THE ECONOMICS OF
TENANTED FARMING IN THE SUDAN

Thesis submitted for the degree of Doctor of Philosophy in
the University of London

by

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ABSTRACT

This is a study of the marketing of some commodities which are produced for local consumption in the Sudan. It deals with the structure of the markets in which these commodities are sold, and the manner in which their distribution is affected. Special attention is given to the various forms of monopoly in different fields of production, and their causes and effects are discussed extensively in different chapters. We also attempt to analyze the chief problems of internal distribution in this country and the various reforms which are suggested to improve the existing system of marketing.

After an introductory note which outlines the issues with which we deal in this thesis, we begin by a study of the practice of borrowing by selling crops in advance, its effects on the structure of the primary produce markets, and the measures taken by the government in order to restore competition to these markets.

Chapter II deals mainly with the accusations of collusion made against the wholesalers who supply the capital with vegetables, beans, and meat. Chapter III is a discussion of the bottlenecks which impede the flow of goods from the producers to the consumers and the efforts made by the government to provide additional marketing facilities in order to resolve these bottlenecks.

Chapter IV deals with conditions in business industry and discusses the effects on competition in this sector of the legal restrictions...
an entry imposed by the state under the existing industrial base.

Chapter V discusses some general features of wholesaling and
rebating in urban and rural areas and reviews the spheres of state
trading; and finally we present a summary of the main points raised
in the thesis and the conclusions which we reached.
I wish to express my gratitude to Syd. Mohamed Maillani, the Assistant Director of the Ministry of Commerce, Industry, Supply and Co-operation for giving me access to the files and reports of his Ministry. Without his kind help the writing of this thesis would have been impossible. I also deeply thank Syd. Ibrahim Ali Ibrahim, Ibrahim Omar Mohamed, Nebbi Mohamed Nebbi and Abbas Ahmed for helping me in collecting first-hand information from businessmen and traders in this country.

I am also very much in debt to the British Ministry of Overseas Development for the grant which enabled me to come to the United Kingdom for finalising this thesis and submitting it to the University of London.
### Conversion Table

#### Currency

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<th>1 Egyptian Pound (L.E.)</th>
<th>100 Piastras (P.T.)</th>
<th>1,000 Millimes (m.m.)</th>
<th>1 Egyptian Pound (L.E.)</th>
<th>1.025 Sterling</th>
<th>2.87 Dollars</th>
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#### Dry Measures of Capacity

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<th>1 Acre</th>
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<th>316 Rola</th>
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<th>151 Kilogrammes</th>
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#### Weights

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<th>1 Khenar</th>
<th>100 Kolbe</th>
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<th>44.81 Kilogrammes</th>
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<tbody>
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<td>1 Kolb</td>
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<td>1 Pesoio Vasa</td>
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<td>2,354.62 lbs.</td>
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</table>
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>I</td>
<td>The System of “Shekli”</td>
<td>15</td>
</tr>
<tr>
<td>II</td>
<td>Marketing in Khartoum</td>
<td>49</td>
</tr>
<tr>
<td>III</td>
<td>Markets and Agricultural Marketing</td>
<td>95</td>
</tr>
<tr>
<td>IV</td>
<td>Monopoly and Competition in Industry</td>
<td>127</td>
</tr>
<tr>
<td>V</td>
<td>General Aspects of Distribution</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>Summary and Conclusions</td>
<td>190</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td>201</td>
</tr>
<tr>
<td></td>
<td>Map</td>
<td>207</td>
</tr>
<tr>
<td>Table</td>
<td>Page</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>1. Soil and Harvest—The Prices of Dura in Four Blocks in the Gezira Scheme</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>2. Dura Prices in Three Blocks in the Gezira Scheme (1939)</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>3. Estimated Costs of One Ton of Bananas to the Wholesaler</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>4. List of Owners of Fruit Stores in Khartoum</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>5. Prices of Cattle and Sheep (1932—1939)</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>6. (a) Cost of a Kilo of Beef in Khartoum</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>(b) Cost of a Kilo of Butter in Khartoum</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>(c) Cost of Meat as a Percentage of Retail Prices</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>7. The Number and Value of Cattle and Sheep Sold in the Principal Markets of the Sudan</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>8. Produce Sector with the Agricultural Bank, Gezira Branch</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>9. Monthly Arrivals of Dura at Gezira Market</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>10. Dura Wholesale Prices</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>11. Dura Retail Prices in Selected Towns (1939)</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>12. Approximate Returns on Certain Crops Grown in the Northern Province</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td>13. The Quantities and Prices of Locally Grown and Imported Meat</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td>14. Ice Factories Erected in Khartoum After the War</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>15. The Values and Capacities of Some Ice Factories</td>
<td>243</td>
<td></td>
</tr>
</tbody>
</table>
16. Gross Margins Received by the Distributors of Some Commodities in Karachi

17. The Wholesale and Retail Margins of Traders Dealing in Consumer Goods in Karachi
INTRODUCTION

Until quite recently, studies of internal marketing in underdeveloped countries were undertaken largely by economic anthropologists. Economists were busy studying the significant developments in the export and import marketing of the new nations. Having gained their political independence, these nations were also seeking to free themselves from their economic dependence on the old colonial powers and to strengthen their bargaining power in the world markets. In order to achieve these ends, they experimented with such devices as export marketing boards, import monopolies, bilateral agreements, and currency entitlement schemes. Their use of these devices aroused much interest and hot controversies among economists and diverted their attention from the problems of internal marketing in these countries.

But in recent years there has been a growing interest among economists in the distribution systems of the developing countries and the structure of their markets. This interest is mainly the result of a somewhat late recognition of the extent to which the structure of the markets and the marketing systems of these countries has on their economic development. Many economists began to realize that the backwardness of these countries may be caused to some extent by the inefficiency of their marketing systems and their failure to cope
with the needs of their consumers and producers. Also, economic planners began to realize the importance of preparing the marketing systems of these countries for handling the vast increase in production which their development plans seek to achieve. Nowadays, most development plans contain some measures which are intended to increase the capacity and efficiency of the marketing system.

The interest of the average person in an underdeveloped country in marketing is perhaps greater than in any other department of economic activity, although his approach to the subject is naturally different from that of the economic planner. His main concern is about the effect of inefficient marketing on his income as a producer for the market or as a consumer of purchased goods. In other words, popular interest in marketing is largely an interest in the effects of the system on the distribution of income within the economy rather than its effects on the growth of the aggregate national income. Besides, laymen are in the habit of thinking of marketing systems in terms of merchants, and, therefore, complaints about marketing are usually complaints against the merchants. Where the costs of distribution are high, it is widely assumed that this is so because there are too many middlemen and because the merchants act individually or collectively to depress the prices to the producers and raise them to the consumers. Consequently, the reforms which are sought are normally intended to decrease the number of middlemen, restrict their profit margins, and decrease the dependence
of producers on them for credit.

The few studies which have been made on marketing in some of the

countries of Latin America, West Africa, the Middle East and the Far

West generally show that the prejudice against the middleman in these
countries is not utterly unjustified. The markets in which growers in
these countries dispose of their crops are in most cases dominated by
a few traders, particularly in the areas where the practice of selling
crops forward has become widespread and the ability to advance loans to
the growers has become an essential condition of marketing in produce
buying. Monopolistic competition seems to be prevalent in the retail
markets of these underdeveloped countries; the number of retailers is
usually large and price competition is very rare; instead, sellers
compete by offering their customers credit facilities, personal service,
andlocation convenience. It is also believed by some economists that
there are often too many retailers because of the ease with which one
can enter the retail trade.

However, there are many aspects of marketing in underdeveloped
countries which need to be explored. The studies which have been made
so far were primarily concerned with the structure of the primary


markets for agricultural produce and the retail markets in urban areas. Here, the economists were interested mainly in the use of credit extension by the traders as a means of differentiating their products or services and tying their customers firmly to their firms. Consequently, we know very little about group activities among the traders in these markets, or even about other forms of unilateral monopoly which traders may be practicing beside credit extension. We also know very little about the process of marketing from the time the goods leave the primary markets to the point when they reappear in the retail markets. It is in the intermediary stages of marketing, it will be remembered, that monopolies and monopolistic intermediaries are said to exist. Industrial marketing is even less studied than agricultural marketing in the developing countries. Consumer behaviour is another unexplored aspect of marketing in these countries.

The general dearth of reliable information about various aspects of the marketing systems of the developing countries make it very hard for policy-makers in these countries to formulate sound marketing policies for their governments. To complicate matters even further, economic theory has so far failed to be as sure about the desirability of monopoly in underdeveloped countries as it is about its undesirability in advanced economies. Therefore, there is a great need for more empirical and theoretical studies of markets and marketing in the developing countries in order to guide planners in their efforts to improve the efficiency of distribution in these areas.
Studies of marketing in several underdeveloped countries reveal remarkable similarities in the structure of their markets and the patterns of their marketing systems. Therefore, the information which we have on marketing in any of these countries can help us to understand the way it is performed in other countries in the same stage of development. For this reason, we feel that the findings of the present study of internal marketing in the Sudan can be of some use to the students of marketing in other underdeveloped countries. As the reader will soon find out, the main features and problems of distribution in this country are essentially the same as anywhere else in the underdeveloped world. In fact, this similarity extends beyond the field of marketing to all aspects of the economy.

The one million square miles of the Sudan are inhabited by only thirteen million persons, but at 3.2% rate of annual growth the population is rising much faster than the population of most other developing countries. About 85% of the population is engaged in primary production (agriculture, hunting, fishing, forestry and animal husbandry), 5% in manufacturing industries, 5% in services, and 5% in distribution. Primary production contributed 62% of the Gross Domestic Product in 1955/56, transport and distribution 14%, and mining, manufacture and public utilities only 3%. In 1963/64 the share of primary production fell to 52% (out of which 36% came from agriculture) while the share of the distributive services rose to 16%, and that of mining, manufacture and public utilities rose to 3%. 
The per capita income rose from Rs.27.4 in 1953/55 to Rs.30.3 in 1963/64.

Cotton is the backbone of the economy; it contributes as much as 60% of the total value of the Sudan's exports. The fluctuations in the prices of this commodity have rendered the process of economic growth in this country tenuous and erratic. The Sudanese believed in free trade and only after great hesitation did the country adopt a policy of selling part of its cotton by bilateral agreements. The country is still undecided over the question of establishing a marketing board to market the whole of the cotton crop which is produced in government and private schemes. Although the decision to set up this board was first announced in 1950.

With respect to internal marketing, the official policy is also one of not interfering with the marketing process except in the case of emergency. The Five Year Plan, 1961/62 - 1970/71 specifies the role of the government in the distribution system as one of developing transport and communications, providing storage facilities, extending agricultural credit, performing grading and standardization services, and disseminating market information. But in recent years there has been increasing pressure on the government to introduce major reforms in the marketing system which, if carried out, will put much of the marketing process in the hands of state and co-operative trading bodies.

The urge for marketing reform is the product of the fast rise in the cost of living in the country in recent years. The official
In December 1953, the General Strike was announced and the economic situation became even more serious. The government was unable to handle the situation effectively, and the result was a crisis for the country. The strike lasted for several months and was eventually called off when the government agreed to some of the strikers' demands. However, the economic situation remained poor, and the government was forced to take some measures to stabilize the economy. These measures included the imposition of exchange controls, the nationalization of banks and other financial institutions, and the introduction of a new currency. Despite these measures, the economic situation remained difficult, and the government was forced to seek international assistance. The outcome of these events was a change in government, with a new government taking power and implementing a series of economic reforms aimed at stabilizing the economy and improving the living standards of the people.
marketing although its support for co-operation is generally recognized as more verbal than material.

However, in spite of the immense interest that exists in this country in the problems of marketing, no attempt was made to have a full study of the marketing system and the extent of its codification. The studies which have been written on this subject are mostly commodity studies or works which deal with particular marketing problems, and there is an obvious need for integrating and supplementing these so as to form a complete picture of the system of marketing in this country. This is in fact what we tried to do in this thesis. In it we tried to deal with as many aspects of marketing in the country as we could cover, paying particular attention to those aspects which are of special interest to the policy-maker in this country and in other underdeveloped countries where similar conditions exist. In some cases such of this work to a number of topics which in our view have not been given due attention by the students of marketing in the developing countries.

Finally, we hope that this study proves of some use to those who are doing research on this largely unexplored field of economic activity in the developing countries. May they succeed where our humble efforts have failed.
CHAPTER I

THE SPIRIT OF "EMPIRE"

Oligopoly and Monopolistic Competition in the Primary Product Markets

A. The Campaign Against "Shari'a"

B. Chronic Indebtedness: Its Causes and Effects
The practice of selling crops before they are harvested is very common among farmers in underdeveloped countries. Economists generally agree that this practice restricts competition in the primary markets for agricultural products, but they disagree over the answer in which this restriction on competition occurs. Some of them believe that the indebtedness of the farmer to the merchant-lender who buys his produce in advance creates a form of non-ownership integration between the agricultural enterprise and the marketing agency; thus integration, they maintain, restricts the freedom of the farmer to sell his produce to the highest bidder. The result is the creation of non-economic conditions in the produce market. Other economists deny that credit can have this kind of effect on the structure of the produce market as long as there are several competing merchant-lenders from whom the farmer can borrow. To these economists, the practice of borrowing by selling crops in advance reduces competition in produce markets by its tendency to restrict the number of traders operating in the regions where the practice has become widespread. In such regions, the ability to make advance payments to the farmers in lieu of the crops which they pledge to the traders has become an essential condition of engaging in produce marketing. The result is an increase in the ratio of capital to labour required in produce

1. Mueller, op. cit., p. 419
marketing which has restricted the number of producers beyond

Consequently, oligopsonistic conditions prevail in the produce markets.

In order to restore competition to these markets, governments
ought to decrease the financial dependence of the growers on the
village merchant-lenders by establishing alternative credit agencies
owned by the state or co-operative bodies. They also encouraged the
growers to group in societies and associations so as to restore the
balance of power between them and the merchants who, presumably, act
as one body.

In the Sudan, where the bulk of the crops of millet, sesame,
wheat, groundnuts, dates and sun arabic are sold in advance by their
growers to their village merchants in return for necessities obtained
from these merchants, a practice known locally as “chayl”, similar
measures were taken by the government in an effort to restore
competition to the produce markets. The prohibition of forward
selling of certain crops, the restriction by law of the profit margins
of the merchant-lenders (the chayl merchants), the provision of credit
through state credit agencies, and the creation of growers’ co-operative
bodies were among these measures. Their success and failures are
are closely examined in this chapter, which also deals with the question
of the effect of indebtedness on the structure of the produce markets.

1. P.W. Sear, Concentration in Tropical Crops Some aspects and
   Implications of Oligopoly, Annamica, Vol. XX, 1951, p. 305.
2. “Chayl”, sometimes written ‘chetch’, in Arabic for ‘maintenance’ or
   ‘support’.
Under a shayl agreement a village shopkeeper undertakes to advance loans to a grower who pledges to deliver to him a specific amount of produce at the next harvest. The loan is usually advanced in the form of goods, but cash is also given if the merchant does not possess the goods which the grower needs. In some cases the delivery of the produce to the merchant at harvest time closes the deal as far as the former is concerned. It becomes the sole responsibility of the merchant to keep or sell the produce at his own risk. Whatever revenue he may get from selling it he keeps for himself, the grower being neither entitled to any surplus which may accrue if the revenue exceeds the loan, nor responsible for the deficit which results if the revenue does not cover the loan. This means that the merchant-lender has actually bought the pledged amount of produce and that the loan merely represents an advance payment to the grower of the agreed value of the produce.

Sometimes, what the merchant-lender buys in advance is a percentage of the crop, small or big as it may turn out to be. So this becomes a partners to the grower on a crop-sharing basis, and the grower does not have to carry alone the risks of a crop failure. But often the shayl agreement is such that the loan compels the grower to deliver a specific number of units to the merchant-lender, in which case the grower is obliged to make good to the lender any deficiency that may occur as a result of a crop failure. This form of shayl is known as "al-miya".
However, it is not unusual for the grower who borrows from a shayl merchant to continue to retain the title to the produce which he pledges to the merchant until it is sold by the latter. When this is done, the merchant deducts from the sales proceeds the amount of the loan plus his expenses and commissions and surrenders the balance, if any, to the grower. If the proceeds do not meet the merchant’s full claim on the grower, the latter has to compensate the merchant from his next crop. Thus, under this form of shayl, the grower assumes all the risks of a crop failure or a drop in the produce prices.

Shayl agreements usually extend over a number of years, the grower being offered a revolving credit which is adjusted annually to the estimated value of the crop which he pledges after bringing forward any balances, negative or positive, remaining from the previous years. If these calculations are correct, the balance at the end of each crop year will be very small. But for various reasons, this delicate balance between the amounts of produce delivered and credit received by the grower is sometimes disturbed, and consequently debts accumulate in his account. The merchant may allow the grower to accumulate debts for some time, but sooner or later he has to stop the debts from rising, perhaps without denying the grower loans which he is likely to repay. Some growers may subsequently succeed in making their accounts balance; others may spend a lifetime trying to do this without success.

1. One can say that in this form of shayl what is sold forward is the right to market the grower’s produce for a commission.
Several studies made on shayl give estimates of the margins received by some shayl merchants in specific transactions. One of these is a memorandum prepared by Paul A. Latif under the title "A Short Note on Advances on Crops (Shayl)." In this note, which was written in 1945, Latif described a typical wartime transaction of al-mi'ya type concluded between a bean grower and a produce merchant. The farmer received from the latter, ten months before the harvest, a loan of L.B. on the understanding that at harvest time he must surrender to the merchant an arshab of beans or pay the current market price. As the harvest time price of an arshab of beans was L.B.5.400, the borrower had to pay 60 per cent interest rate on a ten-month loan, i.e., 96 per cent per annum.

Another source of information on shayl margins is W.K.H. Campbell. Writing soon after the war, he wrote in his "Report on Co-operative Possibilities in the Sudan":

"These transactions are so involved that it is not easy to ascertain the actual rates of interest being paid, but I was at some pains to gather particulars of a few specific transactions, and these showed that the actual rates of interest paid by the cultivators on such loans frequently amounted to 200 per cent or 300 per cent per annum, and I heard of some cases where it was as high as 1000 per cent." 2

A research team from Bharatpur University collected some information on the prices at which sheym merchants bought dura in advance from the tenants in four blocks of the Central Scheme; also the prices at which the dura was sold in these blocks at harvest time were recorded. This information is given in Table 1 below, and the last column in the table shows that the margins received by the merchants in these blocks varied from 50 to 105 per cent. Unfortunately, the per annum figures cannot be given because the surveyors do not state how long before the harvest these sheym prices were recorded. As growers normally do not start borrowing until they have exhausted their stocks of goods and their liquid resources, these per annum figures may be considerably bigger than the estimates given in the table.

**Table 1: Sheym and Harvest-time Prices of Dura**

<table>
<thead>
<tr>
<th>Block</th>
<th>Sheym Price</th>
<th>Price at Harvest</th>
<th>Merchants' Margin as % of Sheym Price</th>
</tr>
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<tr>
<td>1. Obendra</td>
<td>2,500</td>
<td>4,000</td>
<td>60</td>
</tr>
<tr>
<td>2. Bhabal</td>
<td>1,500 - 2,000</td>
<td>3,000</td>
<td>100 - 50</td>
</tr>
<tr>
<td>3. Tunda</td>
<td>2,000</td>
<td>4,500</td>
<td>125</td>
</tr>
<tr>
<td>4. Rewa</td>
<td>2,000</td>
<td>4,000</td>
<td>100</td>
</tr>
</tbody>
</table>

A report on gun prices in Kimberley Province prepared by a special committee convened by the Ministry of Commerce in 1949 gave particulars of a shiyal transaction which occurred in the region of the Bederuya tribe. It stated that a gun producer borrowed from a merchant the sum of 10. 1,500, and promised to give to the merchant half his next gun crop in return. The crop turned out to be 72 bantams, and the merchant was able to sell his share at 12.4 per bantam at El Obeid gun market. Thus he received 14.144 in return for a loan of 10. 1,500. This makes his gross margin as much as 9500 per cent. However, the report adds that this is not a typical shiyal transaction.

Nonetheless, many observers are still shocked even by the more moderate figures given by Latiff, Campbell and the University research team. As these figures were generally thought to be typical of the interest rates charged by shiyal merchants, these merchants were branded as usurers. (This word is freely applied to all those who charge interest on loans, particularly if the interest charged is excessive.) Shiyal came to be blamed for the slow rate of growth in the agricultural sector of the Sudan. One economist wrote:

"The high rate of interest (over 200% from the examples obtained) charged by the moneylender in this system makes it impossible for the growers to save and invest in his farm. There can be no technological innovation and no application of new methods. Agricultural efficiency is trapped at a low level." Furthermore,
The policy of the government is to provide the agricultural province of the country with credit facilities and the government is currently doing its best to facilitate the agricultural province of the country. Initially, nothing short of a complete elimination of this system is envisaged. Then the government, and the last three decades have witnessed efforts made by various governments in pursuit of this objective. The vast resources that they now are usually adequate in nature, and they included legal restrictions on agriculture and rural areas, the provision of farm credit to the farmers through co-operatives and credit societies, and the abolition of the existing system of distribution in order to bypass the closed market system and the nursery.

Legal restrictions on agricultural areas were applied to varying degrees in certain areas. The measure was first introduced in the United States in 1938 with the object of promoting agricultural products. In 1940, the rate was increased there. Section 3 of the Agricultural Act of 1933.

Conditions (1956) made it illegal for the tenant to sell, mortgage, or otherwise dispose of the cotton grown in his tenancy. Cotton is the only crop grown on the Scheme to which the Indian Plantations Syndicate and the Government - the two other partners in the Scheme - have joint rights. All the other crops are the tenants', and he is free to dispose of them as he chooses. Afterwards this restriction was applied to several cotton estates where the licensee is the tenant's partner. Although the ordinance subjected private cotton to this restriction and it was called the Tenants' Protection Ordinance (1950), it was clearly intended to protect the licensee. The restriction was applied to cotton since it is the only crop grown on these schemes to which the tenant's partners have a joint right; the ordinance, however, allowed the partners to mortgage the cotton to a bank or an established financier in order to obtain seasonal finance. Anyhow, these measures successfully kept cotton out of the field.

Section 6 of the Civil Justice Ordinance (1948) aims at a more comprehensive but selective suppression of oppressive usury practices. This section empowers the courts to protect borrowers from over-charging by usury merchants and moneylenders. One of the few cases that were tried under this Ordinance involved two merchants and two cultivators from Khoran Province. The two merchants agreed to buy forward from the cultivators part of their future crops and advanced the price to them in the form of over-priced goods. The merchants also cheated the cultivators
to appoint them as exclusive sales agents for the rest of the crops and to surrender to them some jewellery which the cultivators had as security for loans obtained from the local council's loans committee. The court found both merchants guilty of over-charging and sentenced them to two months imprisonment each. But as a result of this the two cultivators were boycotted by the local merchants and had to emigrate from the region. This explains why very few cases have been tried by courts under this ordinance. Nonetheless, the ordinance might have brought some comfort to many rural destitute by making it impossible for those merchants who over-charge them to use the law to make the farmers pay the amounts they claim from them.

Recently, there has been growing skepticism in official circles as to the effectiveness of legal restrictions in combating smuggling. The Journal of Commerce and Industry which is the official organ of the Ministry of Commerce, Industry, Supply and Co-operation once said in a leading article: "Some people seem to think that you can stop 'smuggling' by making laws against it...but it is certain that 'smuggling' will continue until we can find something to replace it." Government leading is that most writers envisage an alternative to smuggling.

Early in this century, the government advanced loans to the small farmers under its Agricultural Credit Service Scheme, and thousands of farmers benefitted from this Scheme in creating irrigation (water-wheels) and buying livestock. But as large-scale farming developed from the 1930's.

onwards, the services of the Scheme became increasingly inaccessible to
the smaller farmers. The funds allocated to the Scheme were small and
did not reach £8.1 million until 1956. They were further reduced
by bad debts which by 1939 had reached £8.610,625. In that year the
Agricultural Bank was created with the object of replacing the Scheme
and extending its services. The bank had a capital of £8.5 million which
was all contributed by the State. However, the bank followed closely the
steps of the Scheme and most of its loans went to the owners of the big
pump schemes on the White and Blue rivers. It was also beset by bad
debts which rose to £5.3 million only five years after its inception.

As the Agricultural Bank’s main assets for not lending to small
farmers was that these farmers do not possess sufficient securities, it
was suggested that small farmers must pool together their resources through
co-operative societies in order to provide collectively the securities
which they cannot provide individually. Co-operative banks had a
special appeal to those who do not want to see the small farmer exploited
by private capital or spoiled by state patronism.

In this country the co-operative movement had been progressing for
decades before the state decided to adopt it in 1938. Most of the
societies were agricultural co-operatives formed with the object of pool-
ing together their members’ resources in order to buy pumps, traction,
harrow discs, etc., to be used jointly by the members. The financing of
agricultural operations and the marketing of the crops were left to the
members to arrange without assistance from the societies. Only farmers were allowed to join the societies, and funds were accepted from non-farmers, but only as deposits and not as part of the capital. This enabled many merchants to control some societies which had little capital and were forced to rely on their deposits. At the same time members of these societies who needed loans to finance their seasonal operations also remained dependent on the chabli merchant.

Thus it soon became evident that if the benefits of agricultural production co-operatives were to be reserved for their members, these members will have to be organised in credit and marketing societies which provide the credit they need during the crop year and after the harvest while their crops are still being marketed by the societies. Several of these societies were launched in the late 1950's, but most of them soon had to be liquidated. In Sindh District alone 83 of these societies were wound up shortly after they went into operation. Many others also failed in the chabli-dominated areas of the Mula Hills and the Punjab.

