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Global Coffee and Decolonisation in Kenya: Overproduction, Quotas and Rural Restructuring

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This account departs from the global crisis of the coffee commodity and its impact on the fortunes of Kenya's coffee industry during the Emergency. Following the collapse of prices in 1933, the recovery of Kenya's coffee production was lifted by wartime price supports and post-war price increases. After a period of contraction, the acreage under cultivation and the numbers of European farmers entering coffee production expanded, facilitated by the government's extension of credit and provision of compulsory labour. The post-war boom brought continued expansion giving a growth rate of 13 percent a year between 1947 and 1954.[2] The demand for coffee kept well ahead of supply and led to peak prices in 1955. By the mid-1950s, however, the wartime period of a seller's market was at an end. The ensuing period became one of deepening financial crisis for most coffee-producing countries brought on by a decline in the price of their major export. In Kenya, this crisis compounded the debt burden of the colonial government, which mounted faster than its ability to meet the costs of the Mau Mau Emergency.[3] Kenya's colonial government found itself coping with the unforeseen consequences of previous developments in the international economy, which had vastly increased supplies of coffee on world markets, and which, under conditions of falling prices and insufficient demand, threatened to downsize the resources for its budgets and debt servicing. This crisis posed an immediate threat to the principle of fiscal self-sufficiency and had a direct impact on the approach to decolonisation and the displacement of the settlers out of coffee production.

From then on, the colonial government, in a bid to save its tax base, was compelled to promote the African peasant producer, who could cultivate high quality coffee much more cheaply. Unrelenting global market pressures compelled the colonial government to rationalise and restructure landownership and beckon African farmers into coffee production in an effort to sustain its tax base. Even while much of their income was confiscated by the Coffee Marketing Board (CMB), African farmers were well able to rally family labour and achieve surpluses. This restructuring was envisioned as crucial to the survival of the industry and to generating the tax revenues that were desperately required to sustain the fiscal base of

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[2] International Bank for Reconstruction and Development, cited in B. Berman & J. Lonsdale, *Unhappy Valley: Conflict in Kenya and Africa*, London: James Currey, 1992, p.242.

[3] Between 1952 and 1959 at least £55 million was spent on containing Mau Mau, quite apart from the wide range of invisible costs involved (Colin Leys, *Underdevelopment in Kenya: The Political Economy of Neo-Colonialism*, Berkeley and Los Angeles: University of California Press, 1975, p.41). The link between increased debt and static or falling revenues hit Kenya hard during the 1930s, when the ratio of debt charges to gross revenue rose from 18% in 1926 to 34 per cent in 1934 (P. J. Cain & Anthony G. Hopkins, *British Imperialism 1688-2000*, London: Longman, 2001). The burden of debt repayment increased during a period of low prices for primary commodity exports, when earnings were reduced. The increased financial burden brought on by falling prices for primary commodity exports was severely compounded by the rising costs of the colonial war against Mau Mau.

the colonial state. Changes in the organisation and regulation of the commodity chain, which were globally driven, were decisive in reconfiguring the economic and social relationships which underpinned Kenya's independence. The aim here is to explain this crisis and its grip on Kenya's economy during the transition to independence and beyond. Overall, the colonial state writhed its way to flag independence through this crisis paroxysm.

The Crisis of Kenya's Coffee Industry

In 1933 global coffee prices[4] had collapsed after Brazil had released its surpluses onto world markets. Prices fell to their lowest level of the interwar period during 1935-9, causing Kenya's coffee producers to sell as low as £30 a ton forcing 25 percent of the then 40,000 acres under plantings out of production. This hit the colonial government hard as its revenues contracted, increasing its ratio of debt charges to gross income from 18 percent in 1926 to 34 percent in 1934.[5] Following the 1930s depression, the recovery of Kenya's coffee production was lifted by wartime price supports and post-war price increases. The acreage under cultivation and the numbers of European farmers entering coffee production expanded facilitated by the government's extension of credit and provision of compulsory labour.

The post-war boom brought a period of lusty growth for the colonial economy, with an overall growth rate of 13 percent a year between 1947 and 1954.[6] Kenya's GDP rose from an estimated £24.3 million in 1938, with 49.8 percent of this figure recorded as market transactions in the monetary sector of the economy, to £150.7 million by 1952 with 70.1 percent recorded transactions.[7] The value of the colony's agricultural exports, the great bulk of which came from European estates and plantations, grew rapidly and steadily throughout this period. Kenya's plantation economy, founded upon coffee, tea, sisal and pyrethrum, had a crucial role to play in aiding and sustaining the British economy during its post war recovery phase. As with the expanded resource exploitation of Britain's other African colonies, the systematic large-scale production of export crops was accelerated to enable Britain to repay loans and credits to the US through sales in dollar-earning markets. Nonetheless, the increased export earnings of these crops after 1945 was largely a function of the rapid rise of world market prices.

Global demand for coffee kept well ahead of supply and led to peak prices in 1955, but thereafter markets became saturated making the ensuing period one of serious cyclical downturn characterised by falling prices. This was paralleled by the end of the post war primary commodities boom in which many of Britain's colonies began to run deficits with the U.S. in place of the surpluses which had made them such a vital part of the Sterling Area in the crucial period of reconstruction following 1945. In Kenya, this turnaround threatened to downsize the budgetary resources of the state, a problem which compounded the government's debt burden which mounted faster than its ability to carry the costs of the colonial war against Mau Mau.[8] Between 1952-9 at least £55 million was directly spent on containing the insurgency, quite apart from the wide range of invisible costs involved. The

4 Kathleen Stahl, *The Metropolitan Organisation of British Colonial Trade*, London: Faber & Faber, 1951, pp.248-9.
5 S. Herbert Frankel, *Capital Investment in Africa* [1938], pp.178, 181-3 , cited in Cain Hopkins (2001), p.584.
6 IBRD, *The Economic Development of Kenya*, Baltimore: IBRD, 1963, p.340.
7 H. W. Ord, 'The Kenya economy as a whole, 1929-52: national income, investment and balance of payments', paper presented at *Political Economy of Colonial Kenya* conference, Cambridge, 1975, p.3.
8 Leys (1975), p.41.

ensuing crisis threatened the colony's fiscal self-sufficiency and directly impacted on the approach of decolonization, and the displacement of many settlers out of coffee production which accompanied it.

By the mid-1950s, East African producers had expanded their output to approximately 6 percent of the world's coffee production, whereupon it fell upon a shrinking market. The Latin American producers continued to increase their stocks and the prospect of an economic catastrophe following the release of their surpluses overshadowed the market. The price meltdown following such a move would have deeply devalued the Kenyan economy, put thousands of acres out of production – as had happened in the 1930s – and plunged the country into recession during its transition to independence. The haunting spectre of the 1930s dominated the fears and apprehensions of the government and the settlers.

The Kenyan economy had become linked more directly with British capitalism during its post war recovery phase. However, by the end of the 1950s Kenya was no longer protected by, or restrained to trading within, the Sterling Area and was much more exposed to the vagaries of the world market than it had been during the interwar period. Kenya's plantation economy, based on coffee, tea and sisal, had a crucial role to play in aiding the recovery of the British economy during the immediate post war period. As with the expanded resource exploitation of Britain's other African colonies, the systematic large-scale production of plantation crops was accelerated to assist the recreation of industrial capital in Britain. This was largely a labour-intensive production drive since 'development capital' available under the terms of the Colonial Development and Welfare Act (1940) was allocated to fund the minimal requirements of capital depreciation of essential infrastructure (such as the railways) in order to sustain the colonial export drive. While there was a "rapid expansion" of banking and financial institutions in the colony during this period, commercial banks provided only a decreasing amount of the capital requirements of agriculture.[9] The lion's share of increased local lending flowed into short-term commercial credit to finance imports. Financing for estate and plantation production was increasingly met by a range of government bodies, namely the Board of Agriculture through its rehabilitation and development funds, the European Agricultural Settlement Board and the Land and Agricultural Bank. By 1955, the commercial banks were pursuing a conscious policy of disengagement from long term loans to European farmers generally.[10]

The experience of Britain's West African colonies during the depression was that African producers responded to the falling prices of export commodities such as cocoa and groundnuts by increasing output. In Kenya, settler farmers had reduced their output and taken thousands of coffee acres out of production. These problems resurfaced as long-term structural problems in African economies began to reveal the limits to further export expansion without an agricultural revolution. The colonial government seized the initiative to embark on a programme of rural restructuring and social engineering of an indigenous bourgeoisie though at the cost of displacing the settlers.

