which was of considerable importance to the viability of the coasting industry. [15] The company retained its coasting interests because it feared that the conference lines, if given a monopoly of the Cape run, would raise the sugar freight rates. [16]

During the 1920s Smith's involvement in regional trade continued, but on a smaller scale. The 'Kate', in addition to carrying sugar on the coastal route, traded between the Indian Ocean islands and Durban. [17] However, trade decreased because of the cessation of cattle imports from Madagascar and the decline of sugar imports from Mauritius. The trade declined with Madagascar by 79 per cent and that with Mauritius by 80 per cent.

TABLE 7.2
South African Trade With Madagascar and Mauritius, 1921-1929 [18]
(£)

Year	Madagascar		Mauritius	
	Imports	Exports	Imports	Exports
1921	43 906	18 150	294 175	13 350
1922	12 152	9 103	147 754	14 897
1923	24 016	12 512	167 649	19 643
1924	9 058	11 706	101 861	11 706
1925	19 409	8 933	66 461	15 579
1926	28 155	10 272	75 088	2 572
1927	10 230	8 082	96 333	2 529
1928	6 496	8 957	73 289	11 974
1929	3 686	9 261	58 129	1 571

Although the livestock business had been the original motivation for the firm's involvement in regional trade, in the 1920s Smith gave the livestock business to his manager and co-director G.P.Denbin [19], and concentrated upon the sugar business. This, coupled with the decline of trade in general, led Smith to withdraw from regional trade by 1930 when the company disposed of the steamer 'Kate'.

The Period of Unfair Competition from the Railways: 1927-1940

In 1927 the coasting interests of C.G.Smith & Co. Ltd. were separated from the parent company to form a new firm. This was done because of the need for capital and a separate management team to cater for its specific interests. Smith's Coasters (Pty) Ltd. was founded on the 11th April 1927 with an issued share capital of £40 611. [20] The major shareholders were C.G.Smith & Co. Ltd. with 25 000 shares; Dreyfus & Co., Merchants, with 7 500 shares; Storm & Co., shipping agents, with 6 000 shares and E.Eriksen, a merchant, with 2 000 shares. [21] The shares were issued to these firms because they were the major clients of Smith's Coasters. The company commenced operations with two vessels, the 'Karin' and the 'Kate'. The 'Karin', however, floundered off Durban on the 22nd October 1927 which resulted in a capital loss of £4 050. [22] Two vessels were added to the fleet in 1927, the 730-ton *'Homeland' and 'Mead'. Both vessels had been* Q ships during World War One and were purchased for £7 135 and £6 010 respectively. [23] Smith's withdrawal from regional trade meant that the firm concentrated exclusively on local trade which was predominantly the transportation of sugar. The small fleet of three vessels mainly transported sugar to the Cape ports, but the lack of return cargo reduced profitability. During 1928 and 1929 the 'Kate' was laid up for a total of sixteen months and then to avoid further losses the vessel was scuttled in 1930 which meant a loss of £9 114. [24] The Great Depression, together with railway rates, reduced the volume of cargo to such an extent that there was no need to replace either the 'Karin' or the 'Kate'.

In 1933 there was an upturn as a result of the demand for sugar from the fruit canneries of the South Western Cape. [25] The sugar and paper bound for the Cape was carried by Smith's and African Coasters respectively in terms of a gentleman's agreement. [26] The expansion of business in the mid 1930s led Smith's Coasters to increase its capital base in order to acquire more ships. The Company issued an additional 29 389 shares at 10 shillings a share, which yielded £14 694 towards financing *the acquisition of two new ships.* [27] The major sub-

scribers to the 1935 issue were C.G.Smith & Co. Ltd. with 9 333 shares; C.G.Smith with 5 158 shares; Dreyfus & Co. with 4 137 shares; Refineries Investments with 3 000 shares and Storm & Co. with 1 388 shares. [28] In 1937 a further 20 000 shares were issued, C.G.Smith & Co. Ltd. taking 9 809 shares; Dreyfus & Co. taking 3 325 shares; Storm & Co. taking 1 774 shares and C.G.Smith taking 1 474 shares. [29] The share capital of the company now amounted to £45 000 with 90 000 shares having been issued. The two new ships were the 1 010-ton 'Nahoon' which cost £22 977 and the 1 010-ton 'Gamtoos' which cost £27 596. [30] The 'Nahoon' commenced trading in 1936 and the 'Gamtoos' in 1937. These two vessels were the first ships which the company had specially built. The ships were commissioned at the first real growth point in the coastal trade since 1914. [31] The ships incorporated in their design easy loading, storage and unloading features following an overseas trend hitherto unknown in South Africa. [32] During the inter-war years there were seven coaster companies in South African waters operating sixteen coasters with a total tonnage of about 7 000 tons. [33] Three companies handled the major share of the coastal trade, namely Theron's Steamship Company, African Coasters and Smith's Coasters. The South African Railways and Habours operated three ships for external trade, giving South Africa a total maritime tonnage of 22 000 tons in 1939. [34]