More successful were the regional unions and associations of co-operatives which were formed in order to perform some of the functions which the credit and marketing societies failed to perform. There are two of these at the moment. One of these is the Sindh Agricultural Co-operative Association which includes eleven agricultural production societies. Another is the Co-operative Union of Cashew Crop Producers.

which exceed only four co-operatives and some 3,500 individual members. These bodies are the collective resources of their member societies in obtaining credit from public and private sources and in negotiating bulk-purchases of machinery, fertilisers, seeds, etc., as well as bulk-sale of crops.

Another channel by which the State provides credit to the rural communities is the loan committees of several rural councils, such as those of Maamba, Choise, Western Bafut, and East Nkongs. These committees allocate annually some ten to twenty thousand pounds which are distributed in small one-year loans to growers whose farms fall within the jurisdiction of these councils. The loan is not allowed to exceed £5 and the rate on it is usually 4 per cent (10 per cent if the funds are borrowed from the Agricultural Bank at the usual 6 per cent rate charged by the Bank on its short-term loans). The borrower is required to surrender to the council jewellery (usually gold or silver) of a value higher than the amount of the loan.

The funds for these credit services are often raised by local taxation, and most councils are too poor to run similar services. As poor councils are usually councils with poor population, these services tend to be lacking in the very regions where they are needed most. For this reason, many administrators advocate that these schemes should be financed by the central government or by the Agricultural Bank. In his policy speech before the Constituent Assembly, Mr. Salih Z. Mahdi, Sudan's current Prime Minister, pledged to aid the rural councils financially in their fight against shayl, but it is not yet clear whether the practical
assistance will come from the Agricultural Bank or directly from the treasury.

So far, the measures taken by the state in order to combat shyli have touched very small groups of rural borrowers. The legal restrictions which prevented shyli trading in cotton produced in certain private and state schemes were not, and could not, be applied to other crops, or even to cotton grown outside those schemes. The agricultural credit schemes operated by the eight branches of the Agricultural Bank affected areas. These institutions hardly had any impact on the structure of the interest rates outside the areas in which they operated because of the imperfections of the rural credit market in the Sanaa. The basic unit of this market is the village, and there is hardly any inter-village movement of capital. Thus, instead of creating a general reduction in interest rates, the extra supply of credit which these institutions injected into the credit market merely increased the differences between the rates charged in the areas where they operate and the rates prevailing elsewhere.

Thus, it seems that we still have a long way to go before we can completely displace shyli by state-sponsored credit institutions. In fact many observers feel that the state has committed itself to an impossible task, because in order to replace shyli merchants everywhere it has to aim at setting up credit agencies in every village in the country at this stage of our development, and with the present framework of the economy, the state is unlikely to raise half the necessary funds. The
severity of the problem can be realised when it is remembered that no
far less than ten of our 100 and rural councils have been able to operate
agricultural credit schemes. The largest sum put up by any of these
councils is no more than 10,000 which is distributed in loans of no
more than 10 per each. But although the average loan is usually less
than this 10-3 maximum, the number of growers who actually benefitted
from these credit schemes was no more than 3 per cent of the growers
living under the councils which operate such schemes.

Credit and marketing co-operatives have had a disappointing record
so far. They failed to live for very long in areas where agricultural
production co-operatives had flourished for decades. Their failure
seems to have been caused by the very shrewd merchants when they were
brought to dispense. These merchants had welcomed and encouraged agri-
cultural production co-operatives which increased the volume of the
produce which they handled, but they were quick to perceive the dangers
of credit and marketing societies which clearly aimed at disguised competition.
In the two fields in which they earn their living — finance and commerce
they immediately attacked them with every weapon they had. Better
shrewd terms were offered to growers who did not join these societies,
and those who joined and had old debts to shrewd merchants were
threatened by having their debts called in. Many growers who wanted to
join and had no such debt hazards could not become members because the
regulation of the credit and marketing co-operatives do not permit loans
for consumption purposes; as most of the loans which these growers need
are for this purpose, the rigidity of the regulations left the growers no alternative but to continue to rely heavily on small merchants for credit. In some places, the co-operatives which succeeded in establishing themselves in the local market had to face difficulties further afield: the local agents whom they replaced were no more than agents for middlemen operating in the secondary produce markets, and these middlemen would not deal with the societies which tried to replace their agents. Thus, the co-operatives had to integrate forward into the secondary markets but few of their members were willing or ready to take this further step into the unfamiliar fields of commerce and finance. For all these reasons, most credit and marketing societies could not function for a long time.

One of the few areas where co-operatives have successfully established themselves in the fields of credit and marketing is the newly developed area of Wadi el-Garba. This area was chosen to be the home of some 50,000 persons who had to be moved from the town of Wadi Halfa before it was submerged by the lake created by the Aswan High Dam on the opposite side of the Sudanese-Egyptian border. The population was moved 575 kilometers to its new home on the River Atbara, and in the process many old and deeply rooted social and commercial ties were disrupted, urban being one of them. This was the opportunity for a unique opportunity which they used well. Nineteen co-operative societies were quickly launched. They were all multi-purpose societies, i.e. among
other things, they combined the functions of agricultural production societies with those of credit and marketing co-operatives. In spite of their short life, some of these societies are already the richest co-operatives in the country, and their officers confidently boast that shuyl has no place in their al-Sa’liya economy.

However, conditions in this district are unusual, and many people think that the exceptional success of co-operatives in this area is in itself a proof that credit and marketing co-operatives can succeed only where there are no established institutions to compete with.

Some observers are quite pessimistic about the prospects of credit and marketing societies and other state-sponsored bodies intended to displace shuyl. They feel that the small cultivator is not yet ready to sever his traditional ties with shuyl merchants for the sake of the institutions introduced by the state. Wishing the state is one of these who thinks that the mentality of the rural borrower in the Sudan is not likely to accept the proposed changes in his market behaviour in the near future. He maintains that “with the rural borrower’s ingrained distrust and dislike of institutions and red tape...reform cannot succeed without adapting the cultivator and changing some of his habits of living and thinking.”

1. On 27.1.1966, the assets of one of these societies, the Society of Farmers No. 21 amounted to L.3,490. Among them were a tractor, a disc harrow, a harvester, a flour mill and a truck.

2. loc. cit., p. 149.
What is not fully realised by most students of shayl is that the form of credit which shayl merchants extend to growers differs in many ways from the type of credit which the co-operatives and the state credit agencies provide. First, shayl loans are used by the growers mainly for consumption purposes; but state and co-operative lending is strictly for productive purposes. This arbitrary and unnecessary restriction on non-shayl credit has made shayl merchants indispensable to the growers. Secondly, the bulk of shayl loans are advanced to the growers as advance payments for forward purchases of the borrowers' crops. This relieves the borrowers from the risk of being unable to dispose of the crop by the time the debt is due for repayment; once a shayl loan is advanced, it becomes the merchant's responsibility to market the crop; under all-shayl agreements it is the merchant who assumes all the risks of a fall in the revenue from selling the crop to below the value of the loan. But growers who borrow from state or co-operative credit agencies have to bear all these risks. As most growers are reluctant to assume unnecessary risks they prefer to borrow from shayl merchants at higher rates rather than run the risks involved in non-shayl loans. Thirdly, contrary to what is widely believed among the students of shayl, there are no interest payments in shayl. The margins which the shayl merchants receive are strictly in the nature of profits. This is obvious in the case of all-shayl transactions: the merchant who concludes a transaction of this type with a grower will be unable to
how until he actually realize the produce whether he will receive the sum so lent to the farmer or not. Whatever gain he is able to make in this manner is obviously a trade profit. So is the gain of a merchant who agrees to receive a share of the crop in repayment for his advances to a grower. Those who lend money on condition that the borrowers await them as their exclusive profit agents may have seen that the grower will not receive any revenue from the sale of their produce until they recover the amount of the loan. However, the remission which these merchants receive for marketing their farmers' crops,sut he value of the sold part of these crops end will not have a fixed rate to the sum advanced.

That it is clear that the margin which accrues to such merchants cannot be any way regarded as interest charges, they are not paid in advance, and they are not always positive such as interest rates are. Some of their fruits of confining sheep with advertising, the amount of such usually refer to as 'wages' and 'incomes' rates. The money-making is an entirely different system. Its transactions are usually carried out in cash only, and so, it is an essentially urban institution. Small borrowers use it only when they cannot obtain loans from the banks because the banks have all the risk problems of method, in the loans involve being too expensive. Therefore, growers prefer to deal with such merchants because these loans do not involve paying interest, which many economists attribute consider amounts.
This is one of the reasons why many growers do not utilize the loans which state and co-operative credit agencies advance and upon which fixed interest rates are charged.

That it is realized that shell margins are really profits and not interest rates as is commonly thought, is the claim that shell merchants charge excessive margins appear totally unjustified. A shell margin of 200 or 300 per cent may seem very excessive as an interest rate, but when viewed as a trading profit, as it should be, it seems quite normal. In fact, as Table 2 shows, the margins which shell merchants in the Seattle area obtain in shell transactions are not much more than the margins which they obtain in each transaction in the spot cash market. According to this table, shell margins vary between 50 and 100%, while retail margins range between 11 and 200%.

The differences between these margins do not seem to be very big, considering the risks involved in shell trading.

Table 2: Shell Prices in Three Markets in the Puget Sound Area

<table>
<thead>
<tr>
<th>Market</th>
<th>Wholesale</th>
<th>Wholesale (5% per month)</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seattle</td>
<td>2,500</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Portland</td>
<td>1,500 - 2,000</td>
<td>3,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Corpus Christi</td>
<td>2,000</td>
<td>4,500</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Thus, it seems that the real reason for the failure of some co-operative credit agencies to dispense chayi in the fact that the loans on which these agencies extended credit to the growers have been fixed without any regard for their economic and psychological needs. Being under the impression that chayi merchants are forcing the growers to pay excessive "interest rates", the government thought it could fight chayi simply by offering loans at cheaper rates. As chayi margins are not interest rates, and they are not excessive, and because chayi loans do not involve the risks and restrictions attached to government loans, very few farmers are ready to rely completely on government lending, no matter how extensive and cheap it is made. State credit agencies may thus continue to cater mainly for the urban pomegranate growers who, unlike the small farmers, borrow mainly for productive purposes, and have no problems about paying interest on their loans. As for the smaller growers, they may continue for a long time to sell their produce in advance to chayi merchants in the oligopolistic pomegranate markets of their villages.
A. Chronic Intolerability for Grain and Wheat

We now come to discuss the claims by some economists that the practice of forward selling of crops limits the freedom of the debtor to sell his produce as he chooses. As we have already mentioned, some economists do not accept this view and argue that where there are more than one merchant-lenders the grower is free to sell his crop in advance to the merchant-lender who offers him the best combination of a high price and a low interest charge. However, many studies show clearly that the margins which accrue to the ablest merchant in one market vary considerably. These variations cannot be explained by differences in the quality of produce, the location of the loan, or the rate conditions. Nor can they be dismissed as the result of disease or the part of the seller or the real value of his crop. Indeed, the presence of these wide price variations suggests that there are elements of monopolistic competition in the produce markets associated with the practice of selling produce in advance which is widespread in many parts of the country.

This needs to be explained in the manner in which a grower is forced to accept adverse terms from one merchant-lender even when there are much better offers from the other merchant-lenders in the same market. In our opinion, this factor has never been dealt with convincingly by those who think that indebtedness ties the debtor to a specific merchant-lender.
The grower who repays his debt regularly at every harvest is naturally always free to sell his next crop to the merchant-lender who offers him the best terms. However, not all growers are regular in paying their debts to the merchant-lenders. In fact, some of them are always so much in arrears with their debts that all their property as well as their crops for several seasons to come are virtually mortgaged to their creditors. These growers cannot find an additional source of credit as merchants naturally refuse to lend a borrower who have nothing to offer as security... and who obviously cannot repay their loans for several years to come. But their current lenders may continue to lend them in the hope of recovering what they have already lent them.

Chronic indebtedness of this kind has several causes. Some economists, like Wilmington and Campbell, think that it is largely the product of the farmers' ignorance and recklessness. They speak of the customary grower's proneness to drinking and gambling, his over-expenditure on ceremonial functions and festivities, his extravagance in spending on dress and women, and his over-generosity to relatives and friends.

J.D. Bethall offers a different explanation for the state of chronic indebtedness in which many farmers live in the Sudan. He puts the blame on the Muslim laws of inheritance. His conclusions: 1. Wilmington, op. cit., p. 137; Campbell, op. cit., p. 12.
are based on a survey which he conducted in 1941 with the assistance of
Ramon in the region of Bari Peep Scheme in the Northern Province.

Eleven representative farmers were interviewed, and they were all
found to be living in extreme poverty. The average farm had only
2 additional to support a family of six. His entire animal wealth in-
cluded 1 donkey, 2 goats, and 3 sheep. His household possessions were
few and included only the bare essentials of life: the only items of
luxury reported were a set of 15 gudala (wooden dishes) owned by the
family, and a beautifully embroidered sheet owned by another. All the
farmers who were interviewed stated that they live on credit for a con-
siderable part of the season. Credit was generally obtained from the
village shopkeepers in the form of goods and payment was made by
producing deliveries at harvest time. The goods received from the
merchants were mostly necessities such as clothing, kerosene, sugar,
coffee, tea, etc.

Rushall is of the opinion that these farmers had been more prosperous
in the past but they were impoverished by the emancipation of their
farms under the influence of Nai's law of inheritance. These laws
divide the land left by a dead man among all his relatives instead of
passing it on to the eldest son. Rushall maintains that this practice
has led to the fractionation of arable land and the creation of un-
en economical farm units. The farmers whom he interviewed confirmed that
they had been more prosperous in the past, but they attributed the
fall in their incomes to a decline in yields and in produce prices.

Thus it seems possible that the farmers in Kuri Feng Scheme who never enjoyed much luxury in their prosperous days, were forced to borrow in order to continue to enjoy the necessities of life which they have had in the past and which they were being forced to give up as their incomes continued to decline. Some of these farmers might have borrowed only to allow themselves a longer period during which they could adjust their expenditure gradually to their declining incomes. These farmers might have hoped that eventually they would be able to balance their accounts, but have failed to do so because the drop in their incomes continued to outpace the cuts which they made in their expenditure. Other farmers might have been tempted to use credit as a means of passing on to their creditors as much of the fall in their income as the latter were ready to accept. In either case, the result would have been prolonged indebtedness which cannot be ascribed to recklessness or extravagance on the part of the borrowers.

In fact, whatever attitude he may have towards indebtedness of this kind a borrower cannot experience it unless there is a creditor who allows him to do so. Quite often, lenders do encourage their debtors to become permanently indebted to them; the reasons why they do so are explained by Campbell in his Report on Co-operative Possibilities in the Sudan. In this report he mentioned that in

1. J. D. Campbell, The Problem of Land Fractionation, Chapter XIII in
    Trichili (Dr.) Agriculture in the Sudan.
Columnar "the petty farmers were in the habit of maintaining a current 
date of perhaps $10 or $15 with their creditors and on the strength 
of it changing them 25 per cent or 50 per cent over the proper rate 
for any goods sold, so that after a short period, even if they lost 
the current debt itself, they would have done very well on the whole 
transaction". 1 Early in this century, Greek and Syrian moneylenders 
were accused by the Governor of Yass Halifax of using the same technique 
in order to force natives to surrender their lands to them after the 
2000 land ordinance prohibited the sale of land to aliens. The 
Governor described in his report for the year 1902 "how these money-
lenders advanced loans to the farmers and allowed them to renew their 
obligations until they have reached the limit of their resources and 
then charged them excessive interest rates or seized their lands from 
them. But the Government was quick to intervene and foil these money-
lenders' plans by imposing stricter restrictions on sale of land in the 
1905 Land Ordinance. Moneylenders from then onwards were content to 
use these techniques to buy crops cheaply from the farmers. 

Under this act, a merchant-lender would encourage a grower to borrow 
with his total debts at the beginning of the crop year are no less 
than the estimated value of the whole of the grower's next crop. At 
this stage, the grower who has nothing to sell or mortgage other than 
his crop and needs additional credit to support his family will be 
unable to borrow except from the merchant to whom he is already indebted.

As no creditor will be ready to lend a person with whom he had no previous dealings, especially if this person does not intend to repay him when his next crop is harvested, the grocer will be forced to borrow from his current creditor at whatever terms he may lay down. Thus, the latter will be able to buy his crops at a big discount or force his debtor to appoint him as his sales agent for a huge commission. The merchant-lender will allow the grocer to receive only a small part of the proceeds from the sale of his crops, in fact only enough to live on, but nothing more which he can use in reducing his debt. In this way the lender makes sure that the grocer does not escape from his control while he forces him to pay his debt several times without ever writing it off.

As far as the grower who is in this state of indebtedness is concerned, the forward produce market in which he needs his produce is dominated by one monopolist who is his creditor. Other grocers who have not pledged the whole of their future crop as he did may have many merchants competing for the unpledged part of their crops. His own creditor may be one of them and he may buy their produce at a price which is considerably higher than the prices at which he buys his produce. The discount which the indebted grover receives will be determined by the size of his outstanding debts, his chances of repaying it, and his need for further loans. This is why the prices at which merchants buy produce in advance vary almost from transaction to transaction.
The lack of price uniformity in the spot markets of underdeveloped countries is one of the most significant features of marketing in those countries. As Horton Solomon observed, transactions in a commodity occurring within the same market place often "approach the nature of isolated exchanges, with the exact location of each transaction's price depending on the two parties' individual decisions and bluffing abilities." However, the imperfections which create a multitude of prices for the same commodity in one market place are enhanced in the forward markets by the speculative element which excessive speculation has on the freedom of some producers to choose the merchants to whom they sell their produce in advance.

Some forms of speculation play an important role in increasing and prolonging the instability of growers to cash merchants. Such as the case with all-limey agreements, which are the most common form of speculation. These agreements require the grower who sells his produce to agree to deliver a certain quantity of his produce to a specified merchant at a specified price. However, if the price at which the grower repays the produce turns out to be considerably higher than the price which he paid to the grower for it, he keeps the whole profit to himself. Needless to say, every precaution is taken to protect the lender from any unforeseen recession in produce prices by fixing the cash price so low that the risk of loss to the lender is insignificant; the cash price is usually geared to the level which the price is expected to remain.
at harvest time, and this level is usually the lowest in the season. Besides, only price booms which are expected to last for several seasons are taken into consideration when revising share prices. The result seems to be that al-sadu agreements deprive the grower from the benefits of a boom in produce prices without protecting him from the unforeseen calamities which may reduce the size of his output to below the amount pledged to the lender. This means that the grower's debts can go on accumulating in lean years while he is unable to repay them in the years when his crop prices are booming; his only hope will then be a boom which continues for a considerably time, as occurred during World War II when a record demand for Sudanese grain freed many cultivators from debt burdens endorsed for decades.

But as booms of this kind do not occur very often, growers may remain in debt for many years until they die or sell up farming altogether. There is evidence that this did happen on a big scale according to the reports of the Northern Province in Sudan's first Parliament, the decline in the area of the co-operative MPK schemes in the Province, and the losses that these schemes suffered at a time when the prices of their produce were booming were due to share. When these schemes were attacked by members who had no sympathy for co-operative enterprise, a Northern Province MP, Mr. Sayid M. Shadd, replied:

The question of Government subsidies to the Northern Province Schemes has apparently become the favourite topic of some members of this House. These Schemes which are now showing mounting losses were once very profitable. Let us ask ourselves why this change occurred. In my view, the reason is that when these schemes were started, their total area was 45,000 acres; but this area has been diminishing steadily in recent years. Consequently, their revenue declined, while their overhead costs remained the same, and this caused the losses. What has caused this shrinkage in area was the fact that the Government provides only the water supply to these Schemes, for which it charges the growers after they harvest their crops; but no other service is provided by the Government to the growers, and no loans are advanced to them. They are left to raise by themselves the funds they need to meet the expenses of clearing and tilling the land, buying and sowing the seeds, and harvesting and marketing the produce. Few growers have savings from which they pay these expenses, and most growers are forced to borrow from local shopkeepers at exorbitant rates. When they harvest their crops, the farmers find that all the fruits of their toil are seized by the Government and the merchant. This confronts them with a difficult choice between continuing as farmers regardless
of their rising debts and abandoning farming and taking up other
employment. Many of them have already chosen the latter course,
and this is why the area of these schemes has dropped. However,
if the government undertakes to provide the farmers with the
necessary finance they need at reasonable rates, the farmers may
be tempted to remain in their farms, and the area of these
schemes may expand again, and the losses will then disappear. 1

If this statement is a correct account of the situation in these
co-operative schemes, then it is clear that the most serious problem
facing the farmer is not the small number of buyers in the forward
market, but the "right restrictions which excessive indebtedness can impose
on his freedom to deal with the buyer who offers him the highest price.
In other words, the problem is one of monopolistic competition not
oligopoly. The existence of such ties prevent the farmer from
benefitting from whatever competition there is among the produce dealers
in his area. If the percentage of growers who are in this position is
high, entry into the market will be denied even to the trader who has
sufficient capital to join the ranks of the few who possess the
necessary capital. For can any financier, be it a private firm or
the state, extend credit to such growers and expect to be repaid in the
short run? Hence the futility of attempts to help these farmers by
the creation of state and co-operative credit institutions. In fact,

only administrative measures of the kind tried by the Governor of
Cald Knife in 1902 are likely to be of any help to them. His method
of dealing with the problem was to ascertain and record the amount
of debt on each debtor; he then arranged for the repayment of the
loans in reasonable instalments after allowing for a moderate interest
rate to be paid as well. This approach may be unacceptable today in
view of the vast amount of administrative and judicial work which it
will require; also, its coercive nature may make it unattractive from
the political point of view. However, it is unlikely that economic
measures will succeed in solving the problem of chronic indebtedness
unless they are supplemented with administrative measures of the kind
outlined above.
CHAPTER II

MARKETING IN KHARTOUM

Allegations of Collusion among the Suppliers of Some Commodities to the Capital.

I. Vegetable Marketing in Khartoum
   II. Banana Marketing in Khartoum
   III. The Marketing of Meat in Khartoum
Khartoum, Sudan's capital and largest town, has a population of nearly half a million. The vegetables which are consumed by the inhabitants of this town include onions, potatoes, tomatoes, cabbage, zucchini, snap peas, gourds, okra, pumpkins, carrots, cauliflower, lettuce, peas, sweet corn, garden peas, and radishes. All these are grown in the hundreds of small farms situated within 30 kilometers from the town; the total area of these farms is estimated to be nearly 2,000 hectares.

Due to lack of cold storage facilities either at the farms or at the market, produce arrives daily directly from the farm. It is carried in closed baskets (baskets) either by lorry or, if the farm is near to Khartoum, on pack animals.Farmers sometimes accompany their produce to the market, and some of them arrange with some friends to take it with them and pay them a commission for that.

The produce arrives between 3 a.m. and 5 a.m. at Khartoum market place where it is auctioned to the wholesaler present. Bidding is usually for a whole lorry load and payment is in cash. The produce is then sorted out, roughly graded, and distributed to the retailers. Retailers open their stalls to the public at 8 a.m. and remain open until

1. Khartoum is used here to refer to Khartoum proper, Khartoum North, and Old Khartoum which together constitute the Capital of the Region.
about 9 p.m. Most of them attend alone to their stalls throughout the week hours, and when a retailer is away for a short while, his neighbour looks after his stall. The narrow streets separating the rows of stalls rented out by the market authorities to the licensed retailers are filled by unlicensed hawkers who use the pavements or hand-made stalls for displaying the poorer qualities of vegetables which they peddle.

The municipal authorities turn a blind eye on their activities.

The vegetable prices remain uniform and steady throughout most of the day; retailers are inclined to show their favour to regular customers by giving them the best vegetables they have or additional units (or 'bundans' as they call them). However, towards the end of the day, the retailers try to get rid of their remaining stocks which may deteriorate if left overnight. It is then that haggling over prices begins between the retailers and the customers.

There is a big difference between the prices of produce in winter and in summer, the summer prices being 60-100% above the winter prices. This is partly because winter favours the cultivation of most of the vegetables grown in the Sudan, and partly because of the high rate of spoilage during summer. However, there are always complaints that even in winter, vegetables are not as cheap as they should be. The growers claim that they receive less than 40% of the prices which the customers pay to the retailers, and that is after they bring their produce to the market.¹ Studies made by some members of Daar el-Borouj

¹ Al-Ayyun Newspaper: Report on Imports Details, 11 August 19...
University staff estimate that they pay as much as 6% of the retail price. Many people regard the 60% or 50% gross margin which accrues to the middlemen as excessive. Middlemen claim that the reasons for the high rate of markup: transportation rates are only about 2% to 3% in winter and 5% to 7% in summer, and do not account for a 50 to 60% markup and an 80 to 100% difference between winter and summer prices.

Three different theories have been advanced to explain why the markup which accrues to the vegetable dealers is as high as it is. One theory suggests that financiers (presumably short merchants) control the dealers and force them to accept lower prices for their produce. Another theory attributes the high mark-ups to the excessive number of successive middlemen engaged in the vegetable trade. The third theory blames a ring of merchants for controlling the wholesale trade in vegetables and exploiting their position by paying the produce low prices and charging the retailers high prices. We shall examine these theories in turn.