European plantation production struggled to endure the crisis conditions of the 1950s and would have to change fundamentally to stand any chance of survival. This was a crucial issue that struck at the heart of the colonial economy. Without the export revenues accruing

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[9] Michael McWilliam, 'Banking in Kenya, 1950-1960', *East African Economics Review*, 9:1, (1962), pp.18 & 24.

[10] R. M. A. van Zwanenberg & A. King, *An Economic History of Kenya and Uganda, 1800-1970*, London: Macmillan, 1975, p.294; McWilliam (1962), p.33.

from a handful of primary commodities, most especially coffee, the colonial government faced dire economic straits at a time when its costs had risen sharply to meet the demands of the Emergency. The role of the state in securing the conditions of capital accumulation extended to sacrificing those sections of coffee capital that were uncompetitive and thus unable to support its tax base. This involved the local mediation and management of this global crisis by the colonial state that passed its shock waves on to the industry in Kenya, which took the form of restructuring and social engineering of the coffee sector in order to save a major component of its tax resources.

It is important to grasp how these problems were managed under conditions which were dominated by this crisis together with the political crisis within the colony brought on by the war against Mau Mau at this time. The durability of the state and the capacity of the economy to weather such cyclical crisis tendencies were severely tested and found wanting. The role of the state and its ability to restructure the industry by drawing in African producers was passed off as a favour of liberalising late colonialism, but which was actually crucial to the survival of the state and the cash-crop production on which it was dependent for a large part of its revenues.

This crisis in the production and exchange of Kenya's most important export commodity threatened the dislocation of the very foundations of the industry, and would make itself felt throughout the entire superstructure of the colonial government. Local 'cess' payments from farmers and tax revenues, from the export sales of coffee, made pivotal contributions to its budget. The loss of these threatened to make themselves felt if the industry were allowed to shrink and shrivel. The industry worldwide was going through a period of profound upheaval and was compelled to restructure in Kenya to take its chances on survival. As the industry shifted towards smaller scale peasant production under the Swynnerton Plan, the plantation companies and African coffee farmers made gains at the expense of the small to medium size settler estates whose economies of scale made them uncompetitive. The powerful emergence of the small scale farmer was accompanied by tight and strict monopoly control over coffee production by the Coffee Board of Kenya (CBK) and marketing by the Coffee Marketing Board (CMB), which became a dominant feature of the industry.[11]

The state played a crucial role in securing the conditions of capital accumulation, including availability of and access to free markets. The coffee market, as elsewhere, was dysfunctional in Kenya having fallen upon a phase of serious disequilibrium within the world market. This was the source of the colonial government's preparedness to sacrifice the planters at the altar of what was necessary to ensure the survival of Kenya's coffee industry. The state was consequently faced with uprooting its erstwhile biases and abandoning all previous favour and protection granted to the planters. We can now begin to understand the government's pressing concern and intimate involvement with the problems of coffee production, since the fortunes of Kenya's most important industry generated substantial material means for nourishing the state machine and paying its legions of 'non-productive' workers, most especially the various departments of its coercive apparatus that had greatly expanded in the war against Mau Mau. The government's general economic malaise disabled any commitment to underwrite the costs of production through subsidies to the industry.

[11] The CBK was the government body which regulated and supervised the coffee sector. It worked closely with the CMB, which acted as a marketing agent. The CBK did not buy coffee from the farmers but acted solely as an agent, so the coffee still belonged to the farmers up to the point of sale at auction. It was against the law for producers to market their own coffee. The CMB had statutory powers that made it responsible for the disposal of all grades of Kenya coffee by public auction, with the exception of coffee that was sold locally.

Indeed, it was looking at ways to raise extra revenue to ease its financial burden, and this involved further impositions on the industry. As early as 1957 the Board of Agriculture had warned settler farmers that they could not be shielded "against the effects occasioned by the present shortage both of revenue to finance current needs and of loan funds for development".[12] To make matters worse, the government had cut back its financial assistance just at a time when farmers needed it most.[13]

Whilst the government endeavoured to show some appearance of support for the industry (principally by the provision of extension staff, such as instructors to supervise factory work, teach growers and help for newly emerging cooperatives), it insisted that this service was to be paid for from the industry's profits. Extra cess payments were imposed to raise revenue, set at 5 percent of the value of clean coffee to provide extension services, and relieve the government's own strapped finances. A 12.5 percent export tax was also subtracted from the planters' receipts, a measure that provoked a large section of them to close ranks and to found the Kenya Coffee Growers Association (KCGA) with the result that the tax was revoked in 1957. Increased taxes came at a time when returns to the planters were variable and unpredictable. Deductions from coffee revenues to pay for the security forces were a major bone of contention. It was widely believed that for every eight bags of coffee picked, the government took one to help pay for the Emergency.

In another blow to coffee growers, legislation to end the system by which producers had been permitted to average their profit over a number of years for income-tax assessment was passed by the Central Legislative Assembly. The Commissioner for Income Tax "pointed out that for 15 or 16 years coffee farmers had benefited from a relief arrangement which had not applied to other tax payers whose incomes had fluctuated".[14] Through this the government was relinquishing its protection of the industry, exposing it entirely to the fluctuations of the world market.

Forty Kiambu coffee growers assembled to express strong opposition to Finance Minister Vasey's measure and demanded that the CBK represent their concerns. They pleaded that the "iniquitous proposal" would make it difficult for them to "make ends meet". They drew up their own proposal for a tax rate which "should not exceed" twelve shillings in the pound, with exemptions for undistributed and development expenditure. It also emerged that those planters who had bought coffee farms in recent years had raised loans on an expected rate of return that had all but collapsed. If the tax proposals were implemented "it would be impossible for planters to meet their obligations to those who had sold the farms",[15] and they would have to close their mortgages. A resolution was agreed and forwarded to the Nairobi coffee conference in July 1958, which called for an independent inquiry into the budget proposals "with a view to ending the need for such high taxation".[16] The conference vocalised the grievances of settler farmers and planters everywhere. To placate the outcry the CBK acknowledged that "planters were perturbed at the rate of the tax",[17] and set up a committee to look into the controversial deduction. This was the first of many conflicts with the state machine that faced its own economic malaise over the costs of the Emergency and was prepared to squeeze, and ultimately sacrifice, the planters and others to pay for it. These

[12] Kenyan National Archives (KNA), Department of Agriculture Annual Reports, 1952-68.
[13] *East African Standard* (*EAS*), 'Finance warning given to farmers in Kenya', 4 May 1959.
[14] *EAS*, 'Coffee profit tax system ends', 28 March 1958.
[15] *EAS*, 'Coffee Board committee to study new tax', 9 June 1958.
[16] *EAS*, 'Kiambu planters tax resolution - discussion at conference', 24 June 1958.
[17] *EAS*, 'Coffee Board committee to study new tax', 9 June 1958.

problems surfaced again over a further budget proposal for an undistributed income tax at the rate of fifteen shillings in the pound. Even the CBK protested that the Income Tax [Management] Bill would prevent smaller planters from accumulating the financial reserves necessary to shield themselves against the almost certain prospect of "a serious drop in prices during the next few years".[18] The significance of the Bill was that the government was no longer able or willing to give even the semblance of favour and protection to European growers.

Coffee in the Balance of Trade

Coffee was Kenya's leading foreign exchange earner and a prime mover of its economy. The annual average foreign exchange earned by coffee during 1955-57 was $31m whilst all other, mainly agricultural, exports grossed $45m. During this period the prices for agricultural primary products and raw materials generally were falling in the world market, while the prices for imports, normally manufactured commodities, had been rising. The terms of trade throughout the period 1956-67 were generally unfavourable to Kenya. During 1954-56, three successive annual coffee crops in Kenya had averaged 20,000 tons and the industry had generated an income of £28,328,300 our of total agricultural export earnings valued at £67,556,070. In 1956, a peak crop of 26,711 tons was raised and increased exports of coffee were the main reason for an overall rise of £2,623,413 in the value of Kenya's agricultural exports. The Department of Agriculture annual report recorded a rise in coffee exports from £8,926,908 to £13,674,568, bringing the total value of agricultural exports to £26,178,121. By 1956, then, at the close of a peak period for the commodity, coffee accounted for more than half the value of Kenya's agricultural exports. Thereafter its contribution to the balance of trade began to slide.

