EXPLANATORY NOTE

*(This Note is not part of this Order, but is intended to indicate its general purport.)*

This Order provides for the assessment and collection of contributions in 1958 from the British Sugar Corporation Ltd., and growers of home-grown beet towards the programme of research and education set out in the Schedule to the Order.

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## 1958 No. 936

## The British Sugar Corporation Limited (Incentive Agreement) Order, 1958

| | |
|---|---|
| *Made* - - - - | *5th June*, 1958 |
| *Laid before Parliament* | *12th June*, 1958 |
| *Coming into Operation* | *13th June*, 1958 |

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) Order, 1958; and shall come into operation on the 13th day of June, 1958.

**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 this fourth day of June, nineteen hundred and fifty-eight.

(L.S.) *John Hare,*
Minister of Agriculture, Fisheries and Food.

Given under the Seal of the Secretary of State for Scotland this fourth day of June, nineteen hundred and fifty-eight.

(L.S.) *John S. Maclay,*
Secretary of State for Scotland.

Approved this fifth day of June, nineteen hundred and fifty-eight.

*Martin Redmayne,*
*Harwood Harrison,*
Two of the Lords Commissioners of Her Majesty's Treasury.

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

## THE 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 THE BRITISH SUGAR CORPORATION LIMITED

AN AGREEMENT made the fourth day of June, nineteen hundred and fifty-eight between the MINISTER OF AGRICULTURE, FISHERIES AND FOOD and the SECRETARY OF STATE FOR SCOTLAND acting jointly (hereinafter called "the Ministers") of the one part and the 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—

### PART I

1. In this Agreement and in the Schedules thereto the following expressions have the meanings hereby assigned to them respectively, that is to say:—

"Actual Trading Account" means the Trading Account of the Corporation computed as directed by the Ministers.

"Standard Trading Account" means the statement of the Standard Income and Standard Expenditure calculated in accordance with this agreement.

"early or late delivery bonus" means any bonus payable by the Corporation for early or late delivery under the Corporation's standard contract for the purchase of sugar beet.

"thick juice purity" means the percentage of sucrose by polarisation contained in the total solids in a solution of the beet juice as ascertained in the Corporation's laboratories.

"beets bought" means the tonnage of the sugar beet for which payment is made under the terms of the Corporation's standard contract for the purchase of sugar beet.

"surcharge" and "distribution payment" have the meanings assigned to them in Section 35 of the Sugar Act 1956.

"granulated sugar equivalent, (G.S.E.)" means the sucrose content of sugar ascertained by the formula 2P-100 when P is the degree of polarisation of the sugar.

"sugar in beets bought" means the total sugar content of beets bought as ascertained by the Corporation for the payment to the growers under the terms of the Corporation's standard contract for the purchase of sugar beet.

### PART II

2. As soon as may be after the end of the Corporation's financial year on 31st March 1958 and after the end of each successive financial year thereafter there shall be prepared an Actual Trading Account for the financial year. There shall also be calculated in the light of the tonnage of beet bought by the Corporation a Standard Trading Account. The balance of the Actual Trading Account shall be compared with the balance of the Standard Trading Account and if the surplus on the Actual Trading Account is greater or the deficiency smaller than on the Standard Trading Account or if there is a surplus on the Actual Trading Account and a deficiency on the Standard Trading Account the Sugar Board shall pay to the Corporation a sum equal to the difference. If the surplus on the Actual Trading Account is smaller or the deficiency greater than on the Standard Trading Account or if there is a deficiency on the Actual Trading Account and a surplus on the Standard Trading Account, the Corporation shall pay to the Sugar Board a sum equal to the difference. If the balance on one account is a surplus and on the other a deficiency the difference shall be taken to be the total of the surplus plus the deficiency.