The suggestion that financiers control the farmers and force them to accept low prices for their produce was advanced by the Committee which was convened in January 1965 by the Minister of Commerce to investigate the reasons for the sharp rise in the cost of living in the Island in recent years. The committee’s explanatory note presented.
with its recommendations on the matter stated that "the vegetables grown are in the grip of lenders who force them to sell their produce to them at low prices." However, there seems to be no basis whatsoever for this statement. Producers sell their produce at auction in Arcot town and not on the fields, the rates being made for cash to dealers with whom the growers have no other contact. Growers use the cash they receive from these dealers to buy their needs from entirely different dealers, mostly in their own villages. When they borrow, they borrow from these village shopkeepers and not from the Arcot town dealers who buy their produce. There is thus no room for any sort of shaky arrangements between the vegetable growers and the merchants who buy their produce. In fact, vegetables do not seem to be the type of produce which is suitable for shaky trading; shaky merchants usually deal in perishable, durable products which have to travel long distances before reaching the consumers, e.g., cereals, gramhams, green chilies and dates.

The theory that there are too many middlemen in the vegetable trade and that it is the cumulative effect of the margins which each of them charge that causes the trade mark-ups to be high is an explanation which is very popular with all sorts of people, including many Ministry of Commerce inspectors. It is not unusual to hear it even from vegetable merchants, although naturally, they use it in a different sense from the one in which market inspectors would use it.
To most people, too many middlemen in the vegetable trade means that the channels of distribution in this trade are too long; but to a retailer it means that there are too many middlemen at one stage of the marketing process, e.g., too many retailers.

The distributive stages or hands through which vegetables move from farm to household in Harare in fact are not many. There is usually only one wholesaler and one retailer intervening between the producer and the consumer. Yet the idea of eliminating either or both of these middlemen has been in the air for a very long time. In early 1948 the municipal authorities tried unsuccessfully to put it into effect. The Governor's report for that year mentions an unsuccessful experiment which was undertaken by the municipality in an attempt to reduce the prices of vegetables by allowing the cultivators to sell their produce in the market without a trader's licence in the hope that they would sell direct to the consumers, and, per contra, that the consumers would make off their expiry stock at a habit of years by buying direct from the producers.¹ The report gave no reasons for the failure of the experiment, but the reasons are not difficult to deduce. Farmers need to spend as much time as possible on their crops, particularly in the early evening when it is still cool. For this reason, they bring their produce to the market before 6 a.m., at least two hours before the retail market opens. This market does not

get very until after 10 a.m., and no grocer is ready to wait until then. Besides, the consumers have the habit of buying from one or two retailers with whom they may have credit accounts. No farmer can produce every day all the varieties which consumers would like to choose from, or have sufficient resources to offer them credit facilities.

In 1937 another experiment was made by the local authorities, this time to eliminate the wholesaler, but this also failed. The Governor reported:

"In an attempt to correct the high prices for vegetables charged by the middlemen and the low prices paid by them to the producers, the municipal authorities tried an experiment of sale by auction [to retailers], but had to abandon it partly because its expected unpopularity with the middlemen was surprisingly shared by the producers, and partly because it failed to have the desired effect on prices". 1

The auction mentioned in the report was open only to the retailers; however few of them welcomed this privilege. Most of them had no working capital and relied on wholesalers who bought the produce in cash and distributed it among the retailers on credit till the end of the day or till two or three days later. Besides, most retailers worked would at their stalls from 8 a.m. till 9 p.m., and very few

of them were able to arrive in the market at 3 a.m. to attend the auction. The producers were inconvenienced by the auction because retailers could bid only for relatively small units like baskets while wholesalers bidding at the cold auction one for whole lots, the duration of the unit of bidding caused the auctions to take a considerably longer time. Furthermore, in order to save themselves the trouble of attending the auction every day, retailers organized themselves in groups, and every day each group sent one or two of them to represent them at the auction. This grouping had an adverse effect on competition at these auctions, and the producers found that the auctions brought no improvement in the price level.

Apparently unaware of this experiment which took place seventeen years ago, some people are still advocating an auction which should be attended only by retailers. Some factors are in favour of this idea, which is also one of the main recommendations of the committee convened by the Minister of Commerce to investigate the rising costs of living in Sudan. But nothing suggests that the experiment which failed nearly two decades ago can succeed now.

The complaint that there are too many retailers in the vegetable market is heard quite often, mostly from the retailers themselves. In particular it is the usual complaint of the Licensed

retailers who are annoyed by the presence of a large number of unlicensed retailers operating in the municipal markets without being prosecuted by the authorities. The licensed retailers claim that the latter have made it unprofitable for them to operate. In fact, the licensed retailers had become used to the higher margins which they received when the official restrictions on the number of retailers were applied stringently. Only those retailers who were allocated stalls in the municipal markets or who could afford to rent shops outside those markets were allowed to sell vegetables. Those without stalls or shops were not allowed to operate. Shops are expensive to rent; the average rent in European being 15-20 per month; the annual rent for a stall in the municipal market is only 25.

There is always a shortage in the number of stalls in these markets of these fixed rents; this shortage persists because of the inability of the municipality to build new market places or enlarge the existing ones.

But in the recent years, due to persistent unemployment among unskilled workers, the authorities have not been strict in their application of restrictions on unlicensed retailing. hawkers were allowed to work in the market place although, for health reasons, street retailing was not allowed. Many people who previously could not be retailers because there were no vacant stalls or because they could not pay the license fee - 15-4 per annum - were allowed to
operate on the payments. Some of them did not even need to have a working capital of their own since some wholesalers were prepared to supply them with produce on credit. Actually, wholesalers favored such retailers who, because the opportunity cost of their labor was almost nil, were ready to work for very little. The licensed retailers have suffered as a result.

Some argue that consumers also suffered because, it is said, the total cost of marketing increased as the trade is now supporting a larger number of middlemen than before, and because most retailers now work below capacity as the work formerly done by the licensed retailers is now shared among a much larger number of retailers.

But in fact, the reverse is true. Greater competition has caused the relaxation of the controls on entry into this trade, and this has reduced retail margins considerably. Besides, the sharing of work among a larger number of retailers was not accompanied by any increase in costs or in the working capital employed in vegetable marketing. and the opportunity cost of the additional manpower itself was almost nil.

The theory that there is a small number of wholesalers who act together to depress the prices paid to the growers and raise those charged to the retailers may be true in very hard to prove. It is based on the widely observed fact that the whole amount of produce arrives every morning at the auction in batches by six or seven wholesalers and/or their agents (agents). They bid for full car-loads
which poorer buyers cannot do. They pay cash, and supply the
retailers on credit with all the varieties of vegetables they require
in whatever quantities and qualities they demand. In this way, they
have been able to dominate over retailers and effectively
prevent entry of competitors.

A retailer acting alone may be able to raise the capital which
he needs and thus dispense with the wholesaler's credit; but many
retailers have a working capital of only $50 which they turn over
every day. But a retailer with this amount of capital will not be
able to buy directly from the producers at the auction because the
bidding prices are large, nor can he get for this small sum the
selection of varieties and qualities which he requires. Collective
action has been tried several times by groups of retailers; but some-
how these groups failed to continue and their leaders lost the goodwill
of the wholesalers and suffered as a result. This caused many
retailers to be afraid of participating in any collective action
directed against the wholesalers. Retailers are even unwilling to do
dealing with a new wholesaler who may offer them better terms but
fails to continue to supply them after they have lost the goodwill of
the existing wholesalers. The result is that the position of the
latter seems quite secure.

It is for this reason that those who are convinced of the essential
of a wholesaler may think that a marketing board which replaces these
wholesalers and operate on a small margin is the only way of raising the prices paid to the growers as well as reducing the prices at which vegetables are retailed. But very few people think that there is any hope that this will ever happen as long as the operation of the vegetables market is in the hands of the Province's Municipal Council which is dominated by the very merchants who control the wholesale trade in vegetables.
650 kilometers east of Khartoum lies the town of Kassala, the center of the district which supplies the capital with almost all of the bananas it consumes. The marketing of these supplies is entirely controlled and financed by a few wholesalers who own a number of cold stores in the capital. These wholesalers have agents in Kassala who buy the produce at the farm, move it to the collecting stations where it is weighed and the tax on it paid to the local authorities, and then dispatch it to Khartoum by lorry. There, the bananas are stored in the cold stores for three days until they are ripe and then distributed to the retailers. Wholesalers have their own retail units, and there are also many independent retailers who receive the produce from them on credit and pay for it a day or two later.

It is widely believed in Khartoum that banana prices in the town are kept high in an artificial manner by these Khartoum wholesalers. This belief is entertained by many responsible persons in the Ministry of Commerce. One of these, the Director of the Department of Co-operation, has reported to have said that the price of bananas in Kassala is 10 mm. per kilo and that the costs of transportation is no more than 30 mm., but the wholesalers force the consumer to pay as much as 70 mm. a kilo. Also, a report on banana marketing prepared by one of the Ministry's market inspectors interprets as a sign of collusion among these wholesalers.

the exceptional stability of prices of bananas in Dar-es-Salaam in spite of the fluctuation of their level in Mombasa and that of the prices of other fruit in the Dar-es-Salaam market.\(^1\)

On their part, the banana wholesalers claim that the margins which they are said to enjoy are exaggerated. They maintain that they buy in Mombasa for 20 ms. a kilo. Half the quantity is lost on the way due to spoilage, and the rest loses 20 per cent of its weight while ripening in the stores. The top quality bananas which remain intact are sold at 50 ms. a kilo to the retailers who resell it at 70 ms.\(^2\)

But if these figures are correct, none of the wholesalers will have any profit even if the whole suitable for sale amount is sold at the price of top quality bananas.

The Ministry of Commerce gives the following estimate of the costs incurred by the banana wholesalers in buying and handling bananas up to the point when they are delivered to the retailer.\(^3\)

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Cost (in sh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price at the Farm</td>
<td>12.000</td>
</tr>
<tr>
<td>Cutting and loading</td>
<td>0.600</td>
</tr>
<tr>
<td>Produce tax</td>
<td>0.000</td>
</tr>
<tr>
<td>Fisheka (weighing charge)</td>
<td>0.000</td>
</tr>
<tr>
<td>Mombasa to Dar-es-Salaam by lorry</td>
<td>3.000</td>
</tr>
<tr>
<td>Spoilages (at 30%)</td>
<td>4.800</td>
</tr>
<tr>
<td>Commission charged by agent</td>
<td>1.000</td>
</tr>
<tr>
<td>Storage</td>
<td>0.000</td>
</tr>
<tr>
<td>Field interest rate (at 6% of total)</td>
<td>2.720</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20.720</strong></td>
</tr>
</tbody>
</table>

\[^1^\] Ministry of Commerce: Banana Trade in Mombasa (1941).
\[^2^\] Speech 1/10/61.
\[^3^\] Ministry of Commerce: Reports on Bananas - Report No. 9.
When converted to Rs. per kilo, the costs become about 51 an.
per kilo. The rate of spoilage allowed in this estimate - 12 per cent -
seems more reasonable than the 50 per cent claimed by the wholesalers.
Studying conditions in the markets, travelling by rail,
from Kanala to Port Selvan estimated that in the absence of refrigeration,
25 per cent of the produce can be spoiled in transit. The train journey
from Kanala to Port Selvan takes about 26 hours, a few hours less than
the time taken to move bananas by head from Kanala to Darjoin on a
busy road. Bananas transported prefer using harbour to railways because
the latter leave Kanala for Darjoin only twice a week and take up to
three days to reach it; bananas deteriorate very quickly after 24 hours
from the time when they are cut.

The estimated price of the banana at the farm - 18.10.10 per kg, was
the price ruling in February 1953, when these figures were compiled.
February is the time when local demand for bananas increases due to the
lacks of other fruits in the Kanala market; it is also the time when
banana crop of Barama from Kanala to supplement the yield
of the plantations which decreases in winter. In fact, banana prices
have declined considerably in recent years. In 1955, the prices of
bananas in Kanala varied between 90 and 1,600 annas per quintal.
(10 kg). In 1953 the prices were eaten as low as 50 annas per
quintal.
In contrast, the prices of bananas in Darjoin have remained
the same for the past 10 years. Only three years ago, in 1969, a kilo cost the

Consumer 62 mm. today costs 70 mm. This implies that the
gross profits accruing to banana wholesalers must have been rising in
recent years.

However, there is no convincing evidence that these profits rose
because the wholesalers enjoy any measure of control on the supply for
bananas in Colombo. In fact, the banana trade is now more competitive
than a few years ago when there were many fewer cold stores and these
were owned by one or two individuals. Today, there are 39 cold stores
in Colombo owned by 19 different firms. The highest number of stores
owned by one firm is 9, i.e. just over 23% of the total number of stores.
At one time, this firm dominated the trade; but in recent years other
firms were granted licenses to open cold stores in the Capital, and the
predominance was duly replaced.

Entry into the trade is not difficult. The cost of installing
a cold store of average size is about LRs.20,000 and the annual cost of
running it is about LRs.3,000. These costs are within the means of the
average consumer. The authorities encourage the installation of cold
stores by granting special concessions under the Approved Enterprises Act
of 1955 to those who apply for licenses.

Owners of the existing cold stores complain that they cannot obtain
enough fruit to make full use of their capacity because there are insufficien
locations to carry the fruit from their centres of production
to Colombo. The expansion in this service in the last decade has been

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Visibly slower than the growth in the demand for fruit in Khartoum, and this is why the prices of this fruit have been rising in the markets of Khartoum.

Table 4

<table>
<thead>
<tr>
<th>Town</th>
<th>Firm</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khartoum</td>
<td>A. Al-Salibi</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>A. El-Malak</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>M. El-Nagib</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>T. El-Sayde</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Khalaf</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Y. El-Eisa</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>A. El-Saggar</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>D.I. El-Dib</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>N. El-Dibah &amp; Y. El-Eisa</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>A.O. El-Dibah &amp; A. Tseif</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>M. El-Dibah &amp; T. Tseif</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>A. El-Salah</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>A. El-Salha</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>A. Tseif</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>M. El-Dibah</td>
<td>1</td>
</tr>
<tr>
<td>Omdurman</td>
<td>N. El-Dibah</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>M. El-Dibah</td>
<td>1</td>
</tr>
<tr>
<td>Khartoum</td>
<td>S.A. El-Dibah</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce.

The unique stability of banana prices in Khartoum is largely due to the fact that, unlike other fruits sold in Khartoum market, bananas are available in all seasons. Taro plants can yield at any time of the year while most other fruits grown in the Sudan, such as oranges, grapes
and probably, occur only in the second half of the year. Consequently, in the first half of the year, they happen here only because we
are used to choosing from
the season, they occur there usually, and not usually in the first six months of the year. Likewise, the opposite is true in
the second half of the year. It seems that the season for bananas
is being somewhat later in the first six months of the year. This is
consistent with the period when the problem of transportation comes
to a great deal.

<table>
<thead>
<tr>
<th>Month</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dates</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
</tbody>
</table>

Saint George's University, New Brunswick, New Jersey

For example, the seeds begin to sprout in the middle of the rainy season, when allowing the trees to increase, but also there are
improved varieties which look for something to carry on their way back from
Fort Kochi after carrying the enormous amounts of produce which were left.
the market in this part of the year. This enables the wholesalers to move more bananas to Khartoum in this part of the season, and the increase in the fruit supply tends to cancel the increase in the demand for it at this time of the year. Hence the peculiar stability of banana prices in Khartoum which many observers attribute to collusion among the wholesalers. In fact, if there is collusion among these wholesalers, one may expect that to restrict the supply of bananas in the first half of the year and force the consumers to pay higher prices for bananas, particularly as the months of winter are the months when prices in Kasala are at their peak and the wholesalers' margins are consequently at their lowest.

The decline in the prices of bananas in Kasala over the last years was largely due to a vast expansion in banana production in this district in anticipation of a big increase in demand which never materialised. The stimulus for increasing the production of banana was provided by the appearance of a company which purported to export annually no less than 60,000 quintals. The company, called the Fruit Export and Import Company (Kasala & Khartoum), was a joint Sudanese-Italian enterprise which was established under the Approved Enterprise Act (1956) in 1960. In February 1964, the Company signed an agreement with the Society of Kasala Groves, a body which comprised most of the banana producers in Kasala. The agreement stipulated, among other things, that.
1. The Society refrains from selling bananas to any exporter other than the Company as long as the agreement is in force;

2. The Society supplies the Company monthly with no less than 5,000 and no more than 5,000 quintals of bananas, prepared and delivered according to the instructions of the Company's representatives;

3. The Company pays £8.1,750 for every quintal delivered to it during the full duration of the agreement, the payment being made in cash immediately after the produce is weighed and received;

4. The agreement is for 5 years commencing six months after it is signed, and is automatically renewed unless it is terminated by either party;

5. In case of the failure of either party to discharge its obligations under this agreement by delivering or receiving the produce in the manner agreed, the guilty party should pay the other half the value of the produce involved, unless its action was dictated by an act of God.

In view of the prospects of long and profitable association with the Company, growers expanded their banana acreage by no less than 700 fields, yielding about 70,000 quintals of bananas every year. The six months which were expected to lapse before the agreement was due to come into force was enough for the new banana trees to mature and give their first yield. The five years for which the agreement was signed coincided with the period during which a banana tree gives its best yields.
Preparations were made for the Company to start its operations in the summer of 1960. Officers were rented in Harare and Kisarawe, and the necessary staff was recruited. A plot of Government land was sold to the Company at a nominal price for its sole store, and the Ministry of Public Works undertook to supply it with the electric power needed until the Company installed its own generator. The Railways Department converted some of its wagons into refrigerated carriages for use at the disposal of the Company.

However, throughout the season of 1960/61 and 1961/62 the Company bought no bananas from the Society and paid nothing to its members; and in 1962/63 it bought only 1,310 quintals of bananas for which it paid only £4,179 per quintal. The excuse which the Company gave for violating its agreement with the Society was that the prices of bananas dropped in the Egyptian and Saudi Arabian markets which it tried to invade, and that it could not reduce its operational costs in order to compete with Israeli and Somali bananas in those markets.

No action was taken by the authorities to persuade the Company to honour its obligations to the Society or to force its liquidation, and on March 2, 1963 the Society protested to the Ministry of Commerce and demanded the Ministry should use its powers to make the Company abide by the terms of its contract. A week later, the Chairman of the Nairobi Executive Council wrote asking the Ministry to assist the Company in reducing its operational costs so that it might operate profitably.
Inspectors sent by the Ministry of Kusala to investigate the matter urged that the Society should be absolved from its contractual duty not to sell to the other exporters and that the refrigerated carriages should be made available to any exporter who wanted them to use. They also recommended that the carriages should also be used for moving bananas inside the Sudan. The Society also expressed its desire to use these carriages for this purpose.

However, the Ministry chose to negotiate with the Company in an attempt to make it fulfill its obligations to the growers. But in spite of numerous meetings and written exchanges between the Ministry and the Company, the latter remained inactive; it also continued to resist being liquidated. The Railways Department also persistently turned down requests by other firms for the use of its refrigerated carriages in moving bananas to Port Sudan or to the interior of the country. Consequently, exports from Kusala to neighbouring countries were only 29,657 quintals throughout the period extending from July 1959 to June 1960, i.e. about 6,000 quintals per annum. This is about one-tenth of the quantity which the Company contracted for, and less than one-twelfth of the increase in the annual production of bananas in Kusala.

Consequently, there was a fall in the prices of bananas in Kusala which benefited the consumers in Kusala as well as those who bought bananas there for export to other towns in the Sudan. Prices in Kusala are likely to remain as low as they are now until the yield of the year in which were established after 1959 start declining again.
reaching their peak in five years. In the meantime, and unless the
Railway Department allows its refrigerated carriages to be used in the
marketing of bananas locally, the wholesalers who supply Khartoum with
bananas may continue to enjoy the handsome margin which they receive
at present because of the transport bottleneck. New wholesalers can
and may enter and reduce the share of the established wholesalers in
the trade; but their entry will not reduce the prices of bananas in the
Capital nor raise them in Khartoum unless the amounts that can be trans-
ported from Khartoum to Khartoum are considerably increased. At present
there is no indication that this is likely to be achieved in the near
future, and if the demand for bananas in Khartoum continues to expand at
a faster rate than the rate with which transport facilities are expanding, banana prices are bound to continue to rise in Khartoum
irrespective of any fall that may occur in their level in Khartoum.
The Prices and Charges Order 1938 (Revised 1961) empower
the Director of Commerce, Industry and Supply to fix maximum prices
for any commodity in any part of the country. The Order also permits
the Director to delegate the power of fixing the prices in any
particular region to the local authorities within whose jurisdiction
this region falls. It is customary now for the Director to fix the
prices of imported goods and some locally manufactured products and
delegate to the local councils the authority to fix the prices of
some locally produced goods. Most councils have special committees
for fixing the prices of the goods which the Director urges them to
fix maximum prices for; the Director also indicates to the local
authorities the considerations which they have to note when fixing
the prices.

Inevitably, most of the commodities for which maximum
prices have to be fixed by the local authorities, and especially in
some of the towns whose local councils were directed by the Director
of Commerce to fix prices for meat sold within their jurisdiction.
This applies to beef and mutton, but not to fish and eggs, and poultry,
the consumption of which is relatively small. The authorities
usually fix one price for all kinds of beef, irrespective of whether
it is cow, ox or calf meat, and regardless of the quality of the meat.
The same applies to mutton. Only parts like liver, kidney, tongue, etc.,
are sold at a different price depending on the quantity and quality.
Another peculiarity of meat marketing in the Sudan is that consumers generally prefer meat to be fresh, a taste shared by a few nations outside Africa. One of the reasons why meat is favoured is the fact that the majority of the cattle which are slaughtered in Khartoum are bought in Kordofan and Darfur and then marched on foot to Khartoum. The journey which usually takes about 15 days toughens the meat of the animals. On the other hand, the sheep which are killed in Khartoum come from the surrounding White Nile and Blue Nile areas as well as from adjacent regions of the Komas and Shadria tribes. Consequently, their meat is quite tender.

Butchers usually buy their animals at the main markets in Khartoum, Khartoum North and Omdurman. They send their animals to the central abattoir in Omdurman where they are slaughtered and then delivered to them next morning. Most butchers are housed in large sheds in the central markets of the three towns where the authorities try to enforce reasonable standards of hygiene.

The animals are scarcely brought to the markets by their breeders. These people usually sell their animals locally to livestock dealers who march them under the care of paid shepherds to the municipal markets; there the animals are sold to the butchers by direct bargaining between them and the shepherds. The butchers pay a slaughtering tax on every animal they slaughter, and the merchants pay the market tax on every animal which is actually sold in the market.

The prices which the butchers charge are most of the time considerably above the official prices. For example, in 1985 a survey conducted...
by the Department of Statistics in Khartoum showed that the consumers actually paid 154 mls. and 293 mls. per kilo for beef and mutton respectively; at that time the official prices were 120 mls. per kilo of beef and 240 mls. per kilo of mutton.  

In January 1945, the official prices were still at their 1943 level, but according to an independent committee convened in 1945 by the Minister of Commerce to report on the costs of living in the country the public was paying 200 mls. for a kilo of beef and 260 mls. for a kilo of mutton.  

Every now and then plain clothed policemen inspect the markets and arrest butchers who charge more than the official prices. The offenders are fined and often lose their licences. But to the great disappointment of the authorities, members of the public do not fully co-operate with them in discovering the culprits. Some observers attribute the reluctance of the public to report the butchers who overcharge them to the social ties which consumers usually have with the butchers even when they buy regularly. Other observers blame consumers' behaviour to the usual apprehensiveness of liensmen of getting involved in legal disputes with retailers, or that they may be afraid of being denied credit facilities by the butchers. What is not always realised is that most consumers sympathise with the butchers whom they regard as being exploited by the livestock dealers. This in fact was the view taken by the independent committee of 1945.

(2) Ministry of Commerce, 1945 Independent Committee Report, "Costs of Living Prices in the Sudan."
The Committee firmly believed that price controls were essential and was convinced that they could be made quite effective; but it also felt that the forces which drove prices upward should be discovered and checked. It maintained that the main reason for the rise in prices was the presence of a monopolistic group of livestock dealers who rigged the market and charged the butchers excessive prices for the animals. However, the Committee gave no evidence which proves its theory.

The Committee rejected the view that the prices of animals in the local markets were high because there were no restrictions on the exportation of livestock. It considered the quantities exported insignificant, but it showed readiness to experiment with export controls.

In order to stem the rise in prices, the Committee recommended that the local authorities should set up a trading body which buys the animals from the breeders directly and resells it to the butchers who agree to retail meat at the official prices. This body, the Committee suggested, should be able to fix the prices of meat in a realistic manner.

Some people think that the authorities should not perform the marketing function instead of the private livestock dealers, but must fix the prices at which the butchers buy the animals from the dealers along with those at which meat is retailed to the public. Some livestock dealers consider that this will be unfair to them unless the government also fixes the prices at which the breeders sell the animals to them.

The available statistics show that until 1956, the year when price controls were first introduced, the prices of meat in Khartoum had followed closely the prices at which the animals were bought in their breeding areas. After that, the retail prices of meat in the capital lagged far behind the prices of animals in their breeding areas.

1. See Miss.
3. See Miss., 14 February 1956.
### Table 2: Prices of Cattle and Sheep (1955-1964)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Price (Ls. /head)</td>
<td>5.0</td>
<td>5.8</td>
<td>6.3</td>
<td>6.6</td>
<td>10.1</td>
<td>9.5</td>
<td>9.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Price (per cwt.)</td>
<td>123</td>
<td>130</td>
<td>136</td>
<td>152</td>
<td>192</td>
<td>202</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Although these prices were by 50% between 1956 and 1964 (from 90 mm. to 130 mm. per kilo), this was attributed to the prices of most other goods during this period, yet the actual prices charged by the butcher for beef were rising even faster. The average price charged for a kilo of beef by local butchers in 1956 was 130 mm., and in 1964 this price reached 200 mm., i.e. about 50% above the level of 1956.