The Kenyan economy overall suffered a 13 percent overall reduction in trade during the first nine months of 1957. Agricultural exports fell in value to £23,446,278 with the bulk of the fall attributed to coffee, whose value fell to £10,812,281. Even though the 1957 crop fetched on average £25 a ton more than in 1956, the latter was a peak crop at 4,427 tons in excess of the subsequent year. Overall, plummeting sales caused a 35.5 percent reduction in its value with the commodity now only generating just a third of the colony's export trade.[19]

The pressure on Kenya's coffee growers to further upgrade the high quality of Kenyan coffee was at its most intense at a time when other world producers were also competing to improving the quality of their coffees.[20] Even though West Germany (which by 1962 was Kenya's largest market) had bought £4,500,000 worth of higher grade coffees during the 1956-57 season, Hamburg buyers gave notice that only if its "quality standards" were maintained would Kenya's coffees "be assured of a good market reception".[21] During the following year, Kenya's reputation as a producer of the world's finest liquoring coffee came

[18] *EAS*, 'Coffee industry protests - proposed tax rate penal to smaller companies', 31 October 1958.
[19] National Archives, Kew, CO/544/ Department of Agriculture Annual Reports, Appendix 35.
[20] Kenyan coffee was considered one of the best on the market because of its fine quality and had fetched higher prices than its main competitor – Arabica coffee from Brazil. It had been a mainstay of the speciality coffee market in Europe and the US, and a key component for roasters seeking to add acidity and sweetness to their blends.
[21] *EAS*, 'Sharp drop in the quality of Kenya coffee', 29 November 1957.

further into question, [22] as, according to the CBK's Chief Liquorer, its quality was "far below that on which its name had been built". Only 8,800 tons of Kenya's 1957 coffee crop of 22,284 tons were sold at £453 a ton, with a total value of nearly £4 million. In a falling market, West Germany was still its best customer, paying premium prices at the auctions where class 1 coffee fetched £574 a ton. Even so, Kenya's market in West Germany was dependent on a few large buyers and the failure of a single one of these to purchase "would be disastrous".[23] Overall the season's average slumped to just £388 a ton, £84 down on the previous year's figure and representing a shortfall of more than 20 percent.

During 1958-59, the CBK paid out more than £10m. to farmers for sales on a crop in excess of 30,000 tons, though this was sold at a lower average price than the previous year. In the year ending September 1960, Kenya exported £10,623,979 worth of coffee, making it by far the colony's biggest foreign exchange earner, although the commodity was still selling at a lower average price. Paradoxically, spurred on by the lifting of restrictions on African coffee production, the crop was rapidly expanding as more than 110,000 African growers were producing alongside 1,200 European farms and plantations. Nonetheless, whilst greater quantities of the crop were being sold, it was still far away from recovering its peak prices of 1955-56.

Globally, the fiscal year 1956-57 ended with world supply and demand at a rough equilibrium, though there was a surplus of nine million bags of unsold coffee, two thirds of this belonging to Brazil. These unsold surpluses were carried over into the following year to be set against rising production and stringent international quotas, causing a worsening problem and a driving force for deeper crisis. As governments responded to these pressures with subsidies to underwrite the burden of those planters who had failed to sell their crops, the currencies of the main producers began to show the signs of strain.

The proceedings of the annual Nairobi coffee conference held in July 1957 were dominated by this global crisis. Delegates from the CBK and the CMB expressed anxieties over falling sales and plans to re-establish Kenya's pre-eminent position in the British market, now a mere 6 per cent, were discussed. The loss of British markets was compounded by the unease over threats to Kenyan producers emanating from protectionist measures of the newly formed European Economic Community (EEC). This took the form of a 16 percent levy on coffees coming from overseas territories unattached to the six states of the EEC. This was a major setback since a large portion of East African coffee, as well as other commodities, were sold in the Common Market Area. There were particular fears about the loss of markets for Kenya's higher grade coffees since German importers were the principal customers for these grades whilst Britain and the USA were the main buyers of the ordinary grades.

Kenya's Stresses of Global Competition

The dilemmas facing the industry and the government were illustrated by Michael Blundell in his address to the annual conference of the Kenya National Farmers Union (KNFU) in Nairobi in May 1958. He emphasised that the "most damaging blow to the economy as a whole has been the steep fall in coffee prices". The world market had been temporarily

[22] Kenya's main competitor for quality was Columbia, which produced on average between 7 to 8 million bags a year (or about 400,000 to 470,000 tons), well over ten times Kenya's production.
[23] *EAS*, 'Kenya facing coffee crop surplus', 17 November 1965.

stabilised only by withholding the entry of large scale Latin American reserve stocks. In the case of Brazil, this was its weapon to uphold its larger claims on the market and to browbeat smaller producers. This had been at the expense of building up even larger excesses in the forthcoming year, which Blundell estimated would exceed 27 million bags as against a world annual consumption of 38 million bags. This was later underlined by a report issued by the United Nations Food and Agricultural Organisation, which estimated world coffee production for 1958-59 at 3.3 million metric tonnes, 9 percent higher than the previous year.[24] Blundell drew attention to the support the Government derived from the coffee industry and that "it was reluctant to enter a quota system to reduce production",[25] as was proposed by the US government's Coffee Study Group based in Washington. This stance was founded on the assumption, reinforced by the experience of the 1930s, that rising coffee production amongst African farmers would place the industry in a better position to meet "the challenge of falling prices",[26] since their costs of production were much lower than European plantation and estate production.

In full knowledge of the global dimensions of overproduction Blundell's proposal that Kenya's production be increased followed logically from the experience of the depression years when African farmers in other colonies were urged to produce their way out of the crisis. This only made sense as part of a strategy to un-ban African coffee production and pressurise settlers to reduce their overheads. Following past experience, it was assumed that African farmers and their families would work longer and more labour intensively and be prepared to wait for their payment in the knowledge that the crop was their own. Alternatively, for European coffee producers to achieve lower costs would mean the application of new technology to production, which was tied to a considerable outlay of capital at a time when many planters were strapped. Compelled to forego this course, most European planters opted for low wage, labour-intensive productivity which was in fact the course taken.

Blundell pointed to the inevitability of "severe competition" and warned that the region's coffee producers would "continue to attract good prices only if we maintain quality".[27] This strategy went hand in hand with increased quantity of production, though with the risk that the intensified labour process and increased productivity would result in lower quality thus compromising sales. Blundell well knew that the industry had to undergo a profound restructuring in order to survive, and that many European coffee farmers would go to the wall. This was the price of saving the industry that Blundell was privately resigned to, a reluctant acquiescence to compelling necessities.

The government's policy to "double Kenya's coffee production" was an attempt to compensate itself for falling export revenues and crippling deductions from its tax base.[28] Why was Blundell urging planters to step up production during a crisis of overproduction? The financial solvency of the state machine depended on tax remittances from the coffee industry. Diminishing returns and a depressed industry would hit government revenues at a time when the expenses of the Emergency were making large claims on government revenues, and threaten social and political instability during an oncoming period of fragile transition.

[24] *EAS*, 'Drop in coffee prices continues' and 'Demand not keeping pace with production rises', 2 June 1959.
[25] Kenya was not yet a full member of the International Coffee Organisation (ICO), a 'privilege' which would bring this compulsion along with it.
[26] *EAS*, 'Minister reviews colony's farming prospects - warning of severe coffee price drop', 13 November 1958.
[27] *EAS*, 'Kenya farms faced with worst crisis since 1930s- cuts in costs essential', 28 May 1958.
[28] *EAS*, ''Odd' policy on coffee - assistance likely to be needed in marketing', 25 October 1958.