However, this expansion of coastal shipping needs to be placed in perspective. For instance, the total South African tonnage in 1939 was less than the tonnage of one of the Union Castle mailships operating at the time. This was because of the nature of the coastal cargoes as a result of the railway rates and the size of the market both of which restricted the growth of the South African maritime tonnage. In addition Smith's Coasters experienced a number of other problems at this time. First, even on the regular route to the Cape, the service was irregular and slow because the service speed of nine knots meant that delays could not be recouped. [35] Secondly, Smith's Coasters experienced numerous and expensive engine problems with the 'Mead'.

The financial fortunes of Smith's Coasters were to a large extent, linked to the coastal transportation of sugar. A vital segment of this market was the *manufacturing industries*, in particular the cannery and spirit industries of the Cape. In the depth of the depression, the sugar consumption of manufacturing dropped and Smith's experienced financial difficulties. The gradual improvement in consumption from 1938 corresponded with a rise in Smith's profits. Therefore there appears to be a linkage between *the consumption of sugar by manufacturers* and Smith's profits in the pre-war period. [36]

TABLE 7.3
Smith's Coasters Turnover, Profit and Return on Capital: 1928-1940 [37]

Financial Year Ended	*Share Capital* (£)	*Turnover* (£)	*Net Profit* (£)	*Return Share Capital*
31/1/1928	40 611	43 931	-9 313	-0,23
31/1/1929	40 611	34 411	997	0,02
31/1/1930	40 611	30 824	1 442	0,03
31/1/1931	40 611	31 209	-5 919	-0,14
31/1/1932	40 611	30 694	-1 609	-0,03
31/1/1933	20 305	25 210	4 498	0,22
31/1/1934	20 305	31 364	7 784	0,40
30/6/1935	35 000	47 998	12 104	0,34
30/6/1936	35 000	39 135	8 577	0,25
30/6/1937	45 000	48 791	8 492	0,18
30/6/1938	45 000	60 080	9 294	0,20
30/6/1939	45 000	66 847	9 071	0,20
31/3/1940	45 000	60 186	10 338	0,23

Note: The financial year changed in 1935 and was seventeen months long in that year. The financial year changed again in 1940 and was only nine months long for that year. Hence the financial position of the firm in these two years cannot be directly compared with other years, as they do not reflect twelve months' trading.

In the 13 years from 1928 to 1940, the firm recorded losses in only three financial years. The loss of £9 313 declared in 1928 was the result of the floundering of the 'Karin' off Durban in 1927. The low profits recorded in 1929 and 1930 respectively were a result of reduced turnover and mechanical problems encountered with the 'Kate'. The £5 919 loss for 1931 was a

result of the scuttling of the 'Kate' and poor economic conditions, which, coupled with reduced turnover, were responsible for the poor performance in 1932. In 1933, despite the decrease in turnover, overheads were reduced and a profit of £4 498 was recorded. The firm produced increasing profits through the 1930s. From 1937 Smith's embarked upon an advertising campaign which continued until 1941 and this may have helped to boost turnover. See Table 7.3 for the details.

Conclusion

C.G.Smith had entered the embryonic coaster industry to provide a service to his other business ventures. The firm had engaged in both local and regional trade before 1930 and had concentrated upon cattle and sugar. In the 1920s C.G.Smith & Co. Ltd. remained in coasting primarily because they feared that, if the Conference lines were responsible for the delivery of sugar to the Cape ports, they would raise the freight rates and this would then reduce the profitability of C.G.Smith & Co. Ltd. In 1927 the firm had become a separate entity because of the need for capital and a separate team to cater for its specific interests. Between 1927 and 1940 Smith's Coasters had concentrated almost exclusively upon the local sugar trade, largely as a result of the railway rates. Smith's Coasters was one of the most successful business ventures of C.G.Smith & Co. Ltd. in the inter-war period.