The official prices of beef were kept at around 50% of the prices of ration but the gap between the actual prices was always narrower than that. For example, in 1963 the actual prices for beef were 254 and 252 mm. per kilo respectively, and in 1964 they were 300 mm. and 290 mm., i.e. beef prices were 60% and 70% of ration prices in 1963 and 1964 respectively. Thus, it seems that the local body which fixed many prices in the area was aiming at reducing the number of livestock for the production of meat and the butchers, in particular those who supply the town, to reduce the ration of meat, but allowing the prices of meat to rise more slowly than the prices of ration.
Calculations of the costs to the meat dealers of the beef and mutton which they sold in 1954 at 200 and 260 lbs. per kilo show that these costs amounted to less than 40% of the retail price. Most of the 50% gross margin went to the livestock merchant, but we do not know how much exactly. By comparison, this gross margin was nearly 50% in 1956, which means that the prices of meat were higher than the marketing costs.

### Table 6

<table>
<thead>
<tr>
<th></th>
<th>1956</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average price of Cattle (Shied)</td>
<td>18.8.103</td>
<td>16.7.01</td>
</tr>
<tr>
<td>Market Geo</td>
<td>0.200</td>
<td>0.200</td>
</tr>
<tr>
<td>Railway Freight to Khartoum</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Slaughtering Tax</td>
<td>0.830</td>
<td>0.830</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>10.930</td>
<td>11.930</td>
</tr>
</tbody>
</table>

### Average Weight at Shied:
- 200 lbs.

### Live Weight (at 15%)
- 20

### Marketable Meat
- 160

### Quantities Sold (at 90% of Marketable Meat)
- 162

### Costs Per Kilogram
- 2.073
### Costs of a Kilo of Meat in Khartoum

<table>
<thead>
<tr>
<th>Year</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Price of Sheep in Khartoum</td>
<td>32.50</td>
<td>4.00</td>
</tr>
<tr>
<td>Market Tax</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Slaughtering Tax</td>
<td>0.210</td>
<td>0.110</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>3.560</strong></td>
<td><strong>4.160</strong></td>
</tr>
<tr>
<td>Average Weight</td>
<td>42 Kg.</td>
<td>42 Kg.</td>
</tr>
<tr>
<td>Loss factor (at 4%)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Marketable Meat</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Quantities Sold (at 50% of)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Meat</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Costs per Kilo</td>
<td>0.085</td>
<td>0.075</td>
</tr>
</tbody>
</table>

### Costs of Meat as Percentage of Total Price

<table>
<thead>
<tr>
<th>Year</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Retail Price (mM./Kilo)</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Costs (mM./Kilo)</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>Costs as % of Price</td>
<td>33.33%</td>
<td>29.17%</td>
</tr>
</tbody>
</table>

---

The rise in the prices of meat in Khartoum was obviously caused by the failure of the supply of meat in Khartoum market to expand as fast as the demand for it. In 1955 the population of Khartoum was estimated to be around 246,000 persons, and the numbers of animals slaughtered to feed its inhabitants were about 112,000 sheep and 47,000 cattle yielding...
about 4,500,000 kgs. of mutton and 6,500,000 kgs. of beef. By 1964
the population of the town had risen to about 450,000, and their consumption
of sheep and cattle rose to 312,000 and 64,000 respectively, yielding
6,750,000 kgs. of mutton and 11,500,000 kgs. of beef. This means
that the population of the Capital increased by about 62% while their
meat supplies rose by 56% only. (The rise in the supplies of beef was
only 36% while the increase in mutton prices was as much as 56%).
The slow increase in the supplies of animals to the Capital cannot
be attributed to a decrease in the supply of the animals in the whole of
the State. The livestock population of the country grew rapidly in the
last two decades. For example, the number of sheep in the country rose
from 6,945,000 in 1957 to 8,664,000 in 1962. The number of cattle rose
even more from 6,916,000 in 1957 to 9,102,000 in 1963. How can it be said
that the slow increase in the animals slaughtered in Haridwar was caused
by an increase in the number of animals exported, because after a slow
increase in the number of sheep and cattle exported in 1957 the exports of
these animals fell to far below their 1957 levels. As there is no serious problem of transportation, except perhaps in the dry season
when there is less water and grass along the route to Haridwar, we are
left with 1955 committee's view that there is a monopolistic group of
merchants who keep the supply of animals to Haridwar landing behind its
expanding demand for meat. The result is that the prices of
animals often drop in their breeding areas while the prices of meat in
Haridwar continues to rise.

(1) The average weight of a bull is about 800 kgs., and a sheep weighs
62 kgs. on average. The amount of marketable meat in a bull is
93.4%, and 38% in a sheep.
this view is supported by several unverified reports about the
methods by which the group of merchants referred to by the 1907 committee
had established their control on the livestock trade. It is commonly
believed that over the years these merchants were able to win the trust
of the local chiefs whose tribes bred cattle and sheep for control the
mover to Khartoum. Some of then entered into the leading families
in these tribes. In this way, these merchants were able to control the
mover so well as the avenues of the livestock trade. Thus, rival
dealers who succeed in buying animals may be denied water for their
animals by the tribes through whose lands they have to pass. This forces
then to send their animals by rail which costs about three times more than
if they were marched to Khartoum.

Reference is also made to the case of the Sudan Meat Products
Company which was licensed in 1952 to erect a meat factory at Kosti. The
license was for an initial period of 50 years renewable for two more periods
of 30 years each. The factory commenced operations in October 1956. It
began by slaughtering 250 head of cattle on 5 days every week. This
output was expected to be nearly doubled when the factory works at full
capacity. But soon afterwards the factory was closed down and the Company
was liquidated. The reason was that the prices of cattle, charged by
the cattle owners were so high that it was cheaper for the Company to
buy Sudanese cattle in Egypt and re-export them to Khartoum. It is

(1) House of Representatives Minutes (1954) p.211.
(2) M. Yakubov, ex-Minister of Commerce, the Conference of the Veterinary
Society of the Sudan, January 1966.
necessitated that the merchants who monopolise the trade deliberately raised the prices of cattle in Kothi district in order to get rid of the Company. The latter was in a vulnerable position because it did not accumulate a sufficient reserve of cattle before operating its factory. When the prices in Kothi rose sharply, the company had to close down the factory until it could buy cattle from distant areas where the prices did not rise so much. This meant keeping the machinery idle and paying the workmen while being idle, and it happened often enough to make the Company despair and abandon the project.

The only butchers' co-operative society in the capital is in Shahr-i-kara. This society succeeded in buying cattle and sheep directly from their breeders and sell meat at the official prices. The managers of this co-operative say that when they first started their society they suffered heavy losses: the established livestock dealers raised the price of the animals whenever they wanted to buy, and forced them to bring them by rail. The dealers also sold their own animals to the other butchers in Shahr-i-kara at below-cost prices in the hope of making the members of the co-operative lose their capital and cease to operate. But the co-operative butchers persisted and won the battle for survival, although their daily sales contribute a very small percentage of the total daily sales of meat in Shahr-i-kara.

However, it is difficult to say how well-organised this alleged ring of merchants is. There are some six or seven leading livestock dealers of whom (Moosa, Karimian, Bibi, and al-Douri) are part.
opiates in a joint company which distributes livestock inside the Sudan and throughout the Middle East. But there is also evidence of intense rivalry among the livestock merchants in the domestic as well as the export markets. This became evident in 1964 when the government proposed setting up a Livestock Company in which 60% of the shares were reserved for the larger merchants, 30% for the smaller ones, and 10% for the public. The idea was rejected by the larger traders who wanted exclusive control over the company.

An interesting feature of the livestock trade is that the money which the dealers spend on buying animals stayed remarkably stable throughout the 1950s as can be seen in the Table below. Apparently, this may be due to the fact that the livestock trade, which is one of the few branches of internal trade in which the commercial banks finance,  

\[ \begin{array}{cccc}
\text{Years} & \text{Number (in Gd)
\text{Value (in Gd. of Cattle) & Value (in Gd. of Sheep) }
\hline
1952 & 135 & 300 & 1,439 & 1,479
1953 & 127 & 300 & 1,203 & 1,479
1954 & 137 & 300 & 1,203 & 1,302
1955 & 137 & 300 & 1,302 & 1,302
1956 & 122 & 300 & 1,302 & 1,502
1957 & 130 & 300 & 1,302 & 1,502
1958 & 126 & 300 & 1,302 & 1,482
1959 & 130 & 300 & 1,302 & 1,482
\hline
\end{array} \]

Table 7: The Number and Value of Cattle and Sheep Sold in the Principal Markets of Sudan

\[ \text{Sources: Department of Statistics} \]

\[ \text{In Gd. of Cattle} \]

\[ \text{In Gd. of Sheep} \]

\[ \text{In Gd. of Sheep} \]

\[ \text{In Gd. of Sheep} \]

\[ \text{In Gd. of Sheep} \]

\[ \text{In Gd. of Sheep} \]
was allocated a specified which increased very slowly during the last decade. This might have been the reason why the livestock wholesalers were unable to expand the supply of animals to Khartoum as fast as its population expanded.

The banks may be in the habit of lending specific livestock dealers, so as not to lend any dealer who approaches them in which case the banks' restrictions of the funds employed in this trade should benefit any dealer who applies successfully to a bank for funds.

This, we must add, is a mere conjecture which is very hard to support by factual evidence in view of the secrecy with which banks treat these matters.

However, whatever the reason is for the failure of actual supplies to Khartoum to increase as fast as the town's population did, this problem obviously cannot be solved by fixing prices. Nor can it be solved on a regional basis since it is linked up with supply and demand conditions all over the country. This means that any control over the prices of meat in Khartoum has to be supplemented by similar measures in other parts of the country.

Also, it seems that the only possible policy is to increase the supply of animals to Khartoum. This cannot be achieved by merely displacing the existing livestock dealers. In this case, it can be done by either licensing additional livestock dealers whom the state may finance or...
creating a state body which operates in cooperation with the existing firms. Only by doing this can the prices of goods be kept down in
Newton.
CHAPTER III

INSTITUTIONS IN AGRICULTURAL MARKETING

The Effect of Shortages in Marketing Facilities on the Distribution of Cereals

I. Some Aspects of Grain Marketing:
   a. The struggle between Growers and Middlemen
   b. The Problem of Credit, Storage and Transportation
   c. Government Produce Auctions

II. The Marketing of Wheat
The Struggle Between Governors and Villagers

During the last World War, the Middle East Supply Corps appealed to the Sudan Government to do all it could to take Sudan help in relieving the acute shortage in foodgrains in other parts of the Middle East. For this purpose the Sudan Government created a national grain pool and asked the Governors of the various Provinces to contribute to it as much grain as they Province could spare. Target figures were fixed for every district and the local authorities were urged to produce the specified quantities. Mauritania, as it was until 1959, one of the country's chief surplus areas, and in 1943 the government expected it to contribute some 9,000 tons. Unfortunately, the rains were poor in 1944 and there was a crop failure in the district; but the authorities decided to try to squeeze the required quantities from the growers. This decision was mainly inspired by the belief which was held, that most growers needed for more grain than they really needed. An early report of this view was one of Khartoum's first Governors who stated in his report on the conditions in his Province in 1942 that

"The majority are of the opinion that a full "surplus" of one quarter (of 25%, which farm is burden) is the surplus grain... it may reach ten or twenty quintals of grain per acre over and above the household requirements. If this surplus were harvested before the new harvest, then grain is cheap, and disposed of it for about half the price after the harvest. So we even borrow some on
his anticipated crop rather than dispose of the present surplus. ¹

Acting on the basis of this belief, the authorities set about the business of extracting the required amount of grain from the producers. At first, the authorities tried persuasion. A large amount of extractor goods were allotted to some merchants in the region in order to offer to growers in return for their grain. But two months later the authorities admitted that these goods did not succeed in extracting any significant amount of produce from the cultivators. Force was then tried. The Naaski (tribal heads) were summoned and the required amount was divided among them; they, in turn, subdivided their quota among the Shoiks (sub-shiehs) under their jurisdiction. The police was also asked to make house-to-house search for hidden produce. There were complaints that the same producers were not even allowed to keep some of their grain to use as seed for the next crop or to keep in their private possession for their own use; all rice was seized and the grower had to obtain his needs from the authorized dealers who, in some cases, were several day's journey from the producer's village.²

However, these drastic measures failed as well in producing the required amount of grain. Actually, only 4,600 tons were collected by the end of 1945, and the authorities were convinced that "this action proves conclusively that the colored peasants do not hear their grain

In large quantities.\footnote{Governor General Report, 1928, p. 166-7.}

It was during this eventful year that a company called the Central National Company was formed under the auspices of the Sudan Government. The company consisted of 56 established produce dealers who held the entire company's share capital. The price of the share was 100; the minimum shareholding allowed was 10 shares and 100 was the maximum. The company was given a complete monopoly on the purchase of all the produce offered for sale in the area, and some 120 produce dealers who were excluded from the company lost their business. Some of them went bankrupt, but most of them turned to agriculture when mechanized production was introduced to the region towards the end of the 'forties.

The company continued to operate until 1960 when it was liquidated. But it had lost its monopoly power as early as 1931 when the state-guaranteed auctions were re-introduced under the control of the local authorities. Apparently the Government was alarmed by the increase in palm smuggling from the Sudan into nearby British and Egyptian territories by growners who were dissatisfied with the prices offered by the company. But, perhaps as a consolation to the members of the company, no merchant was allowed to bid at these auctions unless he gave a deposit of 10,000 to the local authorities. (It may be remembered that that was the value of the minimum shareholding allowed in the Central National Company.) It was said that this deposit requirement...
reduced the number of the traders who were allowed to bid at the
Caledon auction from 200 to 125 only.1

Very little is known about the operations of the company or the
reasons for its liquidation. The year in which it was dissolved, 1936,
was the year when the prices of wool fell to a bare 100 m. per kilo-
which was well below the costs of production. Probably the company
was caught with vast quantities of produce which it bought in advance
and could not sell at a profit when the unexpected fall in prices
occurred.

The year which witnessed the liquidation of the Caledon National
Company also saw the birth of a body which was called the Co-operative
Union of Caledon Crop Producers. This union had only four co-operative
sections among its 5,000 members, the rest being individual farmers,
small shareholders and big woolen owners, as well as motor proprietors.
The Union undertook to receive its members' produce, grade it, store
it and market it on their behalf. It also arranges group borrowing from
government and private sources as well as collective buying of machinery,
seed, fertilizers, etc.

The Agricultural Bank, which had assisted the Caledon National
Company prior to its dissolution in 1936, also aided the Union since its
inception.

1. H.C. All (Crawford University): Caledon Wool, 1982/84.
Producers machinations in Cadiz who opposed the union from its inception are constantly casting doubts on its motives. The executive of the Cadiz Company and some thirty other producers declare that the leading members of the union are themselves merchants, in fact the very wholesalers who were excluded from the Company when it was formed in 1905. They have since become large-scale farmers and, after the company lost its monopoly in 1908, they have continued dealing with farmers. Fifteen years later, they were still bent on averting themselves from the company's ex-members for what they had done to them in 1905; and by forming the union they were able to enlist the help of the state (which is avowed to the assistance of commercial bodies) in trying to drive their old rivals out of business.

The struggle between these two sections is still raging. In 1926 there was a big clash between them when the Agricultural Bank agreed to supply the Cadiz Company's Union with 47,000 tons of flour and asked the Co-operative Union to supply the quantity from its members. To meet the price crisis for the merchants who opposed the union, the railway authorities reserved for the Union 3 out of the total 7 wagons which they used every week to Cadiz for the purpose of sending consignments of flour from the region. The union's opponents retaliated immediately. They sent representations to the Bank and were able to revoke the decision. They also tried to ruin the deal by offering the members of the union higher prices for their crops than the Bank offered their.
Through their union, but in this respect they failed because the
market prices were actually above the open market prices and these
merchants could not go on buying produce which they could sell only
at a loss. The role of the Bank in this deal is quite significant.
It did not merely bring the two unions together; it actually sold short
to the Cedara Co-operative Union 47,000 tons of darn in the hope that
it would be able to persuade the Cedara Union to supply the
47,000 at the stipulated price. It thus played the role of the
middleman who buys and sells produce in his own name, thereby
assuring the risk of being unable, when the time to deliver comes, to buy
produce at a price equal or below the price at which he sold it. The
only difference is that the Agricultural Bank assumed the risk of loss
without seeking any profit; the growers were promised to get the whole
of the stipulated price of 83.16/-50 per ton after deducting the essential
expenses.

The Manager of the Cedara Branch of the Bank defended the partic-
ipation of the Bank in this unorthodox manner in the process of marketing
by saying that this is the only practical way of helping the small
growers, reviving their interest in their Union, and stabilizing prices
in the region. However, he sees this action as a temporary measure.

and wishes to see the state-supervised commodity market in the region develop into a marketing board which buys produce from the growers in this district and distribute it to the rest of the country.¹

In this case, the role of the growers' union will be moving to concentrate the produce and deliver it to the proposed board. But the Co-operation Department has a different plan in which co-operatives play the leading role in produce marketing. The Department plan to re-organize the Co-operative Union in a manner envisaged to make it truly co-operating. It proposes to have all the small growers organized in multi-purpose co-operatives which are to be affiliated to the Union.

The ultimate aim being the elimination of producers who are not co-operative members from the Union.² It also proposes to change the co-operative legislation, which it considers unsuited to our local environment, in order to give the officers appointed by the department the co-operatives greater control over the societies under their supervision.³ That the Department seems to be seeking for its officers is the right to decide for the members of the co-operatives when and how they should market their crops. This reflects the Department's diminished faith in the ability of the co-operatives.

and national decision on how those numbers would be authorized.

If these changes which the Department plans to introduce are allowed to take place, the unions may come to be the beneficiaries of the large profits which it seems to be at present, for example, the borrowing may become easier for the purpose of financing purchases at strategic locations instead of being largely restricted to enable the available credits to pay their debts at the former company and to meet the varying expenses of these companies. See these changes will also increase the sales into a new section of the Department.

Department store conditions are taken by differentiates capital at the new norm. This in continuity to the above principles of co-operation, and by adopting it, the Department of Co-operation will be merely helping these more claim that co-operation would exist in the field of existing, and not only a whole market had was effectively express to purpose moment.
The tendency of growers to dispose of their crops early in the season when prices are low is very well known. It is usually attributed to the need of the grower for cash early in the season in order to settle his debts and to make preparations for the new agricultural season. Therefore, it is generally believed that if they are provided with adequate credit and storage facilities the growers will retain their crops until the prices rise later on in the season.

In his report on 'area marketing' in the Sudan, Mr. Thomson, the A.D.O. Senior Marketing Adviser to the Ministry of Agriculture, suggests that federal store producers can be persuaded to break their established habit of selling their grain soon after it is harvested by providing them with credit and storage facilities. He writes:

"As a rule, growers need money early in the harvest season and if prices are at all favourable there is a rush to sell regardless of the fact that in four to six months' time values may have risen substantially...At Federa (there are wide differences between the season's low and the season's high - a variation of approximately 45 per cent on average. This would indicate that ample scope exists through co-operative action or by means of a properly organised storage and credit operation to ensure that producers derive greater benefit from seasonal fluctuations in prices.

*maize (zambe vulgare) is the main foodgrain of the Sudan. It is grown in all the provinces, but some do not grow it in large quantities*
fluctuations instead of, as at present, allowing such benefits to accrue to the trade. 1

However, statistics show that growers often fail to utilize the existing credit and storage facilities offered to them by the Central Branch of the Agricultural Bank. As Table 3 shows, the growers' demand for these facilities varied considerably from one season to another. As these variations cannot be traced to fluctuations either in crop price or in the percentage of it that goes to the market, we may conclude that the limits with which growers dispose of their crops is not necessarily due to an urgent need for cash; for this reason they cannot be persuaded to wait longer by merely increasing the supply of credit and storage facilities in the area. It also suggests that the real problem is to convince the cultivators to utilize the facilities which now exist rather than to create more of them.

Table 3: Quantities Married With the Agricultural Bank

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>355,692</td>
<td>34,004</td>
<td>43,139</td>
<td>16,999</td>
<td>80,177</td>
</tr>
</tbody>
</table>

Source: Agricultural Bank (Central Branch), Central Annual Reports, 1959/60 - 1964/65.

The demands of the Central crop market show that even when they decide to store their crops, growers seldom wait for more than one or

The months before they dispose of it. In fact, the bulk of the durra crop is harvested in November, January, and February, and practically every year 50 to 70 per cent of the crop is sold in those three months.

### Monthly Arrivals of Durra at Colombo Market
(Expressed as percentages of annual arrivals)

<table>
<thead>
<tr>
<th>Source</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963/64</td>
<td>3</td>
<td>6</td>
<td>16</td>
<td>25</td>
<td>41</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1962/63</td>
<td>0</td>
<td>4</td>
<td>15</td>
<td>34</td>
<td>43</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>1961/62</td>
<td>3</td>
<td>4</td>
<td>11</td>
<td>21</td>
<td>46</td>
<td>8</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>1960/61</td>
<td>2</td>
<td>2</td>
<td>16</td>
<td>25</td>
<td>40</td>
<td>10</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Sources: Weather and Agricultural Enclosure, Annual General Report.

The reluctance of the growers to start their grain until the middle of the season in spite of the big difference between the average seasonal low and high prices is not hard to understand. Statistics may well prove that over the years a grower who persists in selling his crop in mid-season when prices are at their peak may get 40 per cent more than one who always sells his crop soon after he harvests it. But the growers budget for more than one year, and the majority are interested in the movement of prices within the span of one season. In some years, as in 1959 (see Table 20), the seasonal high is barely 10 per cent above the harvest prices, while in other years, for example 1957, as in Table 1.
90 per cent higher. Thus, if a grower waited in 1959 until the durum prices reached their peak in October he would have paid more for storage (at the rate of 10 per cent per six months as charged by the Agricultural Bank) than what he could gain by selling his crop then instead of selling it at harvest time. If he decided to sell in August because he expected prices to start falling in September, as they often do, he would have lost even more. Growers know from experience that this can happen; this is why they see no reason for speculating on the seasonal movement of prices. As can be seen from the table below the monthly movement of prices is quite irregular and unpredictable.

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<tbody>
<tr>
<td>1958</td>
<td>512</td>
<td>534</td>
<td>528</td>
<td>512</td>
<td>507</td>
<td>575</td>
<td>600</td>
<td>640</td>
<td>686</td>
<td>629</td>
<td>603</td>
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<tr>
<td>1959</td>
<td>527</td>
<td>525</td>
<td>534</td>
<td>527</td>
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<td>613</td>
<td>616</td>
<td>735</td>
<td>650</td>
<td>640</td>
<td>373</td>
<td>689</td>
</tr>
</tbody>
</table>


Damage to the produce during storage is another risk with which farmers may have to reckon the selling of their produce for long. The total storage capacity in Sialkot area is estimated to be around
75,000/60,000 tons, but the area's annual output of dates alone is around 200,000 tons. For this reason, dates are usually stored in the open at the risk of being stolen or damaged by fire, insects, birds, or, after June, by rains (where rainfall exceeds 10 inches). Even when produce is stored in 'basarans', the circular pits which can accommodate from two to twenty tons, moisture may damage it, and this may not be discovered until it is too late. Anyway, this form of storage is used only in the countryside, and then the produce is moved to Qadarif. It has to be stored in the open there it is likely to be damaged by rains unless it is sold and consigned before June. This may take several weeks to do. It is then hardly surprising that many growers feel that by storing their produce in anticipation of an improvement in prices they are risking everything for very little.

In fact, the risks which arise from the unpredictable monthly movement of prices at Qadarif markets and those caused by the lack of sufficient safe storage in the area originate from the unstable trade state of transportation between Qadarif and the rest of the country. The irregularity of this service is largely responsible for the fluctuations in the demand for produce by the merchants at the produce markets; these fluctuations in turn, cause the price variations observed in these markets. The inadequacy affects the need for storing the produce in the production area - an area which happens to have higher rainfall and...
The bulk of Canderel's exports to the other regions of the country is moved by rail, but an increasing part is being carried by lorry. The carrying capacity of Sudan Railways has been far below the rapidly growing demand for the services. The shortage becomes most acute in the first three months of the year when most of the country's major agricultural products come into the market. Bara and cotton are Sudan's two leading crops and both are harvested within the period of peak demand for wagon space on the railways. Cotton, being the country's chief cash crop, is given priority by the railways authorities over all other crops, including bara, the population's main food crop. Consequently, the amount of empty wagons allocated by the railway administration to Canderel during the early months of the year is very limited and largely depends on what the Canderel Board can spare. This leads to tremendous piling-up of produce at Canderel railway station, and it gets worse when the rainy season draws near and it becomes necessary to move thebara and cotton crops from their production areas before the moisture spoils them. As Canderel, every year thousands of tons are spoiled by the rains while they are stored in the open waiting rolling or shipment. This year (1966), on March 17th, there were more than 45,000 tons of bara at the railway station awaiting shipment, some of which had been there for more than a month. In that time, the daily arrivals of produce at the market averaged.
between 750 and 900 tons, but in the three weeks which ended on
March 7, 1965 the railway authorities allocated to the district
only 19 wagons with a total capacity of less than 1,000 tons.

Being unable to forecast how much of its wagon capacity will
be taken up by cotton shipments, the railway administration refused
to make any definite plans for the movement of other crops until
the bulk of the cotton crop has been moved to Port Said. Usually,
this is done by June. After that date, and for up to three or four
months before, there are likely to be any timetable which the administration
proposed delays, stoppages, and sudden schedule changes in order
to send relief shipments to some isolated areas make the services
very unpredictable.

This inadequacy and irregularity of transportation between
Gazira and the main consumption areas for its dues have significant
effects on trading farms at both ends. As Table II shows, one of
the important effects of the inadequacy of the service is that
the dues received in the deficit areas command a very high margin
over their level in the surplus areas. This margin is highest in
the first part of the year when the railways are fully engaged in
moving cotton and other export crops to Port Said and is at its
lowest level in the last quarter of the year when the services is
completely free from its obligations in Gazira and the rainy season
in Egypt.