Thus the CBK advanced its consumerist solution of 'demand management', a controlled release of some surplus stocks in order to lower prices and expand sales. Whilst this was calculated to ease the pressure on producers, it put wide layers of settlers at risk compelling them to sell off their coffee at below its costs of production. The CMB made a virtue of falling world prices, arguing that this would encourage consumption and discourage production. The CMB's line was to wait upon the market for an expectant cycle of higher coffee prices, which would "come quickly enough". Until the arrival of this scenario, East Africa "could get through". If surplus stocks were released the prices of all coffees would tumble "very steeply". The CMB's strategy was to bring supply and demand into equilibrium by reducing supplies, restricting production and new plantings, and through stimulating demand to soak up surpluses.[29] The end result would be the restoration of equilibrium within the industry. During December 1958 the crisis deteriorated further as the prices of lower to medium grades of Kenyan coffee entered into the anticipated slide and ended down by £20 to £30 a ton, with losses estimated at "about £1,000,000". Prevarication had lent the initiative to the unconscious interplay of the market. This prompted a pervasive desperation all round to resolve the crisis of overproduction. The East African Coffee Roasting Association vocalised its position that nothing less would do than to drop prices,[30] while Brooke Bond responded without warning and reduced their prices by as much as 80 cents a pound in a bid to shrink their competitors.

With the approach of the 1959-60 season, the Latin American producers came forward with draft proposals that Britain's African colonies of Kenya, Uganda, Tanganyika and Sierra Leone should limit their exports to 1,949,000 bags.[31] The chairman of both the CMB and the Kenya Planters' Co-operative Union (KPCU),[32] R. S. Wollen, was categorical in an announcement to the Nairobi Coffee Conference that Kenya "would not be a signatory to this scheme". He emphasised the scarcity value of Kenya's high quality coffees and argued that it was the cheaper coffees that were in "oversupply". Wollen led the conference into denial that the crisis even touched them, "confident that however much coffee is released in the world we shall always be able to sell our total production and at some premium for quality". Kenya's producers should not be swayed by the threat of catastrophe, since the quality of their coffees was above the rest. This was the position of a significant lobby which favoured going it alone. Kenya's coffee production was increasing by 2,500 tons a year and plans were underway to develop the potential market amongst Africans in Kenya for cheap coffee. Market outlets in Rhodesia and South Africa were also being explored. In reality though these options were barely enough to make a difference since Kenya's coffees essentially held on only by the slender thread held by German buyers. Even so, Wollen was "frankly terrified" that if Brazil

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[29] *EAS*, 'Cheaper prices good for coffee in the long run - report on world trade talks', 21 November 1958.

[30] *EAS*, 'Concern at slide of coffee prices - effect on Kenya economy', 2 December 1958.

[31] *EAS*, 'Alarm at coffee proposal' - threat to output from East Africa', 7 July 1959.

[32] The KPCU was a country wide co-operative owned and managed entirely by coffee growers through a board of directors. It was founded in 1937 and was originally known as Thika Planters Co-operative Union whose purpose was to purchase supplies for its members. In 1945, after World War II, the Government of Kenya enacted a new co-operative ordinance. This enabled the KPCU to acquire the entire agency business for the co-operative society sector of the coffee industry. Its membership comprised all coffee co-operatives and over 90% of coffee estates. In 1947, the KPCU completed its milling monopoly by purchasing the mills of the East African Coffee Curing Company, which was an amalgamation of several small mills, which incorporated coffee milling, liquoring and storage. The main role of the KPCU was to mill and grade parchment coffee from estates and societies. It also provided advice on coffee husbandry, agricultural inputs such as fertilizers and machinery, short term credit, transit and warehousing, receiving and channelling payment to members together with education and information to coffee growers. The KPCU paid farmers through a pool system, sale proceeds were combined before determining the final average rate to pay farmers. Payments were made after deducting marketing expenses incurred by the Coffee Board of Kenya and the final price was the same for all farmers.

were to release her surpluses onto the world market "the fall in the price of all coffees would be catastrophic".[33]

As further talks got under away in Washington on the adoption of the 1959-60 global marketing agreement, new proposals were advanced for an increased export quota of 40,272,000 bags matched against an estimated annual world consumption of 38,000,000 bags.[34] In addition to existing surplus stocks, such an excess of supply over demand would almost certainly keep prices in the doldrums. The Latin American producers led by Brazil manoeuvred to lure the Africans into a world-wide quota agreement that they would dominate. There were also signs of brinkmanship between the warring factions. Whilst both would sink amidst an economic collapse, this did not prevent either from taunting the other with the prospect of such a disaster in order to extract more of the quota for themselves. The CMB, with its head still in the sand, believed that African producers had significant leverage over their Latin American rivals and that Brazil would not seek "to prompt such a disaster". Nonetheless, there was more than a little suspicion amongst the East African producers that the provisions of the proposed pact did "not augur entirely well" for them. There was deep resentment at a quota pact that would involve the region's producers retaining 24,000 tons of their produce "just to protect the artificially high prices" sought by the Latin American producers.[35] A leading settler politician, Bruce Mackenzie, cautioned against complacency and warned that the prospect of Brazil offloading its stockpiles, accumulating at a million tons a year, onto world markets was a very real one.[36]

Finally an agreement on export quotas was reached following a surprise abject capitulation by the East African producers in which they settled to withhold 54,000 bags from the market, more than double the previous figure. What had changed to coax them into signing such a deal? A new dimension to the pact was introduced that excluded any new markets developed by the producing countries from the export quotas.[37] But would non-quota markets be enough to soak up the surpluses of rising production? This problem was highlighted by figures released by the US Department of Agriculture that forecasted record production levels of African coffee,[38] estimated at 10.6 million bags for 1959-60, of which 10.1 million would be exportable, 5 percent above the previous year.[39] The situation worsened in the following year as the East African producers became full members of the International Coffee Agreement (ICA) and forfeited their right to restrict their exports voluntarily. They were now strictly bound by ICA export quotas, which were revised downward by 200,000 to 2,380,000 bags for 1960-61 under circumstances where prices had been falling "throughout the season for all grades and classes", a trend compounded by the general poor quality of the season's crop.[40]

Quotas aside, Blundell laid down the government's policy that Kenya could "not contemplate any direct control of production, whatever long term world agreement was concluded in future".[41] In promoting Arabica as "an excellent cash crop for the African

[33] *EAS*, 'Kenya opposes plan to limit coffee exports - assured market for quality goods', 25 June 1959.
[34] *EAS*, 'Talks in U.S. on Coffee Agreement', 24 June 1959.
[35] *EAS*, 'Coffee export control', 26 August 1959.
[36] *EAS*, 'Stockpiling of coffee threat to world price', 2 September 1959.
[37] *EAS*, 'Agreement signed on coffee quotas', 26 September 1959.
[38] By 1960, Uganda was producing 118,000 tonnes of Arabica. It was by this time the largest producer in the Commonwealth and the world's fifth largest producer.
[39] *EAS*, 'Record coffee crop in Africa likely - U.S. Report', 30 September 1959.
[40] *EAS*, 'Coffee group to stabilise prices all over Africa', 10 December 1960.
[41] *EAS*, 'Coffee group to stabilise prices all over Africa', 10 December 1960.

smallholder”,[42] he stressed the government’s concern to encourage African farmers who were in a stronger position to keep their production costs low. This would enable the CMB to sell larger quantities of coffee in non-quota markets with less fear of the commodity being sold off at below its costs of production and distribution. This indicated the government’s intention to open the gates even wider to broader layers of African farmers to engage in coffee production. Blundell was only willing to go along with quotas if the reduction “was not too great”, even while he believed that the rate of expansion in Kenya coffee growing had to be maintained so that producers were prepared for the “upward swing in the coffee cycle”.

Blundell’s thinking was that quotas were compatible with the expansion of coffee production since, to come through the other side of this difficult period, the industry had to be carried by African farmers until prices had climbed out of their trough and lifted the fittest European producers, able to survive the trials and tribulations of low prices. Blundell envisioned an industry in which there was room for both low cost Africans producers and rationalised European producers able to invest in new technology and trim their businesses to the vagaries of the market.

