

Memorandum by the Hon. Minister of Agriculture, Power and Communications on the Marketing of Tomato Paste

These last few years very grave difficulties have been experienced by farmers in disposing of their tomato crop for canning purposes.

This was mainly due to the fact that stocks of tomato paste held by canners were well above the local requirements. Canners competing wildly with each other began to find it expedient to undersell their product far below the maximum wholesale price established by Government.

This undercutting of prices by canners to help them get rid of stocks naturally meant losses to them with the result that they were faced with two difficulties.

- a) they could not pay reasonable prices for tomatoes bought of farmers for processing,
- b) they could not buy all the tomatoes produced.

These two difficulties are very grave and any action as above would bring about the economic ruin of our dry land farmers, who cannot produce anything but tomatoes at the time of the year in question. The very low prices offered are disastrous for farmers considering the production costs involved. Moreover, to let our farmers' produce go to rot is a sheer waste of our countries natural wealth.

Both canners and farmers have suffered as a result of this impasse; and the odious aspect about the whole problem is the fact that consumers have not benefited in any way from it. Retailers of tomato paste who had bought it at very low prices from canners' agents kept on selling it at the maximum retail price established by government; and it is evident that in the whole affair the only persons who have gained were the few middlemen who through the canners' cut-throat competition have managed to pocket larger margins of profit that is considered reasonable.

This state of affairs led canners to propose to the Honourable Minister of Agriculture, Power and Communications the setting up of a TOMATO CANNERS MARKETING BOARD on the lines of the marketing boards existing in the United Kingdom and as recommended by F.A.O. Experts. The object of the proposed board would be to establish the purchase price of tomatoes for canning and to fix marketing procedures. Such a Board would take into account the interests of producers, canners and consumers; and would so manage the marketing of tomato paste in such a way as to create a subsidy fund for the eventual hoisting of exports.

Through the proposed Board the producers would know that their tomatoes would be purchased at an agreed price and the canners would be in a position to sell their tomato paste on the local market at the established government price without undercutting each other whilst the consumer would be assured of the best product without an increase in price. Canners would moreover be encouraged to produce for the export market which they would subsidise out of the fund created by themselves.

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Meetings between the Hon. Minister of Agriculture, Power and Communications, the Director of Agriculture and Fisheries and the canners have been going on for many months but at a certain stage of the discussions it was felt that the matter could not be concluded satisfactorily in time to allow the legislation to go through parliament. The canners therefore signed a private agreement between themselves incorporating the main objects of the marketing board. Unfortunately one of the canners did not abide by the agreement and redress is being sought in the courts.

It is therefore desired to make certain temporary arrangements to put into operation the functions of the proposed board until such time as appropriate legislation can be enacted.

The proposal put forward by the Crown Council (Dr. G. Demarco) to meet the immediate requirements is to impose certain conditions in the licence issued to canners by the Director of Trade so as to enable all the Tomato paste to be sold through a board. It is doubtful whether a condition regarding the subsidy fund would be incorporated but it might be possible to consider withholding the issue of the licence until the canners have entered into an agreement (with suitable penalties for contravening same) on the subject of the creation and administration of the export subsidy fund.

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1<sup>st</sup> July, 1965.