3. In preparing the Standard Trading Account—

(1) the Standard Income in any year from sugar, molasses and pulp shall be established with reference to the Standard Output calculated in accordance with the provisions of the First Schedule and such sugar, molasses and pulp shall be valued in accordance with paragraph 5 thereof;

(2) save as hereinafter provided the Standard Expenditure in any year shall be the actual expenditure in the year from 1st April 1955 to 31st March 1956 adjusted in proportion to the tonnage of beet bought or to the Standard Output or otherwise as may be appropriate;

(3) the items of cost set out in the Second Schedule hereto shall be included in the Standard Expenditure at the same figures as are used in the Actual Trading Account;

(4) except as provided in the preceding sub-paragraph and in sub-paragraph (7) below the Standard Expenditure in each year shall be adjusted to take account of changes in the levels of prices and wage rates by the use of appropriate price indices;

(5) no allowance shall be made in the Standard Expenditure of any year for any payment in the nature of an early or late delivery bonus on the first 4,033,000 tons of beet bought in that year, but such payments shall be allowable—

on the next 600,000 tons at the lowest bonus rate,
on the next 500,000 tons at the next lowest rate,
on the next 420,000 tons at the next lowest rate,
and on any balance at the next lowest rate;

(6) depreciation on fixed assets used in the business and bank and other interest shall be calculated as provided in the Third Schedule hereto and shall be included as Standard Expenditure;

(7) the Standard Income or Standard Expenditure in each year arising from the items set out in this subsection shall be based on the experience of the year ended 31st March 1956 with an adjustment, if appropriate, proportionate to the input of sugar beet or output of sugar but without any allowance for changes in the levels of prices or wage rates—

(*a*) profit or loss on transport undertakings, molasses tank wagons, and canteens,

(*b*) profit or loss on by-products other than molasses or pulp,

(*c*) profit or loss on off-season refining (excluding non-recurring items),

(*d*) profit or loss on any other subsidiary undertaking.

4.—(1) The Standard Trading Account and the Actual Trading Account of each year shall be prepared and the comparison between them shall be made in accordance with the foregoing provisions in agreement with the Corporation, or in default of such agreement, as the Ministers may determine.

(2) The Standard Trading Account and the Actual Trading Account so prepared and the comparison thereof shall be certified by professional accountants appointed by and acting on behalf of the Ministers.

## Part III

5.—(1) The Corporation's share of economies achieved up to 31st March, 1957, valued at the prices and wage rates current in the years in which such economies were made, and related to a standard annual sugar output of 560,000 tons amounts to £425,331.

(2) The value of this share shall be recalculated, as at 31st March 1957 and at the end of each subsequent financial year, in proportion to the actual output of sugar of the relevant year in terms of granulated sugar equivalent, and in relation to the level of prices and wage rates current during that year.

(3) There shall be paid to the Corporation by the Sugar Board in respect of the year ended 31st March 1958 a sum equal to the amount calculated in accordance with sub-paragraph (2) of this paragraph. In respect of each subsequent year there shall be paid to the Corporation a proportion of the amount so calculated for that year as follows—

| | |
|---|---|
| in respect of the year to 31st March 1959 ... ... ... | 90% |
| in respect of the year to 31st March 1960 ... ... ... | 80% |
| in respect of the year to 31st March 1961 ... ... ... | 70% |
| in respect of the year to 31st March 1962 ... ... ... | 60% |
| in respect of the year to 31st March 1963 ... ... ... | 50% |
| in respect of the year to 31st March 1964 ... ... ... | 40% |

(4) The level of prices and wage rates to be used in the revaluation under sub-paragraph (2) of this paragraph of the economies achieved prior to 1st April 1957 shall be determined in agreement with the Corporation or, in default of such agreement, as the Ministers may determine.

PART IV

6. Payments received by the Corporation under this Agreement shall be applied for renewals of and additions and improvements to the Corporation's fixed assets and for the provision of benefits to persons employed by the Corporation. They may also be applied with the approval of the Ministers for such other purposes as are consistent with the provisions of the Sugar Act, 1956.

7.—(1) This Agreement shall come into effect in respect of the financial year beginning 1st April 1957.

(2) There shall be a review of the working of the Agreement as soon as may be after 31st March 1959 and thereafter in any year if either of the parties hereto so require; and unless the parties hereto agree to terminate this Agreement in respect of the financial year commencing 1st April, 1959, or such later year as may be agreed, the Agreement shall continue in force until 31st March 1964 save as hereinafter provided.