In conjunction with the course towards the smallholder, Blundell was hedging the fortunes of Kenyan growers “on a complete price collapse of Brazilian Arabicas” in the hope that Kenya’s Arabica would hold its own, and “could probably continue to command premium prices” on the strength of its reputed excellence, thus cashing in on the misfortunes of its rivals. Nonetheless, he was attendant to the risk of a price war in which “there was a danger that the price of even the best qualities would decline precipitously”.[43] During 1961, the continued fall in world prices had a further dramatic impact on Kenya’s economy. Alarm bells rang at the Nairobi coffee auctions where class 6 coffee sold at an average of 311 shillings per hundredweight, as compared to 366 in the previous season. Was this the beginning of a meltdown?[44] A report published by the Department of Trade and Supplies revealed that the value of Kenya’s exports had shrunk by 7.4 percent during 1960. This was almost entirely due to lower coffee prices, so that while coffee exports were 37.8 percent of Kenya’s total, their relative value had fallen.[45]

The recurrent emphasis on quality and productivity surfaced again at the coffee conference in Nairobi held in July 1961 attended by 55 representatives of coffee organisations and societies throughout Kenya. Roger Swynnerton, the Permanent Secretary at the Ministry of Agriculture, echoed the almost constant refrain of coffee industry spokesman with his sermon of “sound development and quality maintenance” as crucial to the “survival of the coffee industry at a critical time”. Swynnerton’s formula relied on an “increase in advisory and research services”, whilst at the same time keeping “a close eye” on foreign competitors. He reminded delegates that while the price of coffee had fallen by £200 a ton during the previous four years, the industry had managed to sustain itself by exporting more than £10 million worth of coffee, through increasing production by more than nine thousand tons and by “preserving quality”.[46] Nonetheless, without a larger quota to soak up the surpluses, and in spite of non-quota markets, such a strategy was storing up inescapable problems for the future.

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[42] *EAS*, ‘Coffee group to stabilise prices all over Africa’, 10 December 1960.
[43] *EAS*, ‘Minister on coffee treaty - Kenya would not accept output limit’, 7 May 1961.
[44] *EAS*, ‘Coffee auction’, 10 May 1961.
[45] KNA, Kenya Trade and Supplies Bulletin, June 1961.
[46] *EAS*, ‘Quality the key to coffee Industry survival - need for more research and advice stressed’, 29 July 1961.

The International Coffee Agreement: the institutional rebirth of protectionism

During the years 1954-56 the market entered into a period of massive overproduction and a slump in world prices, related to the simultaneous rise of coffee production throughout Latin America and Africa. In an attempt to stabilise prices, the Latin Americans signed the Mexico Agreement in 1957, renewed a year later as the Latin American Agreement. Both were built upon the need to restrict exports. The expansion of coffee cultivation in Africa, however, risked the success of an agreement that covered only Latin America. African coffees, excepting the French colonies, competed with Latin American coffees in all markets – including the North American ones. In 1959, African countries participated in the talks that led to the establishment of an international agreement, which was renewed in 1960 and 1961.

The crisis of overproduction within the industry eventually led to the 'long term' International Coffee Agreement (ICA),[47] replacing previous one-year agreements, which became operable from 1 July 1963 to give some semblance of regulation to the contracting market and to keep internecine struggles amongst global producers within the boundaries of order, though these conflicts often threatened to get the better of the ICO, which was set up to police the agreement. Whilst relationships between producers appeared to be regulated by the quota system enshrined in the ICA, the superior weight of Brazil and Columbia, the world's leading producers, was dominant.[48] The ICA meant that most producing and consuming countries were signatories to a commonly binding undertaking. Under the agreement, the international coffee market was subjected to a regulatory control mechanism system, whereby a target price (or price band) for coffee was set, and export quotas were allocated for each producer. When the indicator price calculated by the ICO rose over the set price, quotas were relaxed; when it fell below the set price, quotas were tightened. If prices rose particularly sharply, quotas were abandoned until prices declined to within the band. Its apparent goal was to achieve stability of coffee prices through the agreement and policing of quotas, increase the purchasing power of producer countries and reduce the difficulties caused by surpluses.[49] Governments in both producing and consuming countries sought to agree pre-determined supply levels by setting quotas for producing countries. To prevent oversupply, ICO- member countries had to agree not to exceed their supply of coffee exports, however if prices rose, producers were permitted to exceed their quotas to meet the surge in demand. In practice this meant reducing, containing and placing limits upon competition at a time of low prices when

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[47] The agreement's objectives were: "(1) to achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices, and which will bring about long-term equilibrium between production and consumption; (2) to alleviate the serious hardship caused by burdensome surpluses and excessive fluctuations in the prices of coffee to the detriment of the interests of both producers and consumers; (3) to contribute to the development of productive resources and to the promotion and maintenance of employment and income in the Member countries thereby helping to bring about fair wages, higher living standards, and better working conditions; (4) to assist in increasing the purchasing power of coffee-exporting countries by keeping prices at equitable levels and by increasing consumption; (5) to encourage the consumption of coffee by every possible means; (6) in general, in recognition of the relationship of the trade in coffee to the economic stability of markets for industrial products, to further international co-operation in connection with world coffee problems." (International Coffee Agreement 1962; Chapter I, Article 1. p. 7).

[48] Brazil's shortage of foreign currency reinforced its subordinate ties to the United States. Whilst the country had significant oil reserves of its own, the oil industry was slow to develop making the country dependent on petroleum imports from the dollar and sterling areas. This made Brazil very dependent for her foreign income on the world price of coffee. This made Brazil overbearing and predisposed to exercising its pre-eminent position within the ICO to get its way and to secure its position at the expense of other producers.

[49] A. Kumar, *Primary Commodities: International Control of Production and Trade*, Ljubljana: Research Centre for Cooperation with Developing Countries, 1986, p.165.

producers had to sell more than before in order to keep their heads above water, in what appeared to many to be a re-run of the depression. Far from alleviating tensions, the quota system exacerbated them and intensified already existent contradictions. As a consequence of ICA quotas, coffee plantings in Kenya were temporarily banned until the mid 1970s when the international prices rose.[50] The ICA system was beset with squabbles over quotas from the start. These threatened to undermine the agreement as an increasing volume of coffee traded with (or through) non-member importing countries ([at lower prices) or non-quota markets.

The ICO was founded in 1962, in an apparent attempt to overcome the anarchic nature of the industry worldwide, which had had such disastrous consequences in the 1930s. Its express purpose was to police the ICA, which was the global industry's key response to the collapse of the post war primary commodities boom, with the professed aim of softening the impact of similar crises in future. However, it had a less visible agenda of prioritising the survival of the strongest producers as the basis of its decisions concerning the distribution of portions of a contracting market during a period of low prices. This meant in practice apportioning and policing quotas, and limiting production in a way that tended to give the greatest advantage and flexibility to the large Latin American producers who were even more captive to America's informal imperialism than they had been before WW2. It would be a mistake to see the emergence of the ICO as a sign that the industry was becoming more organised worldwide.[51] Beneath appearances, the industry was becoming more hierarchical, with economic power becoming highly concentrated into the hands of a few powerful producers who had the potential to browbeat and hold the smaller and less significant producers to ransom. In the case of Brazil, its position at the apex of the ICO expressed its relationship to the concentrated dominion of the USA as its informal satellite.

If anything, the crisis of world overproduction was more universal in its impact and threatened to hit the industry even harder than in the thirties. The quantities involved were much greater, and there were more producers pushing to offload their surpluses in a scramble to meet their costs of production and ensure some workable profit margins. These unbearable contradictions gave rise to great strains within the ICO, which threatened to tear it apart as it was perceived as an organisation which operated primarily for the benefit of the large Latin American producers. The ICO, far from reflecting organised capitalism, institutionalised the management of anarchy in world coffee production in a system that squeezed the small producers in order to save the larger ones. The very organisation of the ICO assured the mutually antagonistic interdependence of all its separate parts.

Protectionism took the contradictory form of the ICO and the quotas imposed on the signatories of the ICA. These enabled the larger and politically powerful producers to protect and expand their markets at the expense of weaker rivals. This was accompanied by a combined transformation in the structure and *modus operandi* of the industry worldwide, which had evolved in response the world slump of the 1930s, in which the concentrated capital dominion of the Latin American producers was able to assert itself more strongly through quotas biased in their favour. Viewed in this way, the ICA represented a reinstatement of the protectionism which characterised the inter-war period.

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[50] J. Heyer *et al* (eds), *Rural Development in Tropical Africa*, London: Macmillan, 1981, p.104.

[51] Benoit Daviron & Stefano Ponte, *The Coffee Paradox: global markets, commodity trade and the elusive promise of development*, London: Zed Books, 2005.

Whither Kenya?

The crisis of coffee production in late colonial Kenya was a local expression of a crisis that was worldwide in character, in which cyclical fluctuations intrinsic to capitalist development showed themselves in an acute manner. The configuration of relationships through which this was dealt with were largely determined by external shifts in the balance of global imperial, and sub-imperial, power, which in turn greatly influenced the restructuring of the Kenyan economy during the late colonial period.

