STATUTORY INSTRUMENTS

1964 No. 561

SUGAR

The British Sugar Corporation Limited (Incentive Agreement) (No. 2) Order 1964

Made - - - -	14*th April* 1964
Laid before Parliament	20*th April* 1964
Coming into Operation	21*st April* 1964

The Minister of Agriculture, Fisheries and Food and the Secretary of State (hereinafter called "the Ministers") acting jointly in exercise of the powers conferred on them by section 19 of the Sugar Act 1956(a), and of all other powers enabling them in that behalf, with the approval of the Treasury, hereby make the following order:—

1. This order may be cited as the British Sugar Corporation Limited (Incentive Agreement) (No. 2) Order 1964; and shall come into operation on 21st April 1964.

2. It is hereby directed that effect shall be given in accordance with section 20 of the Sugar Act 1956 to the Agreement incorporated in the Schedule to this order (being an Agreement under section 19 of that Act).

In Witness whereof the Official Seal of the Minister of Agriculture, Fisheries and Food is hereunto affixed on 9th April 1964.

(L.S.)

Christopher Soames,
Minister of Agriculture, Fisheries and Food.

Given under the Seal of the Secretary of State for Scotland on 13th April 1964.

(L.S.)

Michael Noble,
Secretary of State for Scotland.

Approved on 14th April 1964.

John Peel,
M. A. Hamilton,
Two of the Lords Commissioners of Her Majesty's Treasury.

(a) 4 & 5 Eliz. 2. c. 48.

SCHEDULE

INCENTIVE AGREEMENT MADE PURSUANT TO SECTION 19 OF THE SUGAR ACT 1956 BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD, THE SECRETARY OF STATE FOR SCOTLAND AND BRITISH SUGAR CORPORATION LIMITED

An agreement made the twenty-sixth day of March, nineteen hundred and sixty-four between the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland (hereinafter called "the Ministers") of the one part and British Sugar Corporation Limited (hereinafter called "the Corporation") of the other part with the approval of the Treasury and after consultation with the Sugar Board pursuant to Section 19 of the Sugar Act 1956, in order to promote economy and efficiency in the undertaking of the Corporation, whereby it is agreed as follows:—

1. For the purposes of Section 19 of the Sugar Act 1956 incentive payments payable by virtue of this Agreement shall be calculated by comparing the actual trading results of the Corporation, adjusted as provided in clause 3 hereof by reference to such variable factors as are specified in the Schedule to this Agreement, with the standards specified in clause 2 hereof.

2. The standards of economy and efficiency with which the future financial performance of the Corporation is to be compared shall be such that if sugar beet were purchased at the Standard Price defined in the Schedule to this Agreement the income of the Corporation in the Revenue Account would be equal to its expenditure.

3. As soon as may be after 30th September 1965 being the end of the financial year of the Corporation and thereafter at the end of each successive financial year a Revenue Account shall be prepared in accordance with Section 20 of the Sugar Act 1956. This Account shall be adjusted by replacing the cost shown therein of purchasing sugar beet at prices determined by the Ministers pursuant to Section 17 of the Sugar Act 1956 by an amount equal to the cost of purchasing such sugar beet on the same terms and conditions but at a Standard Price calculated in accordance with the Schedule to this Agreement.

4.—(1) If the balance in the Revenue Account adjusted in accordance with clause 3 hereof is a credit balance such sum, representing the amount by which the financial performance of the Corporation has exceeded the standard of economy and efficiency calculated in accordance with clause 2 hereof, shall be credited by the Sugar Board to the account of the Corporation.

(2) If the balance of the Revenue Account adjusted in accordance with clause 3 hereof is a debit balance such sum, representing the deficiency in the financial performance of the Corporation below the standards of economy and efficiency calculated in accordance with clause 2 hereof, shall be debited by the Sugar Board to the account of the Corporation.

5. The Revenue Account and the Adjusted Revenue Account shall be prepared in agreement with the Corporation, or in default of such agreement, as the Ministers may determine. The Accounts so prepared shall be certified by professional accountants appointed by and acting on behalf of the Ministers.

6. The purposes for which incentive payments made under this Agreement will be applied by the Corporation shall include the provision of benefits for persons employed by the Corporation.

7. This Agreement shall come into effect in respect of the financial year of the Corporation beginning 1st October 1964 and shall continue to apply for each succeeding financial year, subject to the following provisions:—

(*a*) Either party to the Agreement may call for a review of the Agreement by giving notice in writing to the other party not later than 30th June in any year. Any review of which such notice is given shall be held and completed by 30th September in the same year and any consequent modification of the Agreement shall take effect from 1st October in that year.

(*b*) Either party to this Agreement may terminate the Agreement by giving to the other party previous notice in writing to take effect on 30th September; provided that such notice shall be given not later than the preceding 1st October.