(3) If the parties hereto fail to agree that the Agreement shall be terminated pursuant to sub-paragraph (2) hereof, the Ministers with the consent of the Treasury and after consultation with the Sugar Board may give notice to the Corporation that this Agreement shall be terminated, such termination to take effect two years after the thirty-first day of March last preceding the date of such notice.

## THE FIRST SCHEDULE

METHOD OF CALCULATING THE STANDARD OUTPUT OF WHITE SUGAR, RAW SUGAR, MOLASSES AND PULP AND THE VALUATION THEREOF

1. *Production of sugar and molasses*

(1) *Sugar entering factory*

The tonnage of sugar entering factory shall be taken as the sugar contained in beets bought during the year with an addition for sugar in the tops calculated as 1·7716 per cent of the sugar in the beets bought.

(2) *Allowable Loss on Tonnage of Beets Bought*

(*a*) On a tonnage of beets bought not exceeding 4,650,000 tons the allowable loss shall be 0·7743 per cent of beets bought.

In any year in which the tonnage of beets bought exceeds 4,650,000 tons the allowable loss on the excess tonnage of beet shall be—

On the first 260,000 tons or part thereof in excess of 4,650,000 tons—0·9733 per cent on beets bought

On the first 240,000 tons or part thereof in excess of 4,910,000 tons—1·0778 per cent on beets bought

On the first 220,000 tons or part thereof in excess of 5,150,000 tons—1·2015 per cent on beets bought

On excess over 5,370,000 tons—1·3253 per cent on beets bought

(*b*) In any year when owing to factors outside the control of the Corporation the quantity of the sugar beet bought is less than approximately 3,500,000 tons or more than approximately 5,500,000 tons, or when the quality is substantially inferior to the average quality over the preceding five years the Ministers, in accordance with the Sugar Act 1956 Section 19 (2) (*b*) with the consent of the Treasury may make such modifications in the above standards as would adjust the assessment of the rate of sugar extraction to what in the opinion of the Ministers would have been achieved having regard to the rate of extraction in the preceding five years, if the quantity and quality of the sugar beet bought had been within the limits prescribed in this sub-paragraph.

(3) Sugar to be accounted for shall be the tonnage of sugar entering factory ascertained in accordance with sub-paragraph (1) of this paragraph less the allowable loss ascertained in accordance with sub-paragraph (2) of this paragraph.

(4) The tonnage of sugar ascertained in accordance with sub-paragraph (3) of this paragraph and stated in terms of Granulated Sugar Equivalent shall be divided between sugar and molasses according to the thick juice purity of the year.

(5) The tonnage of sugar ascertained and stated in accordance with sub-paragraph (4) of this paragraph shall be divided between white sugar and raw sugar as follows:—

| | | | | |
|---|---|---|---|---|
| White sugar | ... | ... | ... | 61·8296 per cent. |
| Raw sugar | ... | ... | ... | 38·1704 per cent. |

(6) The tonnage of white sugar ascertained in accordance with sub-paragraph (5) of this paragraph shall be the standard output of white sugar.

2. *Raw Sugar*

The standard output of raw sugar in every year shall be calculated as follows:—

(1) The tonnage of raw sugar ascertained in accordance with sub-paragraph (5) of paragraph 1 above shall be aggregated with the tonnage of sugar in molasses for raw sugar ascertained in accordance with sub-paragraph (1) of paragraph 3 below and multiplied by 1·8180.

(2) The aggregate quantity ascertained in accordance with sub-paragraph (1) of this paragraph shall be the standard output of raw sugar.

3. *Molasses*

The standard output of molasses shall be calculated as follows:—

(1) The tonnage of sugar in molasses ascertained in accordance with sub-paragraph (4) of paragraph 1 above shall be divided between sugar in molasses in raw sugar, sugar in molasses added to pulp and sugar in molasses for sale as follows:—

| | | | | |
|---|---|---|---|---|
| Available for sale as molasses | ... | ... | ... | 36·7996 per cent. |
| In raw sugar ... | ... | ... | ... | 6·6905 per cent. |
| Added to pulp | ... | ... | ... | 56·5099 per cent. |

(2) The tonnage of sugar in molasses available for sale as ascertained in accordance with sub-paragraph (1) of this paragraph and multiplied by 2·0474 shall be the standard output of molasses.