Notes

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3. Osborn, *op.cit.*, p.51: The sugar originated from Umzinto Sugar Estates.
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5. *Ibid.*, p.32.
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15. See Table 3.7.
16. BRA, *op.cit.*, 22/08/1923, p.255.
17. Osborn, *op.cit.*, p.54.
18. *Official Yearbook of the Union of South Africa*, 1910-1925, No.8, Pretoria, 1927,p.665; *op.cit.*, 1926-1927, pp.665-666; *op.cit.*, No.10, 1929, pp.667-668; *op.cit.*, 1929-1930, No.12, 1931, p.648.
19. Osborn, *op.cit.*, p.35.
20. ULA, Smith's Coasters, Balance Sheet, 31/1/1928.
21. *Ibid.*, Allotment Register, 11/4/1927.
22. *Ibid.*, Financial Records, 31/1/1928.
23. *Ibid.*
24. *Ibid.*, 31/1/1931; Cost of lay-up excluding lost freight earnings was £4 398.
25. Ingpen, 1983, p.65.
26. Ingpen, B, *South African Merchant Ships*, Cape Town, 1979, p.20.
27. ULA, Allotment Register, 20/5/1935.
28. *Ibid.*
29. *Ibid.*, 9/8/1937.
30. *Ibid.*, Financial Records, 30/6/1935, 30/6/1938.
31. See *Union Statistics for Fifty Years*, Pretoria, 1962, p.O-13.
32. Osborn, *op.cit.*, p.53.
33. Horwood, *op.cit.*, p.22.
34. *Ibid*; See Richardson, C, S, 'Shipping Services and the Union Government', *South African Journal of Economics*, XI, 1943, pp.269-278.
35. Ingpen, 1983, p.202.
36. If a long term view is taken for the period 1927/28 to 1952/53, then it can be seen that after 1950 manufacturing's consumption and Smith's profits show little linkage.
37. ULA, *Financial Records*, 1928 to 1953.

Conclusion

The international commodity trade was subject to fundamental change in the inter-war period as a result of the instability of primary product prices. International intercourse was increasingly subject to both bilateral and multilateral agreements in an attempt to provide stability. Production was out of step with demand and this overproduction crisis was exacerbated by the technological innovation in the developed nations during the period. The inter-war period was characterized by very slow growth in the 1920s and stagnation in the 1930s.

In this hostile environment the sugar trade was increasingly characterized by tariff protection and preferential access agreements which compounded the industry's problems. The inability to obtain consensus amongst all the producers meant that sugar prices fell dramatically in the inter-war years. In contrast to the commodity trade in general, sugar experienced a price decline from 1920 until 1937. This crisis led to the International Sugar Agreement of 1937 which was endorsed by all the producing and consuming nations. This agreement led to a price rise and to some stability within the industry.

South Africa became a net exporter of sugar in the period although its contribution remained insignificant in the international context; rising from 0,8 per cent of world production in 1920/21 to 1,8 per cent in 1939/40. [1] As occurred in other nations, the South African sugar industry was able to survive because of Government intervention which provided it with protection and a captive home market. However in exchange for this consideration by Government, the industry was subjected to a fixed price and in the 1930s had to introduce Grade 2

sugar. The captive home market allowed the industry to finance its export market which was aided by its preferential access to the British and Canadian markets. South Africa was to a large extent insulated from the instability which characterized the international sugar trade of the period.

The main component of C.G.Smith & Co. Ltd. business between 1910 and 1939 was sugar distribution/wholesaling and this aspect of the business also provided the bulk of the company's profits. C.G.Smith's personal friendship with the major south coast sugar interests, namely the Reynoldses, the Crookes and Pearces ensured that the firm was retained by these families to conduct their sugar sales. This relationship was strengthened through the shareholdings of these families in C.G.Smith & Co. Ltd. As a result of this influence in the industry, Smith enjoyed a good relationship with the Standard Bank and was given extensive overdraft facilities which ensured the firm's survival in the depression years.

Smith retained control of the firm throughout the period and this was possibly detrimental to the profitability of the firm. In particular, the diversification into non-sugar interests was motivated by his desire for new frontiers and often resulted in the firm losing money through these investments. However he was aware of the need to retain competent staff and offered them the opportunity to purchase shares and instituted a pension scheme which placed the firm at the forefront of change in the business community.