The crisis entered a new phase in September 1961, marked by a sudden deepening of the prolonged depression in world prices. At the 'first of the season' coffee auctions in Nairobi, class 6 coffee fell dramatically to just 292 shillings per hundredweight, with the prices of most grades "generally down" on the previous season's close. The "downward drift"[52] in world prices was so serious that the ICA appeared to be on the brink of break-up amidst bitter internal squabbles, with some producers on the verge of breaking ranks. As the fiction of controlled markets crumbled, political upheavals in Brazil created unease throughout the ICO that political pressures to release the country's surpluses would gain the upper hand. This seems to have intimidated the East African producers into accepting a 3 percent cut in export quotas from 1,468,541 bags in 1960-61 to 1,424,489 in 1961-62. This curb on exports could only worsen the region's economic position in a situation where its coffee growers could least afford curtailments on production. The restrictions of the ICA were hardly able to arrest the crisis as world prices fell still further. The *Financial Times* in London believed the "likelihood is that prices will continue to fall for sometime to come". The CMB now resorted to selling even more coffee under the counter in non-quota markets with the apparent aim of pressurising the dominant producers within the ICO to increase Kenya's quota.[53]

The prospective price collapse and internecine wars within the ICO generated much unease in Britain and Kenya. The future of Kenya's involvement in international coffee agreements was the subject of talks in London in June 1961 between representatives of the three East African territories and the British government. The colony's problems of adhering to long term agreements and the prolongation of the existing agreement were discussed. Britain's intervention at this juncture was almost certainly related to its concern for the economic and political stability of its colony during the transition to independence.[54]

R. S. Wollen told Nairobi Rotarians "that no country on the verge of independence would weather the economic trouble which would follow a drop in coffee prices". At current rates of growth Kenya was likely to double its annual production of 500,000 bags within five years. Wollen warned that if there was no international agreement, coffee-producing countries would face a price war and "should this happen" Kenya would be lucky to sell its crop at a quarter of the present price. Wollen welcomed the efforts of the Kenyan government towards negotiating an agreement, but "it will involve sacrifices and may be unpopular". He drew further attention to Brazil's stockpile of 40 million bags that was "as much as Kenya produced in 80 years",[55] a figure that reached 52 million bags by the close of 1962.[56] Brazil was using

[52] *EAS*, 'Peril in falling coffee prices - treaty's aim being ignored -chairman', 21 September 1961.
[53] *EAS*, 'More coffee price fall likely: talks in U.S. vital to East Africa', 14 March 1962.
[54] *EAS*, 'London coffee talks clarified issues - policy study made', 21 June 1961.
[55] *EAS*, 'Drop in prices would ruin Kenya warns chairman of coffee board', 13 April 1962.
[56] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, 'In the matter of an Arbitration of a Trade Dispute between the Sisal and Coffee Plantation Workers Union and the Kenya Coffee Growers Association', November 1962.

this coffee mountain to browbeat and intimidate the smaller producers into line behind its policies and domination of the ICO. This was a knife at the throat of Kenya's coffee planters, impelling sharp changes in class relations within the country as it moved closer to independence.[57]

At the 1962 International Coffee Conference, a five-year agreement was reached whereby Kenya was bound to retain 12 percent of its total crop. The international export quota for 1962-63 was fixed by the conference at 45 million bags thereby adding another 8 million bags to unsold stocks. Whilst 'stabilising' markets and holding off a price war, this was at the expense of aggravating the crisis of overproduction. Whereas under previous agreements the East African territories shared a single quota, Kenya now had its own quota fixed at 30,000 tons a year. However its crop estimate during the 1962-63 season was 38,000 tons, 11,000 tons more that the previous season from which there was an unsold surplus of 3,000 tons. This cumulative 'excess' could only be set against Kenya's fixed quota. About 10,000 tons of these stocks were to be disposed of locally and onto non-quota markets, though at a "substantial reduction" on the price obtained from sales to quota markets.[58] Overall a much tighter margin would result all round, with a lower average rate of profit when sales to quota and non-quota markets were combined.[59] In the previous four seasons the average price on local markets had been approximately £52 a ton, one-sixth of the price obtained on quota markets, and the average price obtained on non-quota markets approximately £150 per ton, giving a combined average of £75 per ton.[60] Such a low price acted as a drag on the much higher average price attained by coffee sold on quota markets.

Unless the world price for Kenya's coffee showed a steep rise, or it was able to substantially increase the volume and price of its sales in non-quota markets, the Verjee Tribunal, which investigated the avalanche of coffee plantation strikes brought on by declining world prices,[61] believed that the industry would "be placed in a dangerously precarious position".[62] Its implications for the rate of profit were illustrated by the figures shown below, presented to the 1962 Verjee Tribunal by the general manager of Socfinaf, Kenya's largest coffee plantation company.[63]

[57] David N. Hyde, 'Plantation Struggles in Kenya: trade unionism on the land 1945-65', Ph.D thesis, School of Oriental and African Studies, 2000.
[58] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962.
[59] The non-quota areas were low consumption markets in the low per capita income countries of Eastern Europe and East Asia.
[60] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962. Of course the average price was subject to fluctuations: 568 tons were sold at the Nairobi coffee auction on 5 February 1963 at an average price of £310.91 a ton. The cumulative sales for the season were 19,562 tons at an average of £318.47 per ton. A total 417 tons of non-quota coffee averaged at £194.08 per ton (*EAS*, 'Coffee Auctions ', 6 February 1963).
[61] Hyde (2000). The essence of this was a systematic attempt to rationalise production by applying the methods of so-called 'scientific management', partly facilitated by the introduction of mechanisation, to the organisation and calculation of production. Both were attempts to widen profit margins, compressed by competition and falling prices.
[62] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962.
[63] The company owned 12 estates spread over 37,960 acres (including 5,402 acres planted coffee).

Table 1 – Coffee sales to quota, non-quota and local markets showing tonnages and the average price per ton as at 1962

Sales	Tonnage	Price
Quota markets	30,000	£300
Local	1,200	£52.5
Non-quota markets	9,800	£150
Total	41,000	
Average price per ton		£257

To avoid suffocation under a mountain of cumulative surpluses, the Verjee Tribunal urged that "no effort should be spared" to promote sales in non-quota markets.[64] Nonetheless, this could only be a short run solution since all world producers were competing in non-quota markets as well. The crisis-torn tendencies of the industry ultimately necessitated the withdrawal, and annihilation, of vast quantities of coffee from the world market, with dire consequences for farmers and workers, in order to create an equilibrium between buyers and sellers. As the unity of the phases of production and exchange forcefully asserted itself, the erstwhile artificial separation of these departments crumbled allowing only the strongest competitors to survive.

During 1961, Kenyan premium grade coffees rose by £28 to an average price of £348 a ton. As a result Kenyan coffee lost not only recently gained markets in Holland and Sweden. Further ground was also lost in Britain. The survival of the coffee industry now seemed to hang largely by the slender thread of one market in West Germany, Kenya's "most important buyer". Already menaced by EEC regulations, its loss would spell ruin for thousands of growers.[65] This came at a time when Kenya's coffee production was "increasing far more rapidly than its export outlets" prompting "drastic control" over new plantings.[66] These restrictions were occasioned by the ICO's export quota for Kenya pegged at 30,000 tons against a crop estimate of around 38,000 tons, with substantial future increases predicted by the CBK. The board pointed out that Kenya was on course to exceed its export quota to the traditional high priced markets by more than 20 percent and that efforts to unload this surplus onto non-quota markets would cost the planter "quite a lot of money".[67]

Renewed concerns over quality surfaced with signs that German roasters "were turning away" from Kenya coffees, a trend that came to fruition in November 1962 when Schweggmann and Co., agents for East African coffees in Bremen, confirmed that "most" German coffee roasters were "not using" Kenya coffee in their blends anymore because of the drop in quality.[68] They complained that "the well known attributes of fine liquoring Kenya

[64] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962.
[65] *EAS*, 'New markets lost by increased prices for coffee', 28 July 1962.
[66] *EAS*, '5,000 ton target for non-quota markets: Kenya plans to raise exports of coffee', 22 November 1962.
[67] *EAS*, 'Kenya coffee still the worlds best', 1 December 1962.
[68] The productivity drive on Kenya's coffee plantations had a great deal to do with this. Workers were under much greater pressure to fulfil their picking tasks [see main body of thesis]. There had been persistent problems during the Emergency as the employment of female and child labour was extended to fill the huge gap in the workforce left by the detention and restrictions placed upon the employment of Kikuyu males. The changes in working practices introduced by the employers led to a much more intense working day and there is wide

coffees - flavour and acidity are rarely seen today".[69] At this point Kenya was exporting half its crop to Germany, though "only a few buyers are involved and should they change their mind the export situation could change in a few days". Kenya's most cherished market was on the verge of slipping away as German buyers were unwilling to pay high prices under conditions of declining quality and were looking at other suppliers. There were several reasons for the drop in quality. Coffee growers had suffered bad weather for the three previous seasons and there was a marked tendency amongst growers to allow their trees to overbear.[70] Then there was a widespread incidence of casual field workers picking unripe green cherry to make up a 'debe',[71] in response to low picking rates and rationalised working practices.