The irregularity of the services cause this margin to fluctuate.
Table 8: Dura Seed Prices in Selected Towns (1964)
(The prices are in Rupees)

<table>
<thead>
<tr>
<th>Town</th>
<th>J</th>
<th>F</th>
<th>P</th>
<th>V</th>
<th>A</th>
<th>X</th>
<th>J</th>
<th>S</th>
<th>O</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gadaref</td>
<td>100</td>
<td>90</td>
<td>100</td>
<td>90</td>
<td>90</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Kassala</td>
<td>120</td>
<td>120</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
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<td>100</td>
</tr>
<tr>
<td>Atbara</td>
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<td>150</td>
<td>160</td>
<td>170</td>
<td>170</td>
<td>160</td>
<td>160</td>
<td>160</td>
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<tr>
<td>Mariakow</td>
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<td>120</td>
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<td>120</td>
<td>120</td>
<td>120</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Shendi</td>
<td>170</td>
<td>160</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>160</td>
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<tr>
<td>Feidien</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>150</td>
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</tr>
<tr>
<td>Source: Sudan Republic - Dept. of Statistics; Annual Foreign Trade Statistics.</td>
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</table>

Sudden and unexpected arrival of empty wagons at Gadaref often cause
their margin to narrow quickly causing the dura merchants heavy losses.
Prices were high in 1964 then there was a acute shortage of dura
in Port Sudan which caused the prices to rise sharply. The dura
merchants at Gadaref flooded the railway, administration with applications
for conveying produce to Port Sudan. The administration responded by
sending eighty empty wagons in one batch to Gadaref. The immediate
effect was to create an expectation of a dura glut in Port Sudan which
brought the prices tumbling down until it became unprofitable for most
merchants to consign the produce which they had already bought. The
result was that most of the wagons remained idle for weeks at Gadaref.
railway station, and many merchants trademark heavy losses. 1

The delays in moving durum from Oasea plays an important role in widening the gap between the seasonal low and high prices in the nearby durum markets. It discourages many merchants from competing for the durum which is offered early in the season for fear of having to store it for a long time. Those who actually purchase durum during this period may find their working capital largely tied up for weeks or months before they are able to sell what they bought and re-enter the auctions. A Ministry of Commerce official reported that one of the smaller merchants sold him that he had £23,500 tied up in stocks of durum when were at the railway station awaiting shipment for over a month, and he was therefore unable to buy any more durum. This official stated that he himself noticed that the number of traders attending the auctions declined considerably when the transportation problem became acute. 2

The result is that in the early part of the season there are few merchants who are ready to compete at the auctions because of the delays which are expected in consigning produce and therefore prices are low at the beginning of the season; in the mid-season months, when the transportation problem eases, more merchants enter the market and the

1. Hazel A. Raila (Ministry of Commerce), Report on Transportation in Oasea, 3/4/1956. Strangely enough, our source blames the merchants for not utilizing the教你 which were sent to Oasea at their request, and claims that the fall in durum prices in Port Oasea was merely a coincidence.
produce prices are consequently higher.

Transportation delays also make it impossible for Catarof merchants to undertake to supply produce merchants in the importing regions regularly. These latter merchants stock no more than a few weeks' supply which they replenish from time to time from fresh arrivals in the market. No Catarof merchant can guarantee to deliver durra to any destination within such a short period. For this reason, Catarof merchants normally have some agents in the importing regions who advise them on when and how much to consign. They receive the consignments and offer them to all wholesalers who could be interested. Often the arrival of a consignment coincides with a glut in the market and the price at which it is sold may be lower than what it cost the Catarof merchant. The lack of statistics on durra arrivals in the importing areas forces the merchants in the production areas to send durra to these markets on hunches and rumors, and increases their taking risks immensely.

The transportation bottleneck gives many big produce dealers the opportunity of monopolizing the markets of some of the importing areas for several weeks. In some months the total amount of durra which leaves Catarof to all destinations other than Port Sudan is less than 2,000 tons. The railways' regulations are such that one merchant who has a few thousand tons to consign may occupy the whole space available for a

1. Most of the durra consigned to Port Sudan is intended for exportation to other countries.
whole month. These regulations permit the local railways authorities to grant some merchants priority over all the other merchants in certain circumstances. The merchant who is given this privilege is allowed to consign a certain quantity of goods within a period of time which is usually three months; he can, if he chooses, send it all in any one month during this period. Sometimes, a merchant has a very large quantity of dura to consign, and if he decides to ship it all at one time he can hold up other consignments for several weeks.\(^1\) In the meantime he can enjoy a full monopoly on dura supplies to all the areas which depend entirely on shipments from Sakkara.

A merchant who cannot obtain monopolistic control of the dura markets in importing areas in this legal way can still achieve it by illegal means. He can buy the shipping rights of several merchants who applied unsuccessfully for space on the railways' wagons; naturally, the railway authorities do not permit this and the consignment has to be made under the name of the merchant who wins the space is allocated. The authorities suspect that this practice is very common and that many merchants apply for space not to use it for shipping their own produce but to sell to others. The authorities are still looking for a means of stopping this practice which causes a significant increase in the unofficial waste of moving dura.\(^2\)

\(^1\) Malin: not cit.
\(^2\) Malin: not cit.
It is thus clear that the main problem of cereal marketing is the inadequacy and irregularity of the transportation service between the production and the consumption areas rather than the deficiency of storage and credit facilities at the growers' disposal. In fact, the storage facilities in the production areas may prove adequate if the product is moved out quickly from these areas to the areas which need it. The inadequacy of transportation also lowers the prices in the production areas in the early part of the season by tying up the capital of the few merchants who are ready to compete for produce in the auctions. This creates a desire among the producers for waiting until the middle of the season when the situation improves and prices rise, but then the irregularity of the service in the second half of the year causes the prices to be quite unpredictable, and growers hesitate to speculate on the movement of these prices.

The lack of sufficient transportation between production and consumption areas creates glut in the former areas and shortages in the latter, and causes the prices to be much higher in consumption markets than in production markets. The irregularity of transportation causes the risk to be high and the rate of capital turnover to be low in the cereals trade; hence the need for big margins in order to persuade merchants to employ their capital in this field.

The body which Thomson proposes to set up may succeed in increasing the revenue of the growers at the expense of the middlemen by encouraging
the farmers to store their crops until produce prices rise to their
peak. Not all that is expected to be achieved by the operation of this
body is a shift in risks (and the profits earned by assuming them) from
the middleman to the producer. A better achievement will be the
reduction of the total volume of these risks by solving the problem
of transport. This will not only benefit the growers, but will also
be beneficial to the middleman and the consumers.
C. Government Produce Auctions

The local Government Ordinance of 1951 empowers the municipal and rural councils to establish and control produce and livestock markets, and to license buyers and set sites therein. The ordinance also gives the local authorities the right to put any particular commodity on the list of its market, in which case the wholesale transactions for such commodity will not be allowed to take place outside the prescribed area of these markets. There are several such markets in various parts of the Sudan. Usually, every area has one main market and several subsidiary markets. For example, in Kassala Province there is one main market at Sedaraf and 15 small markets. All these markets deal in dura, gum arabic, and sesame. In Southern Barkh, the main market is in Nyala, and there are 40 subsidiary markets in the area, they deal in gum arabic, groundnuts, and sesame.

Each "main" market has a staff appointed by the local authorities. There are separate areas allocated to the various commodities on the list of every market. In some commodities, selling and buying are by private agreement between the two parties concerned. But in most commodities, all the quantities arriving at the market are auctioned by an official auctioneer.

Every morning, growers and village merchants bring their produce or livestock to the market. Arrivals are recorded and the area from which the produce or livestock is brought is registered. The items on the day's auction list are displayed in numbered lots.
potential buyers inspect them. At the auction, buyers are seated around the auctioneer, with the sellers standing behind them at the end of the hall. The seats are numbered and the buyers are seated by drawing lots; bidding is made in the order of the seats. If the seller accepts the highest bid he goes with the buyer to the weighing clerk who weighs the article and issues both of them with certificates and the sum due to the seller is fixed accordingly; market regulations stipulate that the buyer should pay the seller on the same day on which the sale is made.

The buyer is required to pay the floor (produce tax) on the produce he buys. Every council fixes its own rates, and these rates vary considerably. There is also a weighing charge (gibara) which is intended to be a fee for using the market facilities. Traders are not allowed to buy commodities in the main markets unless they pay a 15,100 deposit.

The real purpose of these official markets is to facilitate the collection of the produce tax. Previously, the local authorities had to convene committees of local chiefs who visited the farms and estimated the area cultivated and the yields in the various farms in order to assess the tax due on every farmer. Since the creation of these official markets, all that the councils have to do is to post a clerk to every market in its area in order to collect tax when the produce reaches the market.

A.M. Thomson, an I.A.O. marketing advisor, thinks that this system of official market is beneficial to the producers. In his opinion,
under orderly conditions in which once the bargain is struck there is no scope for shammy while the buyer cannot at some later stage, for example at weighing time, raise frivolous objections or attempt to apply dross on the seller: the entire process of trading is open and under the general supervision of the market authorities.  

The collection of produce taxes at these markets undoubtedly costs the local authorities less time and effort than the previous method of collecting this tax at the farm. But, obviously, the change in the method of collecting this tax has transformed its very nature. It is no mere a production tax; it is a wholesale tax which need not be paid on produce used by the producer himself or on what he sells directly to other consumers. But although there may be a case for a tax which exempt production for home consumption, even if it tends to penalise non-existence production, few people are ready to accept a produce tax which discriminates between consumers who buy directly from the producers and those who buy from the middleman.

Two reports prepared by some of the market inspectors of the Ministry of Commerce show clearly that Thomson's faith in these state markets is quite unjustified. These reports show that the administration of these markets is both inefficient and corrupt. In spite of the vast revenues which the councils drew from these markets, very few of them have suitable buildings or sufficient staff. But, worst of all, their

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markets offer very little to attract the producers. For example, the
rule that the buyer must pay the seller the same day on which the
purchase is made is constantly violated by buyers, and this causes the
producers great inconvenience as they are kept away from their families
and farms. The rule that weighing must be by the sellers or their
representatives is seldom enforced, and allegations that the men in
charge collaborate with the merchants are heard quite often.

One of the report states that competition is often lacking in
the central markets: The quantities of produce which reach these markets
are often limited and consequently a merchant who wants to buy large
amounts has to send agents to the smaller markets in order to get the
quantities he needs. Only when he needs a small quantity of produce
or has to make an urgent purchase will a merchant go to the central
market of his area. Consequently, there are very few buyers in the
central markets, and the lack of competition depresses the produce prices
in the markets. When the amounts of produce reaching the market become
large, transportation difficulties arise: merchants who do not expect
to be able to consign produce in the near future refrain from buying,
and those who do buy are likely to find their capital tied up for long
periods in stacks which they cannot dispatch quickly. This, too, has
an adverse effect on competition and depresses the level of prices in
these markets. As the prices in the central markets are usually followed
in the subsidiary markets, the prices in the latter markets also fall.

(2) Ministry of Commerce: Report on Cun Prices (Kustofia Province),
1937, and a General Report on Produce Marketing in the Region of
Kustofia, 1937.
Possible concentration of wholesale trading in a commodity within prescribed market areas inconveniences buyers and sellers who otherwise would have chosen to conclude their transactions outside these areas. Often a cultivator or a cattle owner cannot leave his village every time he wants to sell produce or livestock, and it may be more economic for the buyer to reach the seller than the other way round. In these cases, it will be uneconomic to force the seller to bring his produce to the state market. Besides, the choice of the location of a state market is quite arbitrary, and the size chosen may not give maximum benefit to the transactors or, the economy at large. In fact, in a country like the Sudan where livestock owners are mostly nomadic and many farmers practice shifting cultivation, the optimum location for such markets must be changing all the time.

Furthermore, the variation in the taxes imposed by the various local councils on produce and livestock have led to wasting of much resources, as produce is frequently shifted from areas where the tax is high to areas where the tax is low even if it has to be taken to a more distant market.

Great losses are caused to the country by smugglers who buy produce and livestock from those who are unable to reach the official markets or wish to avoid paying the tax. The railway authorities usually demand from a consignor of produce or livestock documents showing that he paid the tax and gives on his consignment. Traders are also required to show upon entering a town documents proving that their loads come from a state market. Nonetheless, a great deal of illicit trading goes on, parti-
Illegally is hazardous inside the country, it is usually smuggled abroad. For example, it is generally believed that as much as 45% of the dura produced in Kadaref is smuggled into British and Ethiopia when there is a shortage in this grain in those countries. Due to the vast length of the country's boundaries, it is very difficult to stop smuggling. All that the authorities can do is to eliminate some of the economic incentives for smuggling. Those who buy outside the official markets are able to save at least the sum of the produce tax; this sum is often as much as 15% of the value of the produce purchased. Merchants who buy in the official markets may not find it profitable to move produce to the neighbouring countries because the prices there are not sufficiently higher than the prices at which they buy it; but merchants who evade paying the tax by buying outside the state markets may find it profitable to do so. Once across the border, the smugglers have nothing to fear since some of the neighbouring countries encourage smuggling of goods which saves them the trouble of "buying" them in hard currencies. The smuggler often exchange the goods they take out of the country for goods produced in the other country, and some of their imports may be produced in this country though, perhaps, not in their own region.

Obviously, the losses incurred by the country could be reduced considerably if the tax on produce is collected at the farm as was once the practice. The collection may be simpler if it is substituted with a land tax (preferably a regressive one) varying with the area cultivated by each farmer. This tax will not be only easier to assess and collect,
but will also encourage the farmers to expand the area cultivated. Besides, if a tax of this kind is adopted instead of the current produce tax, there will be no justification for the restrictions imposed on wholesale transactions in some commodities. However, this will not necessarily mean that state organized markets must be abandoned. These markets should continue to function for the benefit of those producers and merchants who wish to use them.
Since the war, wheat consumption has been increasing steadily in the Sudan. At the present time, the consumption of sorghum is nearly seven times greater, but the gap is narrowing rapidly, particularly among the urban population. During the 1950s, dura consumption rose by about 50% to approximately 950,000 tons in 1959; in the meantime, wheat consumption doubled and was a little over 100,000 tons in 1959. But while dura production in the country expanded at a higher rate than the local demand leaving a surplus for export, wheat production lagged behind the consumption for the cereal, and wheat imports, almost entirely in the form of wheat flour, increased rapidly. In 1959, these imports reached 51,000 tons, nine times as much as they were in 1950.

Nearly 10.2 million were paid for the quantities imported in 1959, and as the imports were rising at a high rate the government decided to include wheat in its program for substituting imports by locally produced agricultural and industrial goods.

But in 1959 the prospects for an extensive expansion in wheat production in the Sudan were quite dim. Only 27,000 tons or so were grown in the country, and this quantity was largely grown by the farmers of the Northern Province for their own consumption. The varieties which they grew are much inferior to the imported varieties, and in spite of the 25% customs duties which the importers of wheat had to pay, the local wheat could not compete with the imported varieties.
Farmers found it more profitable to grow fruit, onions and local varieties of beans as the table below shows.

<table>
<thead>
<tr>
<th>Good</th>
<th>Net Return Per Hectare</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>Bara</td>
<td>11.9</td>
</tr>
<tr>
<td>Wheat</td>
<td>17.9</td>
</tr>
<tr>
<td>Pul Magri</td>
<td>20.2</td>
</tr>
<tr>
<td>Familia</td>
<td>20.6</td>
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<tr>
<td>Omnia</td>
<td>97.0</td>
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<tr>
<td>Nanga</td>
<td>135.0</td>
</tr>
<tr>
<td>Orman</td>
<td>137.0</td>
</tr>
</tbody>
</table>

(1) Based on assumption that only family labour is required.
(2) Based on assumption that all labour is hired.

The government made no effort to encourage wheat production in the country by subsidizing production or restricting wheat importation as it did in order to encourage industrial expansion. Instead it relied upon the corrective powers which it has over nearly 50,000 farmers who work in its agricultural schemes. These schemes cover about one third of the cultivated area in the wheel are managed by independent boards and are run as partnerships among the government, the board, and the tenant. However, it is the government which decides which crops are
should be grown in those schemes and how much land should be allocated to each crop. In choosing these crops, the government aims the national interest first, and then the growers'. Consequently, the growers find themselves most of the time forced to grow certain crops in preference to more lucrative crops merely because the crops chosen are the only way to help the country to earn or save more hard currency. This applies not only to cotton which is the chief crop grown in all the government schemes and whose proceeds are divided among the partners, but it also applies to the other crops grown in these schemes for the sole benefit of the farmer.

By using its progressive to choose the crops grown in its schemes, the government attempted for the cultivation of 5,000 feddans in the Gendi Scheme, the impact of its schemes during the 1959/60 season. By 1960/61, the area allocated was still below the target of 5,000 feddans, and was expected to expand to 120,000 feddans in 1966/67. In Khania Al-Dimaa Scheme, an area of 35,000 feddans was cultivated in 1954/55 and 1955/56, and this area is expected to rise to 120,000 feddans also when the third and final stage of the schemes is completed. The government hopes that this increase in cotton cultivation will enable the country to be self-sufficient in short by the end of the Ten-Year Plan (1964-1974).

In 1960 a large flour mill was installed in Alamon North by Ormon Bakers & Gener Co. The mill is capable of grinding 125 tons of flour per day.
which equals 60,000 tons of flour in 300 working days. It was generally understood that the mill could grind imported wheat only until there was sufficient wheat grown in the Sudan to keep it operating at full capacity. As wheat production in the country was about 29,000 tons only in 1961 when the mill started operating, it was allowed to import about 41,000 tons of unmilled wheat. The country also imported about 68,000 tons of wheat flour bringing the country’s aggregate wheat imports to about 97,000 tons, approximately 10,000 tons more than what it had imported in 1960.

In 1962 the prices of imported wheat flour increased by a bigger margin than the prices of unmilled wheat and the country’s imports of unmilled wheat increased while the quantity of wheat flour imported fell by one-third below their 1961 level. Since the output of the mill in 1962 was the same as in 1961, it seems that the mill’s consumption of local wheat fell instead of rising as promised. This happened at a time when wheat production increased slightly in the country and consequently the prices of unmilled wheat failed to rise as much as the prices of imported wheat.

In 1963 the prices of imported wheat flour rose again, but this time more than the prices of unmilled wheat. There was also an increase in the quantity of flour imported, while the quantity of imported wheat dropped slightly. This created greater demand for locally grown wheat which coincided with a decrease in the yields and consequently
the prices of locally grown wheat rose by nearly 50% above the prices of 1962.

The year 1963 witnessed a large increase in the production of wheat in the Sudan, but due to a fall in the ratio of the prices of imported flour to the prices of imported flour, the amount of wheat imported by the mill increased. The prices of locally grown wheat dropped to about the same level as the price of imported wheat. A further decrease in the prices of locally grown wheat occurred in 1963 when the amount of imported wheat remained unchanged while the quantity of wheat produced in Sudan increased again.

Thus it seems that far from using imported wheat to supplement Sudanese wheat as it had promised, the milling firm was using Sudanese wheat to complement imported wheat. In fact, the millers continued in a meeting at the Ministry of Commerce in 1963 that they were mixing Sudanese wheat with imported wheat in a 2 to 10 ratio. They gave several
reasons for failing to substitute Sudamco wheat for imported wheat. They claimed that the wheat varieties grown in the Sudan are hard and have a low water content. They said that these varieties need to be moistened for 36 hours before milling, while imported varieties require only 12 hours of moistening. They also stated that Sudamco wheat takes a longer time to turn into flour than imported wheat does, and consequently the mill's production falls by as much as 25% when Sudamco wheat is being milled.

The millers also complained that the percentage of impurities in local wheat often reach 6% while the percentage of impurities in imported wheat never exceed 2%. And if they do, the mill has the right to reject the consignment, a safeguard which the mill does not enjoy with respect to local wheat due to the absence of organized arbitration in this country. Nor is there a system for grading local wheat according to the international standards. All these matters, the mill owners explained, make it expensive and hazardous to use Sudamco wheat.

Furthermore, the firm explained that owing to the high cost of storing wheat, they prefer to order unmilled wheat in small quantities. The suppliers of foreign wheat cooperate in this respect by sending the wheat consignments as ordered, but the Sudamco growers wish to sell their wheat soon after the harvest and demand cash payment for it. This attitude makes it extremely difficult for the firm to buy locally grown wheat.
Another important consideration is the fact that the varieties of wheat grown in the Sudan produce very dark bread with low nutritive value.

Thus it means that the government has succeeded in forcing the farmers to produce vast quantities of wheat which the millers and the public are reluctant to consume, not only because the produce is nutritionally poor but also because there is no proper marketing system which suits the purposes of both the producers and the buyers. The government's position is at the present time extremely delicate. The decline in the prices of cotton is already causing much unrest among the tenants. The decision to expand wheat production was not very popular with them since they preferred to grow groundnuts. In 1963/64 season estimates of net returns per feddan for cotton, groundnuts and wheat were as follow:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>L.50.3</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>L.20.5</td>
</tr>
<tr>
<td>Wheat</td>
<td>L.6.0</td>
</tr>
</tbody>
</table>

As the prices of wheat continue to drop, this decision will become even more unpopular and the ever-restless and militant Gerwa and Khair al-Girba tenants may become turbulent.

At the moment, the tenants' wrath is not directed towards the government. Strangely enough, it is the mill which they blame for their plight. In particular, they feel bitter about the ill owners' blanket reduction of 6% of the negotiated prices on the grounds of discovering adulteration.
a corresponding amount of impurities in their wheat. Yet, when the
director of the mill discussed the matter with the Ministry of Commerce
officials he complained the slackness of the wheat bought from
Khasha al-Dibba tenants who also suffered a similar reduction in the
price of their wheat on account of alleged impurity. High-handedly or wrongly,
the tenants in Khasha al-Dibba attribute the change in the attitude of
the mill owners to the fact that they are not seriously planning
to install their own flour mill. The tenants have already received several
offers from the Communist Block for erecting the mill on very easy terms.
It is faced of challenge to their monopolistic position in the local
wheat market, the tenants claim, that is also lies behind the promise
made by the millers to mix local wheat with imported wheat in a ratio of
1 to 2. This promise was made by the mill's manager in a meeting with
the officials of the Ministry of Commerce in December 1962.

The tenants are also critical of the government's failure to
provide essential marketing services such as storage, credit and
cleaning machinery before expanding in wheat production. They state
that the local branch of the Agricultural Bank was not opened until
May 1965, well after the wheat crop has been harvested. The Bank refuses
to advance loans on any crop unless it is stored in its own stores, but
in 1965 the Bank had no adequate storage facilities of its own. It was
allowed by the authorities to utilize the stores which belonged to the
1. Minutes of Meeting in the Ministry of Commerce on 20/12/1965.
unfinished sugar factory which the government is building in the area. The capacity of these stores is very limited, yet the Bank did not receive sufficient wheat to fill them, largely because of its refusal to accept quantities below 100 sacks. This quantity, which is equivalent to a little less than 10 tons, is considered too much by the tenants who demand that it should be reduced to 10 or 20 sacks. The Bank insists that it will be uneconomic to deal in such small quantities and suggests that the tenants should group together and deliver their joint output to the Bank. At present, due to the lack of wheat grading, the Bank is forced to enter every quantity received under the name of the deliverer and has to know the exact location of each lot; otherwise the deliverers have the right to claim back the specific sacks which they have stored with the Bank. If there were standard grades for Sudanese wheat, the Bank would have been able to offer the tenant any sacks which contain wheat similar in grade to the wheat which he delivered to it. As the lack of proper grading complicates the task of dealing with the wheat farmers, the Bank is forced to economise by trying to keep down the number of grainers with whom it deals. Hence the 100 sack minimum on which it insists.

Another problem which diminished the desire of the farmers to deal with the Bank is their dissatisfaction with the size of the advances which the Bank offers - 100 sacks on the wheat which they store with it. There are also complaints about delays in receiving the balance when the crops are finally sold.
For all these reasons, the wheat growers in Khan al-Girba feel that the government and the Agricultural Bank failed to help them when their first wheat appeared in 1965. Only 12,462 acres (about 1,200 tons) of wheat were delivered to the bank out of more than 10,000 tons grown in the season of 1964/65. Most farmers sold their wheat soon after the harvest to local merchants in Khan al-Girba or consigned it to Alexandria on lorries. Some of them obtained prices considerably lower than the prices negotiated between the flour mill and the Genoa Board.

At present, the tenants of Khan al-Girba are organizing themselves in co-operative societies whose objectives include the marketing of their wheat crops. They generally believe that the mill is exploiting its monopolistic position in the wheat market and their lack of unity so as to lower the prices of wheat. By grouping themselves in these co-operatives, the tenants believe, they can strengthen their position vis-a-vis the mill and enable themselves to make the most of the bank's credit facilities, at least until they build their own flour mill.

Obviously, the assumption on which the wheat growers in Khan al-Girba are working at present is that the mill can be forced to pay higher prices for their wheat than it has been ready to pay so far. However, it is very hard to see what good this approach will do to their cause. As things are at present, it seems very unlikely that the mill will increase its consumption of local wheat substantially. Such increase will be possible not only because the capacity of the mill...
is now fully utilized and is not likely to be increased in the near future, but also because the mill cannot increase too much the percentage of locally grown wheat which it mixes with imported wheat and mill together. The mill has to sell its own flour to the local buyers who also have the option of buying imported wheat flour at the same prices. Consequently, the mill feels that if it mixes too much Sudanese wheat with the imported wheat which it mills the quality of its flour may seriously suffer and its sales drop. For these reasons, the mill's demand for Sudanese wheat is unlikely to expand even if the prices of this wheat continues to drop. With the supply of wheat rising at the current rate, such drop will be inevitable unless an alternative buyer is found for the Sudanese wheat. Co-operative action is unlikely to raise the prices very much as long as the co-operatives have no control over production. Equally futile will be the efforts made now to erect small flour mills to grind locally produced wheat unless the flour which these mills produce is sold at prices considerably below the prices of imported wheat flour, demand for their product is likely to be insignificant.