THE SCHEDULE

STANDARD PRICE OF SUGAR BEET

1. In this Schedule, except where the context otherwise requires, the following expressions have the meanings hereby assigned to them respectively, that is to say:

The "average price of raw sugar" shall be calculated in the following manner:—

(*a*) the quantity of sugar contracted for sale each day by the Corporation and other than as specified in (*b*) below, adjusted to 96° polarisation, shall be multiplied by the London Daily Price for that day;

(*b*) the quantity of sugar contracted for sale each day by the Corporation and specified to be invoiced other than in the calendar month in which the contract is made, adjusted to 96° polarisation, shall be multiplied by the London Daily Price for that day plus or minus 12/13ths of any premium or discount, as the case may be, offered by Tate and Lyle Refineries Limited on sales of refined sugar in the standard pack for invoicing in a comparable period;

(*c*) the quantity of sugar contracted for purchase each day by the Corporation adjusted to 96° polarisation, shall be multiplied by the London Daily Price for that day; and

(*d*) the sum of the results of the calculations in (*a*) and (*b*) above, less the result of the calculation in (*c*) above, shall be divided by the total of the quantities of sugar, adjusted to 96° polarisation, referred to in (*a*) and (*b*), less the quantity, similarly adjusted, in (*c*).

"London Daily Price" means the price announced daily by the United Terminal Sugar Market Association for prompt raw sugar basis 96° polarisation c.i.f. London.

"Standard pack" means T.L. granulated sugar packed in 1 cwt. paper sacks.

"Adjusted to 96° polarisation" means adjusted by use of the formula: per cent. yield = $2P - 100$ where P = polarisation.

"Net profit" shall be the profit of the financial year as shown in the audited Profit and Loss Account of the Corporation but before deducting taxation and appropriations to reserves and for dividends.

The "average price of dried sugar beet pulp" shall be calculated by dividing the net proceeds from the sale ex factory of dried molassed sugar beet pulp produced during the campaign by the tonnage of such pulp.

2. For the purposes of clause 2 of the Agreement there shall be a Standard Price of sugar beet, being a price which the Corporation could reasonably be expected to pay on a commercial basis having regard to the standards of economy and efficiency (including rates of extraction of sugar from sugar beet and costs of production) achieved by the Corporation in the period of five years preceding the date of signature of this Agreement.

3. The Standard Price shall be 129s. 6d. a ton of sugar beet of 16 per cent. sugar content save that for the financial year ended 30th September 1965, the Standard Price shall be reduced by 1s. 6d. and for the financial year ended 30th September 1966 the Standard Price shall be reduced by 9d.

4. The Standard Price shall be adjusted in each financial year in accordance with variations in the average price of raw sugar, the average price of dried sugar beet pulp and the index of wholesale prices for manufactured products (home market sales) as published by the Board of Trade on the following basis:—

(*a*) at the rate of ± 2s. 10½d. per ton of sugar beet for every £1 per ton by which the average price of raw sugar in the financial year is above or below £50 per ton.

(*b*) at the rate of ± 9d. per ton of sugar beet for every £1 per ton by which the average price ex factory received by the Corporation from the sale of dried sugar beet pulp produced in the financial year is above or below £19 7s. 6d. per ton.

(*c*) ±2½d. per ton of sugar beet for each complete ½ per cent. by which the average of the twelve monthly indices of wholesale prices for manufactured products (home market sales) of the financial year of the Corporation varies from the index for the 1962 calendar year.

5. The adjustment in paragraph 4 (*c*) above will be made only in the following circumstances:—

In the case of a rise in the average of the twelve monthly indices:—

(*a*) if the net profit in the financial year would otherwise be below £2·5 million ; or

(*b*) if the average net profit in the financial year under consideration and the two immediately preceding financial years would otherwise be below £2·5 million.

In the case of a fall in the average of the twelve monthly indices:—

(*c*) if the net profit in the financial year would otherwise be above £1·5 million ; or

(*d*) if the average net profit in the financial year under consideration and the two immediately preceding financial years would otherwise be above £1·5 million.

6. The price as adjusted in paragraph 4 above shall be further adjusted at the rate of ± 8 per cent. for every 1 per cent. by which the average sugar content of the beet is above or below 16 per cent.

In witness whereof the Official Seal of the Minister of Agriculture, Fisheries and Food is hereunto affixed.

(L.S.) *John H. Locke,*
For and on behalf of the
Minister of Agriculture, Fisheries and Food.

Given under the Seal of the Secretary of State for Scotland.

(L.S.) *R. C. Tucker,*
For and on behalf of the
Secretary of State for Scotland.

The Common Seal of British Sugar Corporation Limited was hereunto affixed in the presence of

Edmund Bacon, Chairman.

(L.S.)

A. J. F. Brown, Secretary.

EXPLANATORY NOTE

(This Note is not part of the order, but is intended to indicate its general purport.)

This order, made under section 19 of the Sugar Act 1956, directs that effect shall be given, in accordance with section 20 of that Act, to an incentive agreement (reproduced in the Schedule to the order) concluded between the Minister of Agriculture, Fisheries and Food, the Secretary of State for Scotland and the British Sugar Corporation Limited. This agreement relates to financial years of the Corporation beginning with 1st October 1964.