Quotas and the Straitjacket of National Production

Once the problems of the world's coffee producers were dealt with according to an internationally agreed quota system, the remaining problems were forced more and more into national straitjackets, leading in Kenya to the restructuring of the industry and the displacement of the settlers. The global crisis was passed onto the colonial government in Kenya to deal as the CBK internally policed the quota system.[72] Due to restrictions on planting imposed under the ICA, increases in coffee production were sought from increased productivity because of imposed constraints on additional acreage coming into bearing, which inhibited coffee's prescribed role as a 'development' crop cast by the Swynnerton Plan. This disabled any long term development policy to encourage farmers to plant and produce more coffee, rather the reverse. The development problem of Kenya's coffee industry was not one of expansion of production but of careful limitation and quality control. Under conditions imposed on Kenya by the quota system, the government had an overriding interest in being seen to pursue the stringent limitation of all new coffee planting, and indeed, were it possible, the reduction of existing acreage.

Increased productivity did not mean getting more cherries per tree, because the quota system operated on the basis of the amount of coffee which could be sold in quota markets and not on the number of trees or acres planted. The increased productivity that concerned the government was not, therefore, an increase in the tonnage of clean coffee, but maintaining and if possible raising the traditionally high quality of Kenya coffee in order to gain the best possible return on a fixed tonnage. However the periodic incidence of Coffee Berry Disease (CBD), which increased during the 1960s, led to falls in production, giving rise to variable need to increase the total output of Kenya coffee estates and small holdings.

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evidence of picking tasks only being fulfilled by the widespread picking of unripe berries thus undermining the crops reputed quality.

[69] *EAS*, 'Coffee delays worry trade',1 August 1963.

[70] *EAS*, 'Kenya coffee losing flavour', 5 November 1962.

[71] "…those four-gallon paraffin tins that had become a universal water-vessel, measure and roofing material" (Elspeth Huxley, *The Flame Trees of Thika: Memories of an African Childhood*, London: The Reprint Society, 1960, p.9). These were capable of carrying anything between 6,000 to 18,000 cherries, depending on the size of the cherry. The average was about 8,000 per debe or 4 million cherries per ton. The differences were accounted for by the weight and size of the cherry. Sometimes, with excess of rain, the cherry or the pulp was bigger or thicker. With less rain, the bean or kernel was smaller. Overall, there was rough average of 550 debes to the ton. See KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962.

[72] Government of Kenya, *Development Plan 1966-70,* Nairobi: Government Printer, 1966, p.176. As a result, coffee's share in total exports tended to decline relative to commodities on which there were no quotas or restrictions.

If Kenya violated the terms of the ICA it would lay itself open to penalties including a quota reduction. Whilst coffee surpluses could be off loaded in non-quota markets this was at prices which were at best 30 percent below quota-market levels. The Department of Agriculture believed that Kenya's interests were "best served by keeping the non-quota surplus as small as possible, while at the same time controlling and upgrading cherry quality to preserve the domination by Kenya arabica of the lucrative mild coffee market".[73]

When Kenya joined the ICO in 1966, even though it was already an ICA signatory the country's quota was fixed as 43,970 tons, but by March 1967 it had already been cut to 41,085 tons. The crop for the 1966-67 season, however, amounted to just under 55,000 tons, leaving some 20 percent of the entire output to be sold on non-quota markets at lower prices. The overproduction was the result of the extremely rapid expansion of African coffee growing in the early sixties, with African coffee acreage trebling between 1961 and 1967 to about 130,000 acres compared to the 75,000 acres of estate-grown coffee, most of the latter owned by white settlers or European-dominated firms.[74]

Initially African coffee planting standards were carefully controlled by the Department of Agriculture, but the control system broke down completely in the planting rush of 1963-64, when notice of intention to restrict planting under the ICA was given to growers. In 1964, expansion of coffee acreage was prohibited, and in 1966 new planting was limited to 'infills' of 6 percent – that is, growers were allowed to buy seedlings to replace old or diseased trees up to 6 percent of their total number of trees, which was cut to 2 percent the following year. Given these stringent prohibitions, the crux of the problem was enforcement and 1966 the government established the Coffee Authority, charged with improving and controlling coffee grown by African co-operative societies.

Tight checks and controls over nurseries and seedlings were imposed. Amongst the penalties dispensed were the uprooting of illegally planted coffee trees without compensation and the prosecution of those responsible. Some small scale uprooting of African coffee took place in Kisii, Murang'a and Kiambu in 1967. More vigorous action was taken against estates in Makuyu, Kiambu and Kitale where thousands of trees on estate nurseries were burned.[75] Correlatively, thousands of acres in the estate sector went out of production where a decline from 80,118 to 75,000 acres took place during the course of 1965-67, while African planted acreage held fast (see Table 1).

For the 1965-66 season, Kenya was able to achieve an increase in its ICA quota to 750,000 bags that realised a substantial rise in value to more than £19 million as compared with £14.7 million in the previous year. Despite these gains, production expanded considerably in excess of Kenya's prescribed quota to over a million bags.[76] Of the total crop of 47,000 tons for the year ending September 1966, 42,700 tons were sold under the ICA quota and the rest to non-quota markets. Nonetheless, competition from other producing countries for non-quota markets was intensifying and Kenya was unable to rely on them to absorb its surpluses. The trend towards overproduction looked set to continue as African growers planted out new land under coffee in response to eased restrictions. Anticipating a

[73] Government of Kenya (1966), p.177.
[74] *Kenya Coffee*, March 1967, p.92.
[75] KNA, Department of Agriculture Press statement, 4 June, 1967. Also monthly issues of *Kenya Coffee*, November 1966- June 1967.
[76] *EAS*, 'Sharp rise in Kenya exports', 6 October 1966.

rise in production to 70,000 tons, the CMB warned that, even with an increased ICA quota, by 1968-69 "a substantial quantity would be unsaleable overseas".[77]

Following independence and well into the sixties, a range of financial impositions continued to weigh heavily on Kenya's coffee growers.[78] Resolutions before the annual coffee conference in January 1965 in Nairobi from mostly European farmers in Kiambu, Thika, Kabete and Ruiru deplored the imposition of additional 'cess' payments. When the CMB were instructed by the government to levy a 3 percent tax for the assistance of county council finances, Thika's growers protested at an "intolerable burden on an industry already penalised by selective taxation which will act as a deterrent to the efficient high acre yield farmers", whilst planters in Kabete were indignant that "cess is discriminatory, unjust and economically unsound".[79] The Kiambu delegates requested the CBK to align cess payments to the normal rating method based on land values and improvements. The conference released a statement warning that further deductions from the industry's account would make its situation "precarious if the world price of our coffee drops". Opposition to cess payments was also forthcoming from delegates representing 100,000 mostly small scale African coffee farmers, attending the sixth conference of the Kenya Planters Co-operative Union, worried that cess would imperil their slender profit margins and "cause a reduction in quantity and quality".[80] The conference appointed a committee to approach the government and "to protest at the cess on an already overburdened industry". Overall, the industry was at its limits, overburdened with deductions totalling £28 a ton, including export tax, ICO contributions and a CBK Levy.