This means that much depends on what the government is going to do in order to achieve the increasing adoption of wheat which its schemes are producing. If it decides to press on with its tobacco substitution program in this field, it will have to abandon its current policy of fixing similar prices for imported and locally milled flour and bread.
made from it. It will have to discourage the use of imported flour until the quality of locally grown wheat is improved and is capable of yielding flour comparable in grade to the best kinds imported.

High tariff or quota restrictions will have to be imposed on imports of milled and unmilled wheat. The prices of flour produced from local wheat and bread made from it will have to be lower than the prices of imported flour and its products. The government will also be forced to decide between raising the prices of imported flour, a step which it has been so far reluctant to take lest it is accused of helping the rise in cost of living, or lowering the prices of flour made from local wheat, thereby inducing the millers to pay even lower prices to the cultivators. (The possibility of the government paying any subsidy to the wheat growers can be safely ruled out at this stage of the country's economic development.)

Alternatively, the government may have to discard its project for substituting wheat imports by salesman wheat. In fact, all signs indicate that this is inevitable. So far, the government put about 115,000 hectares of under wheat cultivation, yet the country's imports of milled and unmilled wheat continued to expand. In 1969 local production of wheat was about 60,000 tons, and by the time the target of 240,000 hectares of wheat is achieved around the end of this decade the country's wheat production will be around 144,000 tons (assuming that theAdvance yields 3.50 tons, which is the highest yield obtained in Sudan). By that time the country's consumption of wheat is expected to exceed
300,000 tons on the assumption that it will continue to rise at the present rate. This will result in a deficit of nearly 50,000 tons which will increase in the next decade unless additional land is put under wheat cultivation, this deficit will have to be imported. Obviously, the government cannot go on indefinitely forcing wheat cultivation upon its tenants. On the other hand, private growers are unlikely to grow more wheat while there are more lucrative crops to consider. However, if the government restricts the importation of wheat, milled and unmilled, and allows the prices of bread to rise, it may become profitable for growers to cultivate wheat in sufficient quantities for the home market. This will subject the Chinese consumer to some hazard, a situation which the government seems apprehensive of facing even when it is willing to put the farmers in its scheme through greater hazards. However, it seems quite unsensible that any government can succeed in substituting imports by interior local products without forcing the consumer to make some sacrifice and offering the producer some incentive. So far the policy of the government in the Union has been to try to achieve this objective by coercing the producers and marring the consumer any inconvenience, hence the ineffectiveness of this policy.
CHAPTER IV

MONOPOLY AND COMPETITION IN INDUSTRY

The Causes and Forms of Monopoly in Swedish Industry

A. The Approved Enterprises Act and Monopoly
B. Two Examples of Restrictive Agreements
C. The Distribution of Newspapers and Magazines
The Approved Enterprises Act and Rupeni

In 1970 a number of MPs spoke in the Senate of Commerce demanding government protection for the local meat, smoked and furniture industries from foreign competition. But the government refused to interfere with the freedom of trade which it believed, served the interests of the Sudanese consumer! However, one year later, the same government presented to the Parliament a bill which eventually became the Approved Enterprises (Concessions) Act 1976. This Act was designed to "encourage and assist certain industrial and other similar enterprises". It established an Advisory Committee to scrutinize the applications made by firms to the Minister of Commerce for classification as Approved Enterprises worthy of assistance, and to recommend to the Minister the kind of assistance which each applicant should get, if any. The concessions which the Minister can recommend include reductions in import duties on imported machinery and raw materials, profit tax deductions, and protection against foreign competition given in the form of high tariffs, quota restrictions, or a total ban on imports which compete with the local manufactures.

Also, Section 3, Paragraph 3(a) of the Act stipulates that "an enterprise should be classified as an approved enterprise unless ... its field of activities is not already sufficiently covered".

The government was, however, at some pains to assure the House that...
the interests of the consumer would not be harmed since rival imports would not be banned until the quality of the home-made products were considered satisfactory. In order to show its seriousness in this matter, the government decided to set up an Industrial Research Institute with a special section that would carry out quality tests on the locally manufactured goods. The government also made it quite clear that it would not allow monopoly in any field of industry and stated that “the field of a particular industry is not considered to be sufficiently covered until enough factories go into production to satisfy the market requirements.”

Since the act became law in February 1956 several hundred enterprises were classified as approved enterprises and received various kinds of concessions. By 1960, the importation of beer, soap, confectionery, enamelware and aluminium had been banned because the home production of these goods was considered inadequate for the local needs. In the next few years a similar ban was imposed on goods like matches, glass footwear, knitted goods, and points. The list is growing all the time.

The government argued that it was in the interests of the consumer and, indeed, there was evidence of such competition. Many of the old and inefficient factories were dismantled as new and modern plants were introduced which produced better qualities at lower costs. Ice and confectionery factories which were erected before the war were replaced by newer ones, and some of the old ice factories were moved to smaller towns where they could function.

without fear of superior competition. In the soap industry where economies of scale are of significant effect on the firm's cost structure, a small factory of a total capacity of 1,500 tons was forced to close down when another factory with a capacity of 8,000 tons came into production. The owners of the smaller factory tried to save it by integrating with some of the manufacturers of perfumes and packing materials, but they were unsuccessful. Some manufacturers found vertical integration an effective way of reducing their production costs. This was the case in the soap industry where the owners of the most modern and largest factory in the country found it difficult to compete with much smaller soap producers who had the advantage of producing their own oil since they were originally owners of oil mills. The owners of this factory had to integrate backwards and purchased machinery to produce their own oil.

Competition by offering better quality of products was also noticeable in local industry, although some manufacturers doubted that the consumers fully appreciated good quality. A foreign expert employed by the producers of French high-quality soap complained that "the subtle and delicate flavors" qualities appreciated by Europeans are completely lost to people accustomed to heavy spicing in their daily diet." 1 One firm which manufacturers fine soap claimed that "a commodity of inferior quality can easily pass undetected by the public.2

However, the picture is now quite different. Mergers and restrictive agreements have reduced competition in many fields. The most recent merger took place in the year 1969 when the new firm which was allowed to establish a match factory in competition with the only other factory which was in operation for several years merged with older firm. The Advisory Committee was hoping that the two firms would compete and thus raise the quality of the matches produced in the Union; the matches produced by the older firm were extremely poor but improved momentarily when the Committee approved the project for the new factory. Another merger occurred a year earlier in the cigarette industry; it united the only three cigarette producers in one big firm. Another merger took place in the paint industry between the leading firm in the industry and a leading trading company which deals in building materials. The manufacturers of ice in Khartoum also combined and created a joint ice pool operating on the basis of restricted quotas.

This change in atmosphere should have been expected. The manner in which the 1956 Act was prepared clearly invited monopoly, in spite of what the government says about the safeguards which it has against monopoly in this field. The assurance which it gives that no field of industry would be considered sufficiently covered by the existing manufacturers until these manufacturers meet all the country's requirements in this field may mean very little. It gave the firms in an industry which has been declared to be sufficiently covered a virtual monopoly over the market.
for their products. Firms in such an industry will not have to worry about potential competitors, and they will be able to agree among themselves to restrict production and raise the prices. The resulting excess capacity will help to convince the Advisory Committee that there is no need for any additional firms in this industry for some time to come. Naturally, this is more likely to happen in highly concentrated industries than in industries which consist of a large number of small firms.

Besides, there is nothing in the present industrial law that prevents the control of a whole industry by one firm. In fact, in its eagerness to speed up the process of import substitution, the government favours the appearance of big firms which can produce the whole of the country's needs of any particular product which costs much hard currency. At the present time, the whole of the country's consumption of kerosene, wheat flour, matches, glass and matches is supplied by one-firm industries. The quality of the output of many of these firms much to be desired.

As there are no adequate and reliable industrial statistics in the country, it is extremely difficult to demonstrate by figures the economic advantages in highly concentrated industries to restrict production in order to raise their products' prices and create excess capacity. But from the very limited figures we have about the confectionery industry in this country one can see how this
In 1950 the country imported 976 tons of sweets which rose to 1,640 tons in 1951 and 2,734 tons in 1952. From 1953 onwards the importation of sweets into the Union were restricted to 1,500 tons in order to protect the local manufacturers. Until that year there had been no large sweet factories in the country; only a few small ones whose total output amounted to less than 200 tons. But in 1953 a large modern factory erected by the African Confectionery and Confectionery Co. in the previous year started production. The factory had an annual capacity of 500 tons. But by 1955 imports had risen again to 2,177 tons. Two other factories were installed by the African Bros. and Ltd. in 1955.

In 1955 the total capacity of the industry was at 2,500 tons per year. It was contributed by the various manufacturers in the following manner:

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Bros.</td>
<td>1,500 tons (Single Shift)</td>
</tr>
<tr>
<td>Sand Stocks</td>
<td>900</td>
</tr>
<tr>
<td>African Confectionery</td>
<td>900</td>
</tr>
<tr>
<td>Namao &amp; Others</td>
<td>300</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,500</strong></td>
</tr>
</tbody>
</table>

between 3000 and 4000 units. The Ministry gave the impression that the 10,000 units were only for the trial period, but actual production was only 3,000 units. By 1969, the industry's total capacity had risen to 4,500 units, but production had reached only 5,000 units. This suggests that the capacity estimates in the Sales may be deliberately kept below production even in order to price the goods at a point above actual production capacity which gives an impression of being capable of meeting the country's requirements for some years to come.

The major effect on such circumstances from the restriction of production and the question of production control is that even the industry is not in a position to meet the demand for its output, with the result that the industry is unable to meet the requirements of the country, even with the necessary restriction of production. Without the demand for the type of material which restricts entry into the industry, these deficits are considered fully covered by the restrictions on imports which would have been required if production were to have been expanded and inefficient firms would have been allowed to remain efficient ones.

A discussion of monopolies in the 6th Session of the Advisory Council held in November 1945 gave the Financial Secretary an opportunity to defend the Government's licensing laws. This is part of what he said on that occasion:

"In theory, no sensible man will enter a particular field of enterprise in which there is no room for special training or qualifications which he does not possess or necessary where a reasonable chance of success can be expected. In practice, especially in a young country, these criteria do not apply. Numerous surplus and ill-qualified active and potential competitors are to be found in every field. Such competitors will — in theory be unsuccessful and withdraw, or become bankrupt or be overwhelmed, a sound state of equilibrium resulting. In practice this is seldom so: their short-lived competition upset the trade, and they do not disappear for they are succeeded by an endless line of hopefuls who create by their very existence and inexperience the exact opposite effects to those desired. They will compete for the earnings of the experts, lower the standards of production, and frequently present so great a menace to proper conduct of any particular trade as to be worth buying out or paying to withdraw or remain quiet. Flour-milling in the Sudan... an illustration of this."
The Financial Secretary may have some enthusiasts who share his lack of faith in the competitive process, but it is unlikely that any of them will choose the case of flour-milling to support his argument. In fact, this case demonstrates the worst effects of state restriction of the number of production units through licensing, and shows quite clearly the effectiveness of unhampered competition in ensuring good services at the cheapest price.

The history of the case in question goes back to the late Thirties. At that time, almost all Indian families in marriages used home-baked bread (khiva) in their meals. Khiva was bought as a grain and taken to a mill to be ground for a fee. At its lowest, this fee was about 3 mps. for every rupee's (approx. 14 lb.)—the price of the khiva was about 100 mps. at that time. At its highest, the charge reached 10 mps. per rupee. Some of the mills were driven by diesel engines of up to 5 horse power and some had electric motors; a mill cost a few hundred pounds to erect, and many of the civil servants who were retired when the Government had to reduce its expenditure during the depression invested their compensation money in this field. The number of mills grew to 25 in 1939.

It was then that mill-owners agreed to keep half the mills closed, raising the charge to 8 mps., and share the profits of those which continued to operate. The municipal authorities retaliated by attaching a new condition to their licenses requiring them "either to work their mills or dismantle them." This compelled the redundant mills to return.

to work and the charge fell back to 3 mm. But the millers protested that the new condition attached to their licences was ruining them. They were asked to submit audited figures showing their costs in the first half of 1940. Some of them did, and an unofficial audit of the books of 5 flour millers showed that the complaint that the milling business was being run at a loss was quite untrue. The report added that one or two badly run mills might have to close down but there were already “too many mills for the needs of the town”. Thus, contrary to what the Financial Secretary said in his statement, the verdict in this case was that competition was in the interest of the consumer and was not as harmful to the trade as the Financial Secretary maintained. In fact, without the restriction which the authorities imposed on the number of mills by refusing to license new mills, the millers collectively could not have been able to control the market for long: new mills would have appeared and undercut their rates, and even if they too were persuaded to observe the agreement, others would have appeared and eventually competition would have been restored. However, the authorities came to the decision that it had already allowed too many mills to be installed, and refused to grant licenses for new mills, thus giving the established millers a chance to rig the market.

In the view of the authorities, the refusal to grant licenses for erecting new mills came too late, but the authorities do not say how they would have made their decision correctly in future. In fact, as the

unofficial audit indicated, the authorities' belief that 25 mills were too many was also not justified since the examination of the books of the sample of five mills showed that they were in fact run at a profit.

The case of ice-manufacturing also shows how difficult it is for a Licensing body to determine the time when an industry can be regarded as having enough production units. It also demonstrates vividly that only by banning restrictive practices and allowing free competition to determine the number of units in an industry can the interests of the consumer be best served.

Attention was first drawn to the unsatisfactory market conditions in this industry in 1960 when an acute shortage of ice suddenly became felt in Khartoum. The price of ice jumped up to 50 ms. a kilo in May 1960. Until then the nine factories which operated in the capital supplied the population of Khartoum with ice at about 25 ms. a kilo. Since World War II there has been increasing demand for ice by families which have no refrigerators and also by hotels, restaurants, cafés, etc., which serve iced drinks to their customers. Hence in Khartoum were called upon to supply towns such as Omdurman, and Sennar which were 200 and 300 kilometers away, and the old-fashioned three factories which were installed between the war had to be supplemented by six modern factories which brought the total capacity of the ice manufacturers to nearly 100 tons a day. But in 1960 the prices soared as the supplies suddenly dropped. Consumers were charged as much as 50 ms. a kilo. It was at this time that it was first realized that the...
manufacturers had deliberately closed down some of their factories in order to force up the prices. Naturally, the factory owners denied the charge and claimed that some factories had to be closed temporarily because of mechanical faults. However, by 1962 the prices of ice had fallen to about 15 mm. a kilo. Some ice producers say that that fall in prices was caused by the creation of new ice factories in some of the towns which previously relied on Khartoum for supplies, e.g. Kosti, Omdurman, and Kenana. The resulting drop in prices, it was said, caused the producers heavy losses.

Table 12. Ice Factories in Khartoum District After the War

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner</th>
<th>Capacity</th>
<th>Town</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>M.A. Gadi</td>
<td>10 tons</td>
<td>Khartoum</td>
</tr>
<tr>
<td>1963</td>
<td>Pepsi Cola Co.</td>
<td>35</td>
<td>&quot;</td>
</tr>
<tr>
<td>1963</td>
<td>Abu Majila</td>
<td>25</td>
<td>&quot;</td>
</tr>
<tr>
<td>1963</td>
<td>A. Sugar</td>
<td>6</td>
<td>&quot;</td>
</tr>
<tr>
<td>1963</td>
<td>Loise Co.</td>
<td>4</td>
<td>&quot;</td>
</tr>
<tr>
<td>1963</td>
<td>Golden Arrow Co</td>
<td>6</td>
<td>&quot;</td>
</tr>
<tr>
<td>1963</td>
<td>Abu Majila</td>
<td>100</td>
<td>Omdurman</td>
</tr>
<tr>
<td>1965</td>
<td>M.A. Gadi</td>
<td>25</td>
<td>Khartoum</td>
</tr>
<tr>
<td>1965</td>
<td>Gadi, Pepsi Cola &amp; Sugar Co.</td>
<td>50</td>
<td>Khartoum North</td>
</tr>
<tr>
<td></td>
<td>Lois &amp; Refrigeration Co.</td>
<td>25</td>
<td>&quot;</td>
</tr>
</tbody>
</table>

Sources: Gadi, M.A. Gadi, Ice Manufacturers.

Between 1962 and 1963 four more factories were opened in Omdurman, Khartoum and Khartoum North. In 1965, a marketing body was set up by
The three largest producers in Mauritius - the Popol Ice Company, Nr. Chai and Ann Margella. The total capacity of their four factories is 45 tons. This marketing agency is owned jointly by these three factory owners who hold the whole of its paid-up capital in the ratio of their factories' capacities. It fixes a quota for every manufacturer which it then buys from him at cost price. This price is fixed at 60 mm. per block of 25 kilogrammes. The agency distributes the ice to hotels, restaurants, cafes, and ice-retailers. It charges 140 mm. per block; the retailer charges the public 10 mm. for the kilo, i.e., sells the block for 500 mm. The agency meets its own expenses from its sales proceeds and then distributes the profits among its members in proportion to their quotas.

One member of this pool claims that it is not intended to exploit the consumer. They say that they had to create it because there are too many ices factories in operation at the moment. These factories, they say, were set up by their owners because they were led to believe in 1960 and 1961 that profits in this industry are very high. In fact, we are told, profits were always low and there is now excess capacity in the industry, particularly in winter when the capital's ice consumption drops sharply. We are also told that it was fortunate for ice manufacturers that some factories went out of production due to lack of profits in the industry at the time when new ones were being set up in the early '60s, for in this period the producers in Mauritius lost
their suburban markets to the producers who set up their factories in those suburbs.

However, the following important facts have to be considered before we pass any verdict on this pool. First, the factories which closed down in the 1950s were the three factories which had been erected between 1945 and 1949. These factories were all-weathered and were working at very high costs due to the constant repairs which they needed. Two of these factories were sold to a private firm, which continued to function profitably due to the lack of competition from other factories. One of these factories was sold by its owners, Messrs. El-Sayed, to Syd. al-Du'jjari in Ezbet Khair; the other was sold by Mr. K. Meliza to an ice producer in Kosti. The third one is out of work now, and is still in Khartoum in the ownership of Syd. M.H. Husain.

It is easy to see that although the towns which previously had bought ice from Khartoum became self-sufficient, the factories which are still operating in Khartoum suffered no decline in their combined share of the market in Khartoum and its nearby towns. What actually happened can be described as a mere decentralization of the production of ice in this market.

Secondly, the factories which were erected in the 1950s were owned by some of those who already had factories in Khartoum. One large factory which was erected in 1952 was owned by Syd. I. Abu Bokri, who

1. These views, together with most of the data on which this chapter is based, were kindly presented by some manufacturers in private talks with the writer.
owned another factory built in 1930. Another factory was built by
Syd. Sadi in 1962; he had one since 1948. A third factory was
Company; all of whom had factories in Khartoum built in 1944, 1932, and
1950 respectively. It is thus incorrect to say that the owners of the new
factories were deceived by the reports about large profits in this industry;
In fact, they were all people who knew well what the state of this industry
was.

Chiefly, it is noticed that the maximum daily sales in Khartoum and
Khartoum North never exceed 60 tons, even in June, the hottest month of
the year. This is less than the total capacity of the factories which
existed in Khartoum before 1964 which was 76 tons. Yet, three more
factories were erected in Khartoum and Khartoum North between 1963 and
1965 adding 100 more tons to the existing daily capacity of the factories
in those two towns. This means that from the start the additional
capacity was intended to remain idle.

These facts strongly suggest that a restrictive agreement was in
fact operated by the ice producers in 1960 and 1961, but was temporarily
abandoned after the public uproar which it caused. Competition ensued,
and the old and inefficient factories had to withdraw from Khartoum.
The expansion in demand which followed the fall in ice prices after the
agreement had been abandoned encouraged some producers to build new
factories. These were all large because of the competitive advantage
which large factories enjoy in this industry. Vast sums were spent in the
Ice industry was in fact insignificant in comparison to its overhead costs. The main variable cost items in this industry are raw materials such as water, sand, and calcium chloride, all of which are relatively cheap. Machinery is the main part of the industry's fixed costs, and the larger the factory's capacity, the smaller is the average fixed cost per unit of output. (See Table 15).

<table>
<thead>
<tr>
<th>Maximum Daily Output (In Blocks)</th>
<th>Value of Machinery (£)</th>
<th>Average Fixed Cost (Per Block)</th>
</tr>
</thead>
<tbody>
<tr>
<td>120</td>
<td>3,000</td>
<td>60</td>
</tr>
<tr>
<td>240</td>
<td>6,000</td>
<td>35</td>
</tr>
<tr>
<td>480</td>
<td>12,000</td>
<td>30</td>
</tr>
<tr>
<td>960</td>
<td>24,000</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Sul. Gadi.

The first new factories almost reached the total capacity of the factories in the Capital. Ice prices could have been considerably lower and the smaller factories might have been forced to close down if the new capacity was utilized. But it was at this stage that ice manufacturers, seeing the danger of excessive competition among themselves, decided to keep the larger part of their factories' capacity idle. The restrictive agreement was revived, but the new level of ice supply was allowed to be higher than in 1940 and 1941 when the restriction was severe enough to upset public opinion in the Capital.
Then the pool was organised in 1900, there was apparently some conflict between Mr. L. Abu Nageila and his partners in the pool. According to one of these partners, Abu Nageila insisted on including his large factory in Khartoum in the pool in order to increase his quota. The others insisted that the quotas should be fixed in proportion to the factories which the members have in Khartoum alone. Abu Nageila threatened to withdraw from the pool. This meant that he could use his two factories to their full 123 tons a day and put the other ice manufacturers in a difficult position. In order to improve their bargaining position, Gadi and the Pepsi Cola Co. joined up with a smaller producer, Nager, and together set up a factory in Khartoum North with a capacity of 50 tons a day. Thus, the five factories which these three owned had a total capacity of 116 tons, which almost equalled the 155 tons which Abu Nageila was able to put into the market in a day. They chose Khartoum North as the site for their new factory because there they could have the advantage of being the only ice producers in that town, just as Abu Nageila happened to be the only producer in Khartoum.

From their new position of strength, Abu Nageila's partners succeeded in making him except the principle of including only the factories in Khartoum in the pool. They further agreed that the pool should operate in Khartoum only, leaving Sudanese market for Abu Nageila and Khartoum North market for the factory owned by Gadi, Nager, and the Pepsi Cola Company.

To see why hard to see why licenses for building new factories
for below capacity because, it was claimed, there was inadequate demand.
It is even more difficult to see how some of these factories were granted
the privileges of approved enterprises under the approved Enterprise
(concessions) Act of 1936 considering that Section 3 of this Act
stipulates that "no enterprise shall be classified as an approved
enterprise unless...its field is not already sufficiently covered".

An interesting development in this field is the recent appearance of
two new factories owned by two new firms in Khartoum North and
Gedaref. Undoubtedly attracted by the profits enjoyed by the only two
factories operating in these towns. The one in Khartoum North is al-
ready in operation; the other in Gedaref is still under construction.
So far there has been no fall in the prices of ice in Khartoum North,
and all the evidence suggests that the owners of the new factories,
which are both small-size factories, will accept the prices set by their
larger rivals, as Ibis and the Golden Arrow Company have so far done,
rather than engage in a price war for which these rivals are better
equipped. It is also likely that the authorities will soon declare
that the field of the ice industry is "sufficiently covered" and refuse
to allow more factories in the Capital thereby enabling the existing
monopolies to remain unchallenged. However, if the authorities do not
take this decision and allow anyone who wishes to establish an ice
factory to do so, the present monopolies will eventually disappear. At
first, the new producers may find it more profitable to join the existing
alliances. But more producers will keep coming in, and the share of
the participants in the pools will go on declining until they are forced
to compete again. Some producers may be forced out of the market.
The number which then remains will be that which meets the market
requirements. The present situation, by contrast, reflects what
happens when firms agree not to compete on price, when their market
shares by agreement are based on installed capacity, and when the
established firms cannot exclude new entrants.
6. **The Distribution of Newspapers and Magazines**

With the exception of one paper, all the newspapers and magazines of the Sudan are published in Khartoum. Altogether, there are 12 different daily newspapers, 3 of which are published in English. There are also 6 papers which appear once or twice a week, one of which is in English. Besides, there are 3 magazines, plus a varying number of periodicals published by various learned professions. Every day, in Khartoum alone more than 80,000 copies are sold. Ballots usually sell for 15 m., weeklies for 20 or 25 m., magazines for 30 to 60 m., and periodicals for about 100 m.

There are three different channels through which newspapers and magazines reach their readers. The shortest one is the direct publisher-to-reader channel through which subscribers receive their papers. However, only readers who do not live in the town where the paper is published benefit from this form of distribution: there is yet no house-to-house distribution of newspapers in the Sudan.

Distribution is sometimes affected through a retailer who deals directly with the publisher. Only four papers and one magazine follow this method at the present time. It is more usual for publishers to deal with one wholesaler in every big town, and this wholesaler distributes the papers to the retailers in his area.

Khartoum has three wholesaler distributors, one in each of the three towns. They collect the newspapers and magazines from the offices.
of the publishers and distribute them to the 60-odd retailers in the
Capital. Most of these retailers are owners of kiosks on the main
roads near to popular sites such as cinemas and stadiums. A few years
ago, newspapermen used to moan about carrying their papers, but these
days very few sellers do this.