The association of C.G.Smith and C.G.Smith & Co. Ltd. with the Umzimkulu Sugar Co. Ltd. highlights the mismanagement of the concern at both the production and board level. This incompetence appears to have been due to C.G.Smith's inability to supervise those in control, and the knowledge at the production level that C.G.Smith & Co. Ltd. would bail them out when that encountered financial difficulties.

The involvement of *C.G.Smith & Co. Ltd.* in the Gledhow - Chaka's Kraal Sugar Co. Ltd. once again highlights the incompetence of *C.G.Smith in managing* a production orientated concern. Furthermore the amalgamated company became *a profitable venture* because of the protection which the industry was granted by the Government.

The coasting interests of the company were initially there to provide Smith with a *distribution* system for his other businesses, namely sugar wholesaling and cattle trading. In 1927 Smith's Coasters was formed because of the need for capital and a separate management team to cater for its specific interests. Prior to 1940, the coasting business concentrated almost exclusively upon the local sugar trade and was one of the most successful ventures of C.G.Smith & Co. Ltd.

C.G.Smith was a *shrewd entrepreneur and* was the backbone of the business. He was imbued with enthusiasm and adventurousness. *Smith was also a very* domineering man and was almost always able to persuade the Board that his *vision for the business* was the correct one. The firm as a result of his speculative ventures lost a *great deal of money. However* Smith's autocratic manner appears to be a common characteristic of entrepreneurs. *According to* Reader:

> *Founders of great businesses rather than professional managers, who are a different species - are all autocrats. They will not tolerate opposition, power they will share with nobody, and rivals are not allowed.* [2]

Similarly to the American *retail tycoons*, Smith did not separate the ownership from the management of the business. He also purchased *concerns which* did not always help C.G.Smith & Co. Ltd. and in this respect resembled Lord *Leverhume. It appears that* Smith was a maverick who was extremely lucky with regard to business.

In the inter-war years C.G.Smith & Co. Ltd. became a very successful company and Smith achieved his goal of creating a dynasty, although today it is under the control of the Barlow Rand Group. South Africa as a developing country requires more entrepreneurs such as C.G.Smith if it is to continue to grow and prosper within the international economy. However there is no formula for entrepreneurs, they are born rather than made.

Notes

1. *SASYBAGD*, No.6, 1935, p.230; *op.cit.*, No.8, 1937, p.235; *op.cit.*, 1949-50, pp.258-259.
2. Reader, W.J, 'Businessmen and their Motives', in Coleman, D.C. & Mathias, P. eds, *Enterprise and History*, Essays in Honour of Charles Wilson, Cambridge, 1984, p.50.

Appendix I

Directors of C.G.Smith & Company Limited

Name	*Date Appointment*	*Appointment Ceased*
C.G.Smith	11/08/1910	
F.U.Reynolds	11/08/1910	
J.F.Denham	11/08/1910	
C.G.Crookes	1913	
S.F.Crookes	1913	
H.Brunskill	30/04/1914	
J.W.Zeeman	20/12/1915	
Wm.Pearce	17/07/1916	
A.W.Dickens	*1918*	
Secretary:		
J.W. Zeeman	1910	
W.W. Jex	1918	
Reconstruction 1923		
C.G.Smith	30/10/1923	24/04/1941
F.Reynolds	31/10/1923	30/06/1929
C.J.Crookes	30/10/1923	28/06/1948
S.F.Crookes	31/10/1923	7/01/1936
Wm.Pearce	30/10/1923	1/10/1939
A.W.Dickens	30/10/1923	11/07/1951
H.Brunskill	30/10/1923	
L.W.Reynolds	1/07/1929	14/12/1933
P.E.Welsh	28/04/1932	1/04/1933
V.J.Crookes	24/09/1936	11/12/1936
D.MacGregor	16/11/1939	1/07/1962
Secretary:		
W.W.Jex	30/10/1923	1/01/1928
D.MacGregor	1/03/1928	31/03/1959

Appendix II

Register of Smith's Coaster Fleet: 1889-1940

Year Acquired	*Name*	*Tons*	*Year Sold*
1889	SOMTSEU	90	1898
1896	UMZIMVUBU	150	1921
1897	FRONTIER	191	1920
1903	PENGUIN	243	1906
1920	KARIN	648	1927
1920	KATE	1200	1930
1927	HOMEFORD	730	1946
1927	MEAD	730	1956
1936	NAHOON	1010	1961
1937	GAMTOOS	1010	1944

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