Exactions aside, growers were fighting a battle on another front with Coffee Berry Disease (CBD), which continued to take a heavy toll when, during 1964-5, the season's crop totalled just 38,000 tons against an estimate of 45,000 tons. The CBK highlighted the impact of disease, heavy taxation, the incidence of drought and a low rate of profit as the "serious problems" facing growers "leading some to uproot their crops". Large numbers of African producers on the upper slopes of the Aberdares and Mount Kenya, where CBD was most prevalent, had uprooted their trees and opted for tea cultivation because of their disillusionment with the co-operative societies over continued low payments.[81] These problems combined and came to ahead when, during 1967, world overproduction and ICA quotas impacted harder than ever. There was a marked reduction in the general quality of Kenya coffee brought on by a lack of funds to carry out necessary production tasks such as fertilising and spraying. This left the crop vulnerable to recurrent drought and the recurrent ravages of CBD resulting in losses in the region of 35-40 percent. In face of these problems, growers were penalised by a very heavy export tax of £20 per ton and the generalised refusal by the banks to permit them to increase their overdrafts to keep their heads above water.

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[77] *EAS*, 'Kenya coffee crop facing surplus', 17 November 1965.

[78] KNA, AMC 7/20: Arbitrator [Jimmy Verjee] Report, November 1962. By the time of the Verjee tribunal in December 1962, costs of production were at record levels: "Once coffee is off the trees, the producer is required to transport his crop to Nairobi. He is required to pay the Coffee Board an ordinary cess of 1% and a storage of a ¼% per ton, which is £3.21 per ton. He also has to pay the C.M.B. charges in respect of warehousing, insurance, brokerage, packing and overheads, which make a total of £5.90 a ton. Finally, he has to pay the Agent's commission and the charges of the I.C.O., which amount to £1.07 per ton. From the average price per ton payable to a grower in respect of coffee sold through the C.M.B., there is a total deduction of approximately £10 in respect of the aforesaid outgoings and charges".

[79] *EAS*, 'Opposition to cess on coffee', 12 January 1965.

[80] *EAS*, 'Coffee growers form committee to fight cess', 12 November 1965.

[81] *CBK Monthly Bulletin*, January 1966.

Conclusion

The crisis within Kenya's plantation economy reflected a profound upheaval within the world coffee market. Overproduction and disequilibrium between production and consumption were the basic phenomenon of this crisis, creating pervasive conditions of flagging accumulation for producers. In the face of this crisis, the colonial government's strategy, prior to joining the ICA, was to win new markets and hold onto old ones. The aim was to cut production costs as far as possible and export the maximum amount of coffee in order to earn badly needed hard currency. While low prices cut mercilessly into the rate of profit, the Ministry of Agriculture believed that the continued growth of production stood a chance of offsetting this trend as the mass of profit expanded. Hence by selling more coffee at depressed prices Kenyan growers could conceivably arrest the tendency of the rate of profit to fall. In the long term, however, only a sustained price rise could stave off this tendency for any lengthy period. It was these considerations that were the source of Agricultural Minister, Michael Blundell's paradoxical urge to Kenya's coffee growers to step up production during a contraction period.

Under the adverse market conditions of this period the price of coffees was close enough to the costs of production to put the very future of the industry at risk. European coffee planters were mostly producing at below their costs of production. The plantation companies were able to tough out these conditions and save themselves by efficiencies and their larger economies of scale. The introduction of new technology was evident amongst some of the better placed planters, a factor which made large scale increases in output amongst them both possible and necessary if coffee production were to be run at a profit. These planters were those most likely to survive the enforced transformation of the industry, whilst others were too strapped to stay the course. The weaker layers of settler coffee capital were unable to marshal the necessary resources for investment, and restructure themselves to come through a prolonged period of low prices.

In a bid to restore the conditions for profitability in the industry, and departing from the need to preserve its tax base, the colonial government was compelled to open the doors to small scale African farmers and lift the ban on African coffee production in response to the reverberations of the world market. The issue at stake in the Kenyan coffee industry under severe external pressures from the global market was the extended reproduction of capital in the industry. It was here the solution of low cost African coffee farmers came into its own, though at the expense of displacing many settlers out of production. European growers encountered severe obstacles to their economic survival in the form of strikes and the superior performance of African growers. The much lower labour costs of African growers were attributable to their ownership over the crop, longer working days, more intense working patterns and their ability to mobilise the labour power of the extended family for a small return. This made them much better able to bear the burdens of global competition and, facilitated by the colonial government, they soon threatened to usurp the pre-eminent position of European farmers. The average rate of profit was pulled below what European growers could bear by overseas competition and the expansion of African coffee production which acted in tandem to devalue settler capital. The embryonic landed African bourgeoisie was the only layer able to make real gains under these conditions, a factor which accelerated the pace of class formation and social differentiation amongst African farmers themselves.

Abroad, the continuing prospect of the Latin American producers releasing their surpluses onto the world market threatened a global devaluation of coffee capital. Overall, the harsh curbings of the world market dictated the necessities to be adjusted to, which were enforced by the US-backed ICA that exercised great control over the relationship between production and circulation. In a crisis of overproduction vast amounts of coffee could not be sold. Its decisions decided the pace and tempo of development of those countries that were dependent on coffee to generate the capital resources for their development. This was crucial for those countries in Africa that had recently gained their independence. In some case its policies spelled disaster for some sections of capital that were unable to survive a period of low prices and restrictions on production. Overall, the ICO served to institutionalise, and to police, the unequal relationships between the world's producers.

To avoid a fall in the rate of profit, and to ensure the expanded reproduction of capital, the mass of profit had to expand, a tendency that pressed up against the limits of ICA quotas. Vast surpluses of coffee were withheld from the sphere of circulation by strict quotas and were thus unable to undergo the metamorphosis into money and capital.[82] The crisis potential of this situation lay in the increasing separation between purchase and sale, and between production and circulation. This created a dysfunctional circuit of accumulation endangering the reproduction of coffee capital. Beyond fulfilling quotas, non-quota markets were the only alternative route for absorbing surpluses.

The compelling motive for all was the self expansion of capital, but under conditions where markets were shrinking. This was evidenced by an increasingly tense struggle between coffee producers to gain larger quotas for themselves. Beneath the ICO veil of equality a few oligopolistic producer states moved to reduce or eliminate entirely the competition of their rivals. These relationships were reproduced between the producers within Kenya itself as price rigging and grading scams became evident. European planters endeavoured to manipulate the structures and mechanisms of the CMB and the CBK to keep their rivals amongst African farmers well to the rear. The unspoken aim was to manoeuvre European coffee into the higher quality grade bands that could be sold within designated quota markets, leaving the lower grades reserved for African farmers, to be dumped for a song on non-quota markets. In the run up to independence and beyond, these relationships, far from withering away, became more oppressive and widespread as well-to-do African farmers replaced dwindling number of settler coffee farmers and used their influence to bias co-operative resources towards their farms at the expense of others.

[82] Karl Marx, *Theories of Surplus Value*, Part II, London: Lawrence & Wishart, 1969, p.509.

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The mutually reinforcing relationship between 'commodities' and 'empires' has long been recognised. Over the last six centuries the quest for profits has driven imperial expansion, with the global trade in commodities fuelling the ongoing industrial revolution. These 'commodities of empire', which became transnationally mobilised in ever larger quantities, included foodstuffs (wheat, rice, bananas); industrial crops (cotton, rubber, linseed and palm oils); stimulants (sugar, tea, coffee, cocoa, tobacco and opium); and ores (tin, copper, gold, diamonds). Their expanded production and global movements brought vast spatial, social, economic and cultural changes to both metropoles and colonies.

In the Commodities of Empire project we explore the networks through which such commodities circulated within, and in the spaces between, empires. We are particularly attentive to local processes – originating in Africa, Asia, the Caribbean and Latin America – which significantly influenced the outcome of the encounter between the world economy and regional societies, doing so through a comparative approach that explores the experiences of peoples subjected to different imperial hegemonies.

The following key research questions inform the work of project:

1) The networks through which commodities were produced and circulated within, between and beyond empires;
2) The interlinking 'systems' (political-military, agricultural labour, commercial, maritime, industrial production, social communication, technological knowledge) that were themselves evolving during the colonial period, and through which these commodity networks functioned;
3) The impact of agents in the periphery on the establishment and development of commodity networks: as instigators and promoters; through their social, cultural and technological resistance; or through the production of anti-commodities;
4) The impact of commodity circulation both on the periphery, and on the economic, social and cultural life of the metropoles;
5) The interrogation of the concept of 'globalisation' through the study of the historical movement and impact of commodities.

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