The Al-Ahram Co. publishes two daily papers, Al-Ahram in Arabic and
the Morning News in English, and the former has the highest circulating
in the Sudan. This Company also prints a number of other papers owned
by other firms. It distributes one of these, Al-Risal, together with its
own papers, and it deals directly with the retailers. Every morning,
close to these receive at their stalls between 40 and 1,600 copies each.
They sell the copy at 15 ms., two of which they retain as their
commission. On the next day, the Company's representative visits each
of them at his stall and collects the unsold copies plus 15 ms. on
every copy sold.

Every retailer is required to pay a deposit of 10,1,500 on every
100 copies he orders, but those who do not have stalls are often exempted
from this condition.

Papers which deal with the wholesale distributors in Khartoum
deliver the quantities ordered by these wholesalers to their premises.
The publishers allow the wholesaler 5 ms. on every copy sold at 15 ms.,
and agree to take back the unsold copies provided they do not exceed 3% of
the quantity ordered. The wholesalers deliver the papers to the
60-odd retailers on the same terms as those on which Al-Ahram Company
Deals with them, except that it pays some of them a commission of 2 1/2 on every copy of 15 mm. sold, and others only 1 1/2 on the same.

In other words, these wholesalers retain between a third and a half of the commission they get from the publishers.

It is therefore hardly surprising that many newspaper retailers are demanding that the publisher should deal directly with them. Those who are most vocal about the need to eliminate the wholesaler in this trade are the retailers who get only 10% on every copy they sell. They wish to see the Association of Newspaper Retailers replacing the wholesalers. However, the Association itself has so far ignored this suggestion. The reason for the Association’s apathy, we are told, is that the majority of the retailers, like the wholesalers, are of the Catalina tribe: they are the retailers who get 15.5% commissions and other preferential treatment from their fellow retailers who run the wholesale operations; for this reason they will not think of using the Association against patrons. The rest of the retailers, who are not Catalina, are in the minority and are forced to choose accepting a lower commission or quitting the trade.

At present most publishers of newspapers and magazines find it more economical to deal with the wholesalers than to deal directly with the retailers. Only a publisher with all-Atlanta Company’s 15,000 copies to sell every day in Ehrstrom alone could afford to deal directly with the retailers. By so doing, this Company saves every day 15.15 which
would have gone to the wholesalers. A year's saving at this rate is enough to cover all the fixed costs of its distribution office, and after a few years the office is bound to show a surplus of several thousand pounds. Al-Ayn company claims that this method of distribution caused its sales to rise considerably above their level when it used to deal with the wholesalers. Its paper, al-Ayn, used to sell about 2,000 copies when it was distributed by the wholesalers; but since the company started selling directly to the retailers the circulation jumped to 9,000 and, sometimes, 11,000 copies a day. It is difficult to say if this increase was not caused by factors other than the change in the distribution channel; however, it is possible that the rule which limits the number of unsold copies which the publishers are ready to take back causes the wholesalers to make conservative estimates of the quantities which they can sell.

Papers with a circulation of 2,000 or 3,000 copies may find this method of distribution unprofitable at least in the short run. Of course, they can, if they wish, group together in units with a sales force enough to make use of direct distribution to retailers an economic proposition. In fact, early in 1965 the Press Association said that it intended to set up as soon as possible a central distribution office of its own in order to distribute the papers and magazines published by its members to the retailers. The profits of this agency were intended for financing a social insurance scheme for the workers employed by the presses. So far
This office has not been created, and sources suggest that it is unlikely that it will ever be so long as every publisher wishes to keep secret the number of the copies which he sells.

Publishers have in fact little to complain about in Khartoum; their biggest headache is dealing with the provincial distributors.

At present, there are no national distributors agencies in the Sudan, and publishers have to find their own agents in every major town. In most towns there is usually only one agent who deals with all the papers and magazines published in the Sudan. Many of them delay remitting the value of the copies which they sell. (Once a newspaper threatened to publish the names of its agents who haggled over repaying their debts.)

Although the publishers usually pay the transportation expenses, many agents charge the retailers the full value of the papers which they pass on to them, thus leaving the retailers no option but to sell the papers for more than their published prices. Some agents, one popular paper once complained, refuse to take back unsold copies from the retailers, and would sell them copies of popular papers only if they also buy the less popular papers.

Perhaps the only publisher which has no problem of overdue payments is the Sudan Broadcasting Service which publishes a weekly magazine called The Radio & TV Magazine. This magazine is sold at its own offices in Khartoum to retailers who pay cash for every copy they receive. The official price is 25 ms., but the retailers buy it at 50 ms. The Service accepts no returns. Provincial distributors are treated in the
some manner, and they are required to pay cash on delivery. This policy may have the effect of limiting the circulation of the magazine, but it simplifies the task of the magazine's distributing office a great deal.
CHAPTER V

DIFFERENTIAL IMPACT OF DISTRIBUTION

Significant Features in the Structure of the Channels of Distribution

1. Are the Channels of Distribution Too Long
   Appraisal: Distribution Margins

2. Examples of Marketing Policy in the Public Sector

3. The Structure of Urban and Rural Retailing
The majority of farmers dispose of their produce in the village itself or in the nearest market town. The result is the intervention of a host of middlemen between the producer and the final consumer, many of whom could be eliminated with much profit to the producers by arranging for orderly marketing of the agricultural product. The existence of a long chain of intermediaries naturally reduces the share of the consumer's price received by the actual cultivators.  

These words, which were written by an agricultural economist in the Ministry of Agriculture, summarize the familiar complaint that there is a large number of superfluous middlemen dealing in agricultural products in this country. It is frequently said that these middlemen raise themselves upon the producers and the consumers and unnecessarily increase the surplus of distribution. Being superfluous and unproductive, their presence is generally regarded as one of the main sources of inefficiency in the system of agricultural marketing. Significantly, complaints about superfluous intermediaries are usually made with regards to the marketing of agricultural products only. Presumably, this problem is considered to be non-existent in other fields of marketing.

It is also significant that none of those who speak of unnecessary intermediaries in agricultural marketing explain why the producers and the consumers do not try to bypass these intermediaries in order to add their profits to their own. It is quite true that in some
cases the producers are prevented from doing so by obstacles of
one kind or another; such is the case with the growers who are
exclusively indebted to the village merchants and who are therefore
obliged to market their produce through those merchants. However,
a vast number of farmers who are not handicapped in this or any
other way prefer to deal with these village merchants. This suggests
that these middlemen are there to perform some function which the
grower cannot perform more economically. In fact, whenever these
are no restrictive practices to protect him, any redundant middle-
men will be forced out by the refusal of producers, consumers and
other middlemen to deal with him.

Empirical evidence clearly shows that the claim that agricultural
channels of distribution are unduly long is unfounded. The experi-
ments conducted in 1948 and 1949 in an attempt to eliminate some or
all the middlemen in the vegetables trade in Nairobi proved that all
these middlemen performed indispensable functions. Retailers were
found necessary for providing the consumer with continuity of
service, variety of vegetables, and credit services which the producer
could not provide. The wholesalers also proved to be an essential link
between the growers who have to be back at their farms by 5 a.m. and
the retailers who open their stalls to the public after 8 a.m. They
also speeded up the process of auctioning by buying in larger units
than retailers could afford to buy and, furthermore, they performed the
lack of bulkers and sorting out the vegetables which arrive to the market in small and unwieldy lots. Last, and by no means least, these wholesalers supplied vegetables to most of the retailers on credit.

The financing of the process of distribution is perhaps the main function performed by wholesalers. Most retailers have only very limited resources much of which are absorbed in financing consumption, i.e., advancing loans to consumers in the form of goods. Most producers demand to be paid in cash, and often in advance, and this creates the need for a wholesaler who buys produce in cash or even in advance and delivers it to the retailers on credit. In long-distance trade, there may be a need for one wholesaler in the production area and another in the consumption area; the latter supplies retailers with credit and the former finances the produce.

Another wholesaler may be needed at the production end in order to provide a final link with the producer. This is the village merchant who may work as an agent for a wholesaler situated in the main market of the production area, or operate as an independent middleman who buys and sells produce in his own name. In either case he performs the function of financing and supervising production, as well as starting the process of concentrating the produce by hauling cases comprising the crops of several producers. Sometimes, a cooperative body formed by the producers themselves may perform such.
or all of the transactions performed by the village merchant. When each body confines itself with operating in the village market only, the village merchant continues to provide the link between the primary and secondary markets. This results in the longest channels that can exist in agricultural marketing. This channel, which consists of the producer, the growers' co-operative, the village merchant, the wholesaler in the sale market of the production area, the wholesaler in the consumption area, the retailer, and the consumer, is found only in one and not all of the cases of produce marketing. In particular, it is found in the marketing of cereals, dates and groundnuts. In contrast, the bulk of the long-distance trade in bananas between Kessale and Khartoum has a shorter channel than the vegetable trade between Khartoum and its immediate suburbs: the bananas are bought at the farm by the agents of Khartoum wholesale merchants, and these wholesalers distribute a substantial part of the fruit through their own retail units; in contrast, the vegetable supplies of the capital are bought by wholesalers who re-sell the vegetables to the dealers who retail them to the public.

Thus, the claim that agricultural produce is handled by too many middlemen is not only wrong in theory but is also belied by facts. The evidence we have, clearly shows that the existing channels through which agricultural produce flows are by no means long, and that being largely free from restrictive forces, they tend to be quite free from
superfluous intermediaries. In fact, some of these channels are
surprisingly short in view of the long distances and the numerous
marketing stages through which the commodities have to pass before
they reach the consumer. Also, significantly, these channels contrast
even more whenever growers’ and consumers’ co-operatives are successfully
launched.

By contrast, the distribution channels of industrial goods,
which usually span under five from the advocates of marketing reform,
seem to be extending rather than shortening. This is most marked in
the field of handicrafts. For example, many shoemakers and sellers of
ivory carvings who traditionally retailed their own products by them-
selves are now turning more and more to indirect contact with the
consumer. The shoemakers of the Island and al-Sharqi whose products
have a nation-wide market are being forced by the expansion of their
market to use middlemen in distributing their products instead of
distributing them from village to village as they did in the past. Dealers
who attract large numbers of customers, namely tourists, by the variety
of the handicrafts which they collect from different parts of the
country have induced many craftsmen to sell their products to them
instead of retailing them directly.

In the immediate post-war years there were only two or three
newspapers in Amman, retailers used to visit the publishers at their
offices, which were all located in the same building, in order to collect
the copies which they wished to sell. Today there are more than
a dozen different papers published in Jerusalem alone; their offices
are scattered all over the town, and it is virtually impossible
for retailers to visit them all. This forced retailers to rely on
wholesalers who collect all the papers and distribute them to
those retailers on demand for part of the considerat which they used
to get.

And manufacturers who used to trade directly with retailers
now deal mainly with wholesalers. One of these is the firm which
produces Halkah sweets. The reason why this firm extended its channel
of distribution is that it became increasingly unable to supply the
sweets to all the retailers who demanded them on credit. A few
years ago when Halkah sweets were produced in small quantities and
had to compete with important sweets the producers used to allow
retailers to pay the price of the sweets which they received directly
from the factory after one or two months. but when the government
protected the business sweet industry from foreign competition, the
firm decided to deliver its products for cash only. Retailers who
could not pay cash had to obtain the sweets from wholesalers who bought
sweets in cash from the manufacturers and sold them to retailers on
credit.

The above scenes are examples of what seems to be legitimate
additions to the channels of distribution. But there are also cases of un払urced additions to the number of intermediaries handling some industrial products. One such addition was made recently to the number of intermediaries handling the products manufactured by the African Trading Company. The Company now markets all the edible oils and soaps which it produces through six wholesalers who are called agents. The agents are required to order at least 12,500 worth of the Company's products every time they deal with it. Other wholesalers have to buy the Company's products from them. Since these agents buy and resell the goods in cash, like ordinary wholesalers, they seek to cause unnecessary duplication in the number of wholesalers.

A similar arrangement existed for a long time in the Sugar Industry. The Sugar produced by the Co-Operative Factories, a state-owned factory, is delivered to a few large wholesalers who resell it in cash to local wholesalers. This practice, which was often criticized, is claimed to result in quicker and cheaper distribution of sugar than would have been possible if the factory dealt with all the wholesalers who wish to approach it directly.

The practice was also adopted by the Coffee Planters and Trading Company which was created in 1964. This Company was given full monopoly over the importation, planting, processing and marketing of coffee in the country. Prior to its creation, coffee retailers bought coffee either directly from the importers or through some wholesaler. Soon
after its formation, the Company announced that it would not accept orders for less than $2,500 worth of coffee. This rule virtually prevented almost all the coffee retailers from buying directly from the Company. The Company also tried to appoint only seven wholesalers as intermediaries between itself and other wholesalers. It was strongly criticized for this action, and some observers assumed it of falling under the influence of a small group of influential merchants. In 1966 this Company was dissolved by the government.

There are, however, industrial goods which are now handled by a smaller number of intermediaries than before. For example, Kato Company nowadays retail about 20% of the shoes which its factory in Kanagawa North produces. A few years ago it had as retail units of its own. So in the case with the Pepsi Cola and Coca Cola companies, the retail is increasing part of their incomes through their street selling kiosks in the big towns. Also, some newspaper publishers are able to by-pass the wholesaler and deal directly with the retailers; this contrasts with the earlier tendency for the number of intermediaries to increase in this field in the early days of journalism in this country. In fact, the tendency for channels of distribution to increase in length seems to be a feature of the early phases of the development of industry. Apparently, as these industries expand they have to rely more and more on independent middlemen to finance the process of distribution, probably because of
their need to devote most resources to expanding output production.

The process of reversing de-industrialization is hard. Once started, it may be difficult to arrest. But, as necessary adjustments are made, which involve re-training workers, but eventually the tendency for the economy to become dependent upon an industry reaches a certain level of growth may produce more general benefits may be obtained en vo de the costs in the short run of such changes and forecasts.
Amendments: Movements Barring

The Table below shows the share of the middlemen in the prices at which a number of commodities are retailed in Khartoum. The commodities listed in the Table represent various types of consumer goods sold in Khartoum market. They include agricultural, industrial and animal products. Some of them, like ice and vegetables, are highly perishable; others and meats are examples of fairly durable goods.

Table 16: Gross Premium Received by the Mediators of Some Commodities in Khartoum

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Fixed Price</th>
<th>Average Wholesale Price</th>
<th>Gross Premium</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>Kilo</td>
<td>60 £</td>
<td>500 £</td>
<td>38 £</td>
<td>Khartoum</td>
</tr>
<tr>
<td>Sugar</td>
<td>&quot;</td>
<td>70 £</td>
<td>700 £</td>
<td>71 £</td>
<td>Khartoum</td>
</tr>
<tr>
<td>Rice</td>
<td>&quot;</td>
<td>60 £</td>
<td>200 £</td>
<td>70 £</td>
<td>Khartoum</td>
</tr>
<tr>
<td>Oil</td>
<td>Pound</td>
<td>23 £</td>
<td>50 £</td>
<td>54 £</td>
<td>Khartoum</td>
</tr>
<tr>
<td>Dried Orange Juice</td>
<td>&quot;</td>
<td>13 £</td>
<td>20 £</td>
<td>75 £</td>
<td>&quot;</td>
</tr>
<tr>
<td>Meat</td>
<td>&quot;</td>
<td>100 £</td>
<td>150 £</td>
<td>49 £</td>
<td>&quot;</td>
</tr>
<tr>
<td>Cheese</td>
<td>Kilo</td>
<td>350 £</td>
<td>360 £</td>
<td>31 £</td>
<td>&quot;</td>
</tr>
<tr>
<td>Sheep</td>
<td>&quot;</td>
<td>350 £</td>
<td>350 £</td>
<td>27 £</td>
<td>Eastern</td>
</tr>
<tr>
<td>Smuts</td>
<td>&quot;</td>
<td>47 £</td>
<td>50 £</td>
<td>22 £</td>
<td>Khartoum</td>
</tr>
<tr>
<td>Cotton</td>
<td>&quot;</td>
<td>19 £</td>
<td>19 £</td>
<td>10 £</td>
<td>&quot;</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>&quot;</td>
<td>73 £</td>
<td>85 £</td>
<td>9 £</td>
<td>&quot;</td>
</tr>
</tbody>
</table>

Fast-moving commodities are represented by cigarettes and newspapers; slow-moving ones by rice and sugar. Some of the commodities listed are produced in Khartoum itself or its suburbs, and some are brought.
The Table shows clearly that the cost of distributing perishable commodities is much higher than the cost of distributing other commodities. In fact, the most perishable of the goods listed elsewhere, have the highest cost of distribution. Agricultural commodities and animal products which are more perishable than most other types of goods have a higher distribution cost than the more durable industrial goods of the processed extracts of vegetable and livestock products. Distance also raises the cost of distribution as is evident from the relatively high cost of distributing bananas and beef on the one hand and wheat on the other. The former two items are the group of agricultural and animal products, and the latter belongs to the industrial commodities.

The breakdown of the margins of distribution calculated above:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Wholesale Margin</th>
<th>Retail Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>25</td>
<td>72</td>
</tr>
<tr>
<td>Shoes</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Bananas</td>
<td>42</td>
<td>23</td>
</tr>
<tr>
<td>Shoes</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Fruits</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td>Newspapers</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Vegetables</td>
<td>1</td>
<td>11</td>
</tr>
</tbody>
</table>
show that the smaller part of the margin of distribution goes to the retailers, except in the case of business (not, presumably, for vegetable glide). The wholesalers who handle industrial
products get a very small margin, particularly those who deal in
exports and novelties. This is due to the fact that the sole
function of these wholesalers is to collect orders from the retailers,
and then pass them to the manufacturers, and distribute the goods
then arrive to the retailers. When the goods are sold on credit
in the retailers, which in most cases, the retailers charge
the retailer a monthly interest rate which in 2% is the average
to be paid in the country to do so. (The average interest rate
charged by commercial banks on short-term loans is 6%.)

The relatively high margin received by the mass of wholesalers is due to their relatively stronger position vis-à-vis
the retailers. The mass wholesalers also receive a margin which
is suited with their industrial marketing activities. The reason for
this is the fact that they are responsible for collecting the orders
for the distribution to be stored in numerous villages on the
Veneto region and bringing them to Turin. As for retail
margins, they are also determined by the nature of the
case, thus, it's profitability as well as turnover rate.
A. Functions of Marketing Policy in the Public Sector

In the end of the last century, the state became the owner of more than 50% of the lands of the nation. Soon after the defeat of the rebel troops by Lord Kitchener's Anglo-Egyptian army in 1896, the condominium government passed the Fattah to Lands Ordinance 1899. This Ordinance gave the government a title to all lands which were not in the possession of one person for more than 5 years before the publication of the Ordinance in the official gazette. Since settled life at that time was largely along the narrow strip of land which formed the Nile Valley, the amount of land which passed the 5-years test constituted a small percentage of the area of the country. The government became the owner of all the forest and waste land in the country as well as much arable land which was not used regularly by the farmers. Tribal lands were also classified as government land although the local tribes which used some regions as their traditional grazing and farming areas were granted special usufruct rights. The government also reserved for itself the right to confiscate or forcibly rent land for public use. Land abandoned by its owners or left by a land owner who had no rightful heir reverted to the state.

The government disposed of its land in a variety of ways. In some cases it made free gifts to charity organizations or to influential citizens whose support it sought to win. But it also made considerable sums by selling freeholds and leaseholds to individuals and companies.
Agricultural land is usually rented to the successful applicants for ten to fifteen years at the rate of 100 anna per sodden per annum. The lease is normally for 1000 soddens or multiples of this figure, and the lease is renewable at the government discretion. The sum charged by the government as a rent on the agricultural land in the same as what it pays to the owners of land incorporated into its agricultural scheme. It was fixed in 1921 under the Odisha Land Ordinance 1921, the rate of 100 anna per sodden per annum being considered at the time as the highest rent paid for the best arable land. The present rent of good arable land outside the Odisha Scheme is several times the rent in 1921, but the government refuses to pay more than what it did then, and continue to charge the same rent to its tenants.

In every big town in the Odisha there is a light Industrial Iron House India stations, garages, light industries and other utilities. The largest of these areas is in Chilka North which is the main industrial area in the State. The land in these areas, which is owned by the government, is allotted to the industrial firms which apply for it in blocks of 5000 square metres each. Enterprises which are classified as Approved Enterprises by the Minister of Commerce under the Improved Enterprises (Concessions) Act 1958 enjoy preferential treatment rights; they pay a flat rate of 50 per cent.
area of land in Alberton North Industrial Area, plus 130 mm per
square meter for the services provided by the local council such as
sewer, drainage systems, parking facilities, etc. These rates vary
from town to town in Queensland. For instance, they are 250 mm. and
210 mm. per square meter, respectively.

The government sells the land for residential purposes in blocks
of either 300 or 500 square meters each. Residential land is classified
into 3 classes according to the area in which they fall. The government
charges a high price for first class land and relatively lower prices
for the next two, with the third class land comprising the least price.

The government also requires the buyer of land in each of these
categories to observe the minimum standards which it prescribes
covered in each area. The government reserves the right of requiring
the owner of any land whose buyer erects sub-standard buildings or
fails to build within a specified period of time. Such land is sold as
enrolled unseaworn household, in which case the lessee is entitled
from reselling or mortgaging the land vested to him.

In some places the government built houses which it sells or rented
do certain classes of citizens. Some of these houses are built to be
used by workers in the permanent service of the government. They are
given free and are allocated according to a system of points which are
given according to income, years spent in government service, family
situation, etc. Those who are given government houses should have
houses of their own and are not entitled to a house but
the government. The government also rents houses at nominal rent to
some of the senior civil servants on the basis of a similar point
system. However, in many cases government houses were allocated to
government officials who had houses of their own, some of which were
built by loans obtained from the government. When criticized for
allowing this situation, the government replied that in these cases
the houses owned by the officials did not suit their new status. 1

There are various views about how the government should market its
lands and what objectives it should pursue in this field. Some people
believe that the government must give every citizen a fair chance to
own a piece of land to have his own house. For this reason they propose
that the government should allot lands to the poor at cheap prices, or
section it at sections attended by persons in the same income-bracket.
Other people think that the government should sell at the highest
possible revenue from the sale of public land and refer to the need
opening to those who put it to its best use in the public interest.
To these people, the best way of disposing of government land is
to market it publicly.

When the views clashed openly in the House of Commons
in December 1934. The occasion was a debate on a motion tabled by a
member of the House from both sides of the House deplored the government's
policy of disposing of its urban lands. The view of the government at
that time was that government land should be sold in public auctions:

1. House of Commons, 1st Parliament, Weekly Limita, Vol. 1
Charl., S. 907.
which are open to all members of the public whatever their income-
background and irrespective of whether they already owned houses or
not. The novelist summed this policy as a 'collectivist policy' which
helped to concentrate land in a few hands. It called upon the government
to use the system of private allotments or to sell the land in closed
sections.

The system of private allotments had already been tried in 1936
and proved to be a failure. In that year, the government distributed
3,000 and 1,600 plots of third-class lands in the fields of Morkum and
Marnum North, respectively. It charged only 300 assess per plot of 100
square meters. However, out of the 3,000 plots distributed to the
inhabitants of Morkum Seina, more than 300 plots remained unclaimed,
and a large percentage of the houses built in this area were considered
under-standard. Also, it was reported that most of the plots, in fact all
the area distributed in Morkum North, were sold or mortgaged by those
who then were allotted to the non-agricultural entrepreneurs believed
to have bought 72 plots of those distributed in Morkum Seina. In one
case, one of the recipients of allotted land sold his plot outright
for 10,000.

The government has the right to retrieve the plots whose recipients
sold to others, but this is hard to prove. Likewise, it cannot seize
the plots whose recipients failed to utilize in the money required
by the authorities, but it seldom does so for obvious reasons. See:
people feel that the government is partly responsible for the frustration of many of them to whom it allotted land to dispose of it by sale or mortgage instead of utilizing it themselves. The cost of the building materials needed to build a house is usually more than ten times the free market rate of land. The government allowed those to whom it allotted land to sell it at subsidized prices, but by insisting on a certain standard of building, it added more to the cost of the building materials than it deducted from the price of land. Besides, the government did not advance homes building loans to all those who obtained government land by private allotment. Initially, most of these people could not afford to meet the full cost of building the houses from their own resources, and many of them mortgaged their plots to the moneylenders so as to obtain the necessary funds, or sold the land outright at a profit because they suspected of raising the required sum.

The fear of building closed estates attended only by people in the same income-bracket does not work for the simple reason that some of them may represent persons of higher incomes who are not eligible for building at the estates.

The government used some of these arguments to discredit the motion which criticized the use of open estates in attracting its land. But it was it clear that its rejection of the system of private allotment and closed estates was because it objected to those in
The truth of the matter is quite simple: building requires capital, and unless the government is itself prepared to enter the field, as has happened in most other countries, we must continue to rely entirely on the private capitalist to develop our urban areas. Whatever the extent of government intervention in, it is unlikely to extend beyond the provision of houses for the poorer classes, and the main responsibility for developing the town will continue to rest with the private capitalist, either in his capacity as a developer or a housebuilder.\footnote{[Footnote text.]}
society are referred to a special committee where it was quietly dropped.

It is noticeable that the government confined the discussion to the question of distributing town lands and avoided mentioning other forms of land. Obviously, if these other forms were discussed into the debate, the government would have had a difficult time trying to reconcile its policy of hiring agricultural and industrial land at nominal prices to its principle of giving at the best possible price for public land. Besides, it is not clear how the government realized the idea of granting land at reduced prices to the poor and yet accepted the principle of providing them with government houses at reduced rates.