4. *Pulp*

The standard output of pulp shall be calculated as follows:—

(1) The plain dried equivalent tonnage of dried pulp, pulp blocks and wet or pressed pulp shall be ascertained as follows:—

| | | | |
|---|---|---|---|
| Dried pulp | ... | ... | 4·3904 per cent of beets bought. |
| Pulp block | ... | ... | 0·4270 per cent of beets bought. |
| Wet or pressed pulp | ... | | 1·4141 per cent of beets bought. |

(2) The total tonnage of plain dried equivalent of dried pulp, pulp blocks and wet or pressed pulp ascertained in accordance with sub-paragraph (1) of this paragraph shall be aggregated with the tonnage of sugar in molasses added to pulp ascertained in accordance with sub-paragraph (1) of paragraph 3 above multiplied by 1·8695 and converted to dried equivalent.

(3) The aggregate quantity ascertained in accordance with sub-paragraph (2) of this paragraph shall be the standard output of pulp.

5. *Method of valuation*

Sugar, molasses and pulp shall be valued at the net realisable values of the production of the year after deduction of the costs of distribution and marketing in accordance with the Actual Trading Account of the year. In respect of the valuation of sugar and molasses the costs of distribution shall be taken to include excise duty and surcharge payable or distribution payment receivable as appropriate.

## THE SECOND SCHEDULE

ITEMS OF COST FOR WHICH THE STANDARD SHALL BE THE ACTUAL OF THE YEAR

1. Beet—basic price and adjustment for sugar content.
2. Beet transport.
3. Adjustments of preceding year's beet costs and beet transport costs.
4. Rent and rates on industrial property.
5. Insurance.
6. Gains or losses on realisation of previous year's stocks; if the stock valuations prove to be inaccurate previous year's results to be reviewed in so far only as they affect the ascertainment of economies.
7. Debenture interest.
8. Civil defence expenditure.
9. Research and education expenditure of an agricultural nature.
10. Pension contributions payable under schemes approved by the Inland Revenue.

## THE THIRD SCHEDULE

### DEPRECIATION AND BANK AND OTHER INTEREST

1. *Standard Depreciation*

The standard depreciation shall be calculated as follows:—

(1) In respect of the capital expenditure incurred on and from 1st April 1957 twenty-two per cent of the total of each year shall be deemed to be in respect of capital additions and improvements and the amount of depreciation relative to this expenditure shall be assessed by reference to the following assumed lives:

| | |
|---|---|
| Expenditure on Buildings ... ... ... ... | 50 years |
| Expenditure on Plant and Machinery ... ... | 25 years |
| Expenditure on Rolling Stock ... ... ... | 12½ years |

(2) A charge representing one year's depreciation on the cumulative capital additions and improvements from 1st April 1957 to 31st March in each subsequent year shall be ascertained each year.

(3) The actual depreciation charged in the Corporation's Accounts for the year less the amount referred to in the previous sub-paragraph shall be termed the Standard Depreciation for that year.

2. *Standard Bank and Other Interest*

The standard interest shall be calculated as follows:—

(1) In respect of so much of the capital expenditure incurred on and from 1st April 1957 as is taken into account in the deduction made from actual depreciation of the year, an interest charge shall be assessed for each year.

(2) The rate of interest to be charged shall be one-half of any rate of interest chargeable by the Corporation in the revenue account in accordance with Section 20 (3) (*a*) of the Sugar Act 1956 in respect of any amounts put to reserve account by the Corporation in respect of any financial year after 1st April 1957.

(3) The amount of interest on the said capital expenditure at the rate laid down in the previous sub-paragraph shall be deducted from the actual Bank and Other Interest charged in the Actual Trading Account, and the resulting amount shall be the Standard Bank and Other Interest.

In witness whereof the Parties hereto have caused their Common Seals to be hereunto affixed the day and year first above mentioned.

L.S.

*John Hare,*

Minister of Agriculture, Fisheries and Food.

L.S.

*John S. Maclay,*

Secretary of State for Scotland.

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

L.S.

*J. Leslie,*

Director.

*G. C. Ash,*

Secretary.

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## 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) concluded between the Minister of Agriculture, Fisheries and Food, the Secretary of State for Scotland and the British Sugar Corporation Limited.