Another contradiction in the statements made by the government on this matter concerns its great faith in auctions and the true measure of the real value of land. According to the government statement, "the auction price for first and second class plots rarely exceeded 40 p.u. a square meter, while similar land fetched as much as 100 p.u. several lots in the open market, and farmhouse land in Morroco South has reached 300 p.u. in the market while its auction price is only a quarter of this sum." The government is trying to show that the auction price does not arrive at actual value of land to artificially high levels as some MP's claimed in the House. It posed various doubts on the ability of auctions to realize...
highest possible prices for government lands, since the government
tended to consider its ownership of land a source of revenue rather
than a means of aiding those who had no land, one would have expected
it to do all it could to obtain the maximum possible prices and not
to settle for a fraction of the prices obtained by private sellers.
The fact that it seemed happy that its prices were not the highest
in the land books shows that its desire to obtain maximum revenue
from the sale of public land was tempered, though not quelled, by
a feeling that it ought to have been less profiteering than
marketing public land to the public.

The same mixed feelings are discernible in the marketing
policy of the Sudan Railways, a public utility which the government
is trying to run both as a service and a major source of revenue.
Always it has by far the most important mode of transportation in
the nation. Until the late 1940s, it had been the only modern form of
land transport in the country. After that its position in some
parts of the country was challenged by road mechanical transport.
But in 1962 the total capacity of the Sudan Railways was approaching
200,000 tons while the total capacity of the registered trucks in the
country was about 50,000 tons, nearly two-thirds of which were owned
by the government. River, air and mixed transport lag far behind
the railways and heavy transport in importance.

The first railway line built in the Sudan was built in 1898-
Heron, AB. Min. P. 56.
Lord Kitchener's invading army so as to bring military supplies to the troops as they advanced northwards towards Tukhuruma. For a long time, military and strategic considerations were of paramount importance in the policy of the government in this sphere. In 1909 the government turned down the proposal made by the British Government that it should surrender its railways to a private firm. The British High Commissioner in Egypt, who was the chief advisor of Sudan government, thought that "the management of the Railways must be largely determined by considerations of strategy... which conflict with the interest of the financial exploitation which a lease could alone be expected to render"; the Manager of the Railway Department remarked that "the one owns the Railways owns the country". It was these important strategic considerations which prompted the government to extend the railway line to the isolated northern provinces under the military regime of 1953-1964.

During the first two decades of this century, the Railways were run at a loss, but in the inter-war period they became a major source of revenue to the treasury. From that time onwards, the government tried to obtain as much revenue as possible from the railways without incurring in them as heavily as it had done previously. The share of the Railways in the government's capital expenditure dropped from

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In the first decade of this century, the river services were profitable, but in the post-war period, the net profit of the service was frequently more than 10%, most of which went to the government, the rest being used in extending the service.

In its effort to maximize its revenue from this public utility, the government clearly forgot that it was running a public service which played a key role in the country’s economic development.

J.H. Campbell, a transport expert sent by the United Nations Assistance Programme to report on roads in the Sudan, felt from his investigations and discussions with the government officials that there was a "complete lack of ... realization of the need for a good, flexible communications system capable of meeting the demands of a developing and balanced economy with improved living standards."

The attitude of the Railway Department to the development of other modes of transport clearly confirmed Mr. Campbell’s conclusions.

From the start, river transport offered the railways little competition. The river routes ran roughly from the south to the north, while the railways tended to run from the west to the east, particularly towards Port Sudan on the Red Sea. Thus, the river routes did not compete directly with the railways, and in fact that they served as feeders to the latter. Besides, the mud and sand deposits made the Nile un navigable in many parts. However,

In order to make sure that river transport could not constitute any serious threat to the position of the railways, the government banned all forms of mechanically propelled commercial vessels except in the Humber-Shannon reach.

River transport was what worried the government most. Since it began to grow in the end of the '20s, the development of this form of transport was rapid, and it tended to compete directly with the railways. This is reflected in the fact that the centre and the east of the country contain 96% of the country’s railway routes and 66% of the number of registered trucks. It is in the sphere of short- and medium-distance haulage that railways compete effectively with railways. When the distance exceeds 500 miles, it becomes quite uneconomical for lorries to compete with the railways. In fact, if the railways reduce their rates to near their operating costs, lorries will not be able to compete with them even in short-distance haulage. But the railway department showed on many occasions that it was not ready to reduce its rates in order to seize the invoices made by the truck-owners into its market. This enabled the latter to capture many of its second-class passengers and a great deal of its higher-value traffic. The loss of this traffic was largely due to the tendency of the department to use its monopolistic position to charge that the traffic could bear and not what it cost to operate. This policy...
discriminated against high-valued goods which were relatively cheap
to handle and loadable, and it was the consignors of such goods who
were residually to switch over to road transport whenever it was
available.

After some pressure from different quarters, the Railway
Department agreed to introduce a cheap fourth-class ticket and to
introduce a system of zones within which goods of all classes could
be consigned at reduced rates. It also deviated in 1913 a new general
Tariff which gave greater weight than before to the actual cost of
moving a commodity instead of considering only its value as the
executive had been earlier. It also introduced the variable rate
system whereby the rate per ton kilometer became smaller
the longer the distance of the haulage was. The Railway and Steamer
General Tariff of 1913 which replaced the entrenched 1897 tariff granted
special concessions to 'S.P.' consignments, i.e. consignments of
locally produced goods. But still many consignors had to pay rates
of 3 paisa per ton kilometer while the cost of the service averaged
around 1.5 paisa per ton kilometer in the period 1925-27.1

Instead of lowering its rates as to meet effectively the
increasing competition created by the road transport, the Railway
Department claimed that the government should resist in every
possible way the growth of road transport. In 1929, the Manager
of the Railway Department wrote: "It would be fundamentally wrong
for the Indian Government to spend money on the encouragement of..."
maintenance of roads to enable privately owned mechanical transport to handle traffic to the detriment of the revenues of its own railways.1 Apparantly, the government adopted this view, for out of a public capital expenditure of 53.128.3 million rupees by the government between 1939 and 1957 only 23.1.7 million were allocated to road development as against 15.16 million spent on the railways. In fact, most of the money allocated to road development was used either in maintaining old roads or building military roads. Besides, the money so constituted only a small part of what the authorities paid to the government in the form of license fees, petrol tax, customs duties on imported vehicles and spare parts, and business profits tax on road haulage firms. By neglecting the roads, the government was able to keep the operational costs of the railways at a high level and this reduced their ability to compete with the railways.

The government also used import control so as to restrict the growth of road transport. Vehicles of all kinds were classified as luxury items and were subjected to quota restrictions from time to time. Strictly licensing laws with high safety requirements were introduced so as to keep down the number of vehicles in active service.

In 1916 the government issued the Carriage of Goods by Motor (Central) Ordinance which gave the railways exclusive protection from competition by mechanical road transport in certain regions. The ordinance made it illegal for any motor vehicle to carry...
trade for revenue between Port Saïd and Alexandria or between any other inter-urban places. Thus, the Calel, which is still operative, gave the railway complete monopoly over an area of about 1,000 kilometers from the two main points through which goods enter or leave the country. It reflected the weakness of the railway department on capturing the export and import traffic of the country.

Thus, in its pursuit of high profits in its railway department, the government went to the extreme of restricting the expansion of the road transport without considering the possible effects of this restriction on the economic development of the country. By trying to extract from this department as much revenue as possible, the government left the department little revenue to use in expanding its services, with the result that the total capacity of the transport system of the Sudan expanded very slowly since the last war. In the meantime, demand for transport facilities was growing at a much faster rate due to the increase in production for the local market and for export, the growth in the value of imported goods, the development of regional specialization and inter-regional trade, and the increase in the mobility of the population. As the demand for transport facilities continued to outstrip the slowly expanding supply of these facilities, there was a growing pressure on the price of these facilities to rise. However, the government resisted the temptation
to raise the rates of its railway service by as much as it could if it so wished. This was apparently because the government still felt that it was running a public service and not merely a profit-making utility. To many people, this may seem a rather ironic gesture, and like its boasting that the prices realised in its land auctions were not the highest in the market, it could not have won many friends to the cause of state trading in this country.
S. The Structure of Urban and Rural Housing

One of the striking features of retailing in Kathmandu is the contrast in layout, ownership, management and sales techniques between the stores which belong to al-Say al-Arabi and those of al-Say al-Ahrangi (the native and the European market places, respectively). These two market places are found in different parts of the town, although it is not uncommon to find in the native market retail shops which are run in the modern style of the stores in the European market and vice versa. The shops in the European market are usually on the ground floor of modern buildings of two to seven stories. The streets are paved and have ample room for parking an either side. The shops which operate in this market mostly deal in imported goods such as food, clothing, household equipment, cars, farm machinery, drugs, jewellery, etc. There are also cafes, sandwich-bars, tailoress, bookshops and bookshops, and they all cater for the Europeans living in Kathmandu and the more well-offSubans.

Most of the stores in this market are owned by private companies and partnerships incorporated under the Companies Ordinance of 1945. Many of them are managed by people of European or Asiatic origin, chiefly Greeks, Italians, Americans, Syrians, and Indians. Paid salesmen, sales and females, are employed in these stores; the working hours are normally 10 a.m. to 2 p.m. and 3.30 p.m. to 6 p.m., every day except Sundays.
Some of the stores in the European market specialize in a narrow line of merchandise such as sports goods, chimneys, musical instruments. There are also many variety stores, two or three chain stores, and one store which can be considered as a department store. Very few of these stores advertise, and the ones which do are usually the sole distributors of particular brands of goods in which some emphasis in the advertisements is on the brand of the product rather than the distributor’s name. However, some stores use point-of-sale advertising, e.g., they wrap up the goods in paper carrying the name of the store; they also rely on window displays. Prices are usually displayed as well, and no haggling is tolerated. Customers buy only in cash and receipts are usually issued to buyers by the cashier.

Stores in the native market differ from those located in the European market in almost all the above aspects. The market place itself consists mostly of one-story buildings or rows of sheds or stalls separated by narrow and dusty streets which are often crowded with buyers, vendors, and passers-by. Stores are different separate sections for vegetables, fruit, groceries, and various craftsmen. The majority of shops are owned by individuals, (usually Subanee, and a few Yemenee) who usually run them with the assistance of the male members of their family. They remain open from about 9 a.m. till 9 p.m. except on Friday when they close 10 a.m. at midday.
Many storekeepers do not bother to arrange their stocks and they are left lying helplessly in the store. No records or accounts are kept, and the storekeeper relies on his memory more than registers to remember what he has and how much he wants for it. Prices are flexible unless the good has a retail price fixed by the authorities or the manufacturer. Bargaining is very common in this market.

There are noticeable differences between the prices of some of the goods which are stocked by stores in the native and the European markets and this is undoubtedly a reflection of the differences in the cost of running these stores. The customers of the two markets are quite different, the European market being the place where Europeans and the wealthier Balinese do their shopping, and the native market the place where the lower classes buy their needs. There are, however, goods which are found only in one of these markets, for example, buyers of sports goods, musical instruments, and electrical appliances usually have to go to the European market to get these goods. On the other hand, those who are looking for spices, coffee beans, firewood, etc., can find that they want in the native market only.

The storekeepers who have shops in the native market have to put up with competition not only from the stores on the European market but also from the stores which are found scattered throughout the
residential areas. For a long time, the shopkeepers with shops in the main market places regarded the shops in the residential areas as a real threat to their livelihood. The local authorities were against allowing shops in residential areas until recently when the need increase in the area of Slouman made it necessary to allow shops to be opened in areas which are far from the main markets. Convenience, bakery, and eat shops were allowed in the residential areas, and their number is increasing rapidly. However, there are all sorts of controls on these shops. For instance, the Central Town Planning Board insists that

(a) no shop should be opened in first-class residential areas, (the reason for this being the belief that the inhabitants of such areas have domestic servants and can and can, therefore, afford to buy from the main market places);

(b) only one shop should be allowed for every 750 persons in second-class areas, and one for every 100 persons in third-class areas;

(c) no flower shops or laundries should be licensed in the residential areas, and bakeries should not be allowed unless it is absolutely necessary, and then they should be in the ratio of 1 to 4,000 of the locality's inhabitants;

(d) and no shop should be opened within 500 meters from the existing markets.
The shops in the residential areas stock mainly convenience goods like bread, cigarettes, sweets, tinned goods, and shaving lotions. They rely on convenient location and offer no credit facilities rather than on lower prices in attracting customers.

Price competition is the favourite weapon of street peddlers and hawkers who either carry their goods from door to door or display them on the ground or on stalls in popular spots, e.g. in front of hospitals on visiting days. These peddlers sell fruit, kitchen utensils, and cheap clothes and various sorts of handicrafts. Shopkeepers protested strongly when the authorities released a previous ban on these peddlers, but they learnt to accept them and even co-operate with them at present; many of these peddlers are said to be acting as agents for the shopkeepers and supply them with the goods which they sell and split the profits with them.

Retail trade in the other towns of the Sudan is basically similar to Khartoum's except for the fact that the distinction between native and European markets which is found in Khartoum does not exist in most other towns. This is perhaps mainly due to the fact that most of the Europeans in the Sudan live in Khartoum, which is also the place where most importers and manufacturers have their headquarters. Another difference is that the ratio of retail units per population seems to be higher in some of the smaller towns than in Khartoum. For example, the Beira of Khartoum which in 1958 housed 80,000 inhabitants
but one person for every 500 persons, and one man per 1,000 persons, and one boy per every 2,000 people.

Located in the westerly part of the town are the villages of the Shang dynasty. These village shops are usually small, consisting of one or two rooms. They sell various goods and services that are needed by the villagers. The village shops are run by women who are skilled in cooking, sewing, and other household tasks.

The villagers live in small, one-story houses with thatched roofs. They burn wood for fuel and grow most of their food. The men work in the fields while the women take care of the children and tend to the household.

In most cases, the women in the village are actually very skilled, yet due to the gender norms, they are not allowed to participate in decision-making roles. Their primary role is to keep the household running smoothly and raise their children.

1. American Historical Review. 1955/56 p.3
visit and bring valuable information about market conditions in the
villages which they contact. They are essentially an extension of
the system of periodical markets which is still widely practiced in
the rural parts of the Sudan; they buy the products which the
producers are unable to take in person to these markets and link the
communities which are not served by the same fair.

The inhabitants of the villages scattered along the banks of the
Nile in Dongola rely on merchants who sail up and down the river in
their boats buying the villagers' surplus products and selling them
goods brought from other parts of the country. To many of these
villages these sailing merchants are their only link with the national
market.

Deep in the desert and almost constantly on the move live the
nomadic tribes of the Hadabish, the Maqar and the Shu'ukla. Once
they leave their camels (provisions) in the afternoon of the rainy
season, these tribes turn into self-sufficient economies almost
completely severed from the rest of the country. Travelling with them
are their own traders whose main function is to store and ration the
goods which their tribesmen are expected to require during their long
journeys. These merchants supply receive cash in payment for the
goods which they sell. Payment is usually made in animals. It is
quite customary for a trader to accept a calf or a baby camel in exchange
for his goods and then leave the animal in the buyer's custody until they
Return to the settlements in the dry season; by that time the animal may be fully grown and is worth several times the value of the grain originally exchanged for it.

In all these rural communities, whether they are sedentary or nomadic, there is no distinction between a retailer and a wholesaler. Every trader acts as the first link in the chain of intermediaries dealing in his village's or tribe's products; he also acts as the last link in the distribution channels which bring to his village or tribe the goods which they have to buy from outsiders. These traders often operate as bankers and financiers as well as sales agents; they also advise their customers when they travel to do business outside their communities. The mobility of these traders, the simplicity of their trading techniques, and their readiness to perform all the various marketing services required by their communities make them well suited to the needs of their changeable environment.
SUMMARY
AND
CONCLUSION
SUMMARY AND CONCLUSIONS

By and large, this study does not present a very favourable picture of the system of internal marketing in this country. It is quite obvious from what has been said so far that in its present condition this system is clearly inadequate for the needs of the urban economy. Its inefficiency is demonstrated by the failure to supply the rapidly growing population of the main towns with goods which are found in great quantities in their areas of production.

The cost of living is rising rapidly mainly because marketing costs are increasing at a high rate. At the same time, the lack of adequate marketing opportunities is depressing the prices which the producers receive and is discouraging production. The marketing process itself is becoming increasingly slow and wasteful, and the risks which it involves are multiplying.

Different explanations are given for the malfunctioning of the system of distribution in this country. One explanation which is widely accepted by laymen and many informed observers blames the middleman for the inefficiency of the marketing system. It attributes the high cost of marketing to the presence of too many of them in different stages of marketing. It also specifies as the reason for the scarcity of some goods in the urban centres the combining of the wholesalers who supply the towns with these goods.

It is alleged that these wholesalers conspire to restrict the total supply of some of the important commodities needed in the
Towns in order to force the prices to rise. It is therefore suggested that the marketing of the commodities whose markets are suspected of being blocked should be taken over by co-operative bodies, unless the funds required are vast and cannot be raised by co-operatives, in which case the state should take over. The government is also urged to keep a close vigil on the other fields of marketing which remain in private hands, and to fix maximum margins for the traders whenever this becomes necessary.

Government reports, on the other hand, tend to stress the market imperfections which exist in the primary and the retail stages of marketing. Imperfect competition among the middlemen in these stages, which usually results from the need of the consumers and the producers for credit and their ignorance of market conditions, is said to be the reason for the high prices which the former pay and the low prices which the latter receive. Therefore, the government tries to help the consumers by fixing maximum prices for the essential commodities; it also tries to assist the producers to become financially independent of the middlemen by offering them cheap credit, and seeks to group them together in co-operatives and supply them with adequate market information in order to strengthen their bargaining position vis-à-vis the middlemen. The government also tries to bring the producers and the consumers as near to each other as possible, hoping that by encouraging them to perform part of the marketing function instead of the specialised traders the cost of marketing is reduced.
In this study, we presented evidence of collusion among the suppliers of same commodities. Significantly, all cases of collusion which we came across involve industrial concentration and are examples of collusion among the producers and not the middlemen.

It seems that conditions in industry in this country favour the growth of this and other forms of monopoly. Many industries are highly concentrated because their markets are small or fragmented while the economic size of their production units is relatively large. Entry by new firms into some industries is made difficult because of the large scale and special skill which they require in order to compete effectively with the established firms. In some industries, entry is impossible due to restrictions imposed by the authorities under the existing industrial laws, which appear more to bar the establishment of new enterprises in these fields which they regard as fully covered by the existing firms. These restrictions or entry encourage firms in highly concentrated industries to merge together or to negotiate restrictive agreements in order to further their common interests. At present, numerous monopolies exist in several industries and a number of restrictive practices are operated openly in spite of all the government announcements that it will not allow monopoly in industry.

Marketing in this country seems to offer less opportunities for restrictive agreements and other kinds of monopoly than industry. The number of sellers and buyers in most markets is usually large,
except, perhaps, in the village markets. As neither large capital nor special skills are required in most fields of marketing, entry is quite easy, especially after the government relaxed its licensing controls. Perhaps, the most effective barrier to entry into some fields of marketing is the inclination of many producers, consumers and retailers to continue to deal with the middlemen with whom they have been dealing in the past in preference to the newly established middlemen, unless the terms offered by the latter are attractive enough to induce them to relinquish the security of trading with known and well-established dealers. But in spite of such impediments to entry into some fields of marketing, conditions in this sector of the economy are generally unfavourable to collective restrictive practices. On close examination, the allegations made about collusion among the wholesalers who supply fresh food with vegetables, bananas and livestock seem to have no solid basis. Of course, this does not mean that collusion cannot exist among these wholesalers; it merely means that it cannot be proved to exist on the strength of the available evidence. It also suggests that collusion is not as prevalent as is generally suspected.

For more common are monopolistic practices of the type operated by the individual trader. One of these practices is the use by traders of credit as a means of tying producers and consumers to themselves. This and similar methods of product differentiation used by traders enable them to buy products cheaply from the producers and
sell them at high prices to the consumers. However, we do not share the popular view that monopolistic practices, whether they are operated by individual traders or groups of them, constitute the most serious handicap to efficient marketing in this country. There is no doubt that these practices do impair the efficiency of the system of distribution, but, in our view, their effect is insignificant in comparison with that of the severe deficiencies in the infrastructure of this system. Perhaps, the most marked of these deficiencies is in the field of transportation. Inadequate transport facilities are largely responsible for the presence of glut in many commodities in their areas of production at the time when there are severe shortages in their supply in the consumption centres. Also, the lack of sufficient transport facilities tends to reduce the number of active traders in the markets in the production areas by tying up the capital of many traders in stocks which remain for long periods awaiting shippers. Besides, owing to the inadequacy of transportation between the areas of production and the centres of consumption, only a small number of traders can despatch goods to the consumption markets at any one time. Thus, monopolistic conditions are created in the production and consumption markets which further accentuate the geographical wedges which in prices produced by transport shortages.

Similar deficiencies in credit, storage and market information are the disposal of marketing agencies in this country else severely
restrict the volume of goods which they can move from the production areas to the consumption centres. The scarcity of these marketing facilities enable their suppliers to charge high prices which are reflected in the large differences between the prices received by the producers and those paid by the consumers. In recent years, the demand for these facilities expanded more than their supply, and this increased the share of the middlemen in the retail trade by the consumer on all sorts of goods. With the vast increase in production envisaged under the Ten Year Plan of this country and the rapid growth of the population and the per capita income, the demand for the available marketing facilities is bound to expand in the future; and unless the supply of these facilities expand at the same rate, the cost of marketing will become even greater than it is now. The result will be higher living costs and/or lower production.

At present, the bulk of the marketing facilities available in the Sudan are owned by private firms. The state has a big share of the country's transport facilities and a considerable share of the storage capacity in existence. But it is the private sector which provides most of the marketing functions and handles the bulk of the goods produced by private as well as public enterprises. Thus, the burden of expanding the capacity of the marketing system falls mainly on the private sector of this country. In recent years, it has become quite clear that the private sector is unable to create new marketing facilities as fast as the demand for them is growing.
Apparently, this is because there are new and more lucrative fields of investment open to the business capitalist particularly in foreign trade and industry. Consequently, the prices which the owners of the existing marketing facilities are able to charge to the users of these facilities are rising continuously without inducing substantial additions to the supply of these facilities.

The government contributed in various ways to the present deficiency in the marketing facilities at the disposal of the producers in this country. It promised to create additional facilities which the producers can utilize on the payment of moderate rates. But it failed to fulfill most of the promises which it made. In some cases, the government induced vast increases in production before creating the necessary marketing facilities. Much of the facilities which the government did create are reserved for the use of agricultural producers who often showed no interest in utilizing them.

Thus, the real problem of marketing in this country seems to be one of inadequate marketing facilities rather than undue restrictions. Shortages in the consumption centres which happen at times when the production areas are glutted with excess output are largely the result of the limited resources which can be attracted into the marketing sector rather than any formidable barriers to the flow of resources into this field. Sometimes, such barriers in existence which are the scarcity of some of the factors essential in the development of marketing facilities are the result of the policy of government towards the provision of these facilities.
inefficiency and their prices are raised to above the competitive
level. The removal of these barriers may facilitate a temporary
improvement in the efficiency and capacity of the marketing system
by facilitating the flow of necessary resources into marketing and
forcing inefficient marketing agencies to withdraw. As this measure
does not guarantee that the needed resources will be released from the
other sectors of the economy in sufficient quantities to ease the
problems of inadequate marketing facilities in the country. In fact,
the tendency now is for resources to leave the field of marketing and
derect other fields, such as industry, where the state is offering all
c sorts of inducements to the investors. Thus, the state is actually
holding to expand the production of industrial goods and, at the same
time, reducing the ability of the marketing system to handle the
accumulating industrial output. Obviously, if this state of imbalance
continues, production will be bound to fall, not because there is no
demand for the products, but because the marketing system is unable
to convey them to the consumers. This may happen in a scale big enough
to jeopardize the process of development in the entire economy.

Inevitably, the state holds the key to the situation. By neglecting
marketing, it created the present unsatisfactory conditions. To make
matter worse, it has to review its whole policy in this field. So far,
it has left marketing out of its economic plans; this is in fact what
it has done with all the economic sectors which are traditionally
assigned to the private sector, because very little is known about
that planners generally assumed that the expansion of production automatically induced a corresponding increase in the capacity of the marketing system. That is why they were generally more interested in re-distributing the margines of distribution in favour of the producers than in reducing the total cost of marketing. However, although the assumption made by the planners may be correct in normal circumstances, it can hardly be expected to apply when production is being expanded artificially by subsidies or coercion. Under such circumstances, it is the duty of the state to make sure that sufficient marketing facilities exist which can handle the expanded volume of output properly. The state can achieve this by itself creating such facilities, or by compelling private enterprise to provide them.

In particular, the state must make substantial additions to the present capacity of the system of transport. Quite often, the present utilization of other marketing facilities depends to a great extent on the efficiency of this system. Delays in transportation immobilize trading capital and reduce its rate of turnover. They also put unnecessary pressure upon the storage facilities existing in the areas from which the goods are consigned. Dealers who know of profitable business opportunities and possess the necessary resources frequently lose such opportunities because of inadequate transportation; this renders their information and resources useless. Thus, by expanding the capacity of the system of transport an
improving its efficiency, the government will pave the way for a more economic use of the existing marketing facilities, and may even help to attract into this sector additional resources which cannot be employed profitably so long as the transport bottleneck exists.

The responsibility for making these improvements in the country's transport system rests largely with the government because it is in the publicly owned railway service that shortages appear to be worst. Unfortunately, the government is content to acknowledge this responsibility and reiterating promises to do all it can to improve transport in this country without actually doing much to this effect. Consequently, the standard of the transport system has been declining steadily in recent years, and it is now clear that if the government continues to abdicate its responsibility in this field, the country may face a serious breakdown in its marketing machinery. Let us hope that the message is brought home to the authorities in time to avert such disaster.
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