SUGAR

HOME GROWN BEET

1960 No. 1153

The British Sugar Corporation Limited (Incentive Agreement) Order, 1960

Made - - - -	*7th July*, 1960
Laid before Parliament	*13th July*, 1960
Coming into Operation	*14th July*, 1960

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, 1960; and shall come into operation on the 14th day of July, 1960.

2. It is hereby directed that effect 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 July, nineteen hundred and sixty.

(L.S.)

John Hare,
Minister of Agriculture, Fisheries and Food.

Given under the Seal of the Secretary of State for Scotland this fifth day of July, nineteen hundred and sixty.

(L.S.)

John S. Maclay,
Secretary of State for Scotland.

Approved this seventh day of July, nineteen hundred and sixty.

Michael Hughes-Young,
Graeme Bell Finlay,
Two of the Lords Commissioners of Her Majesty's Treasury.

(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 twenty-first day of June nineteen hundred and sixty 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 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.

"beet campaign" means the period at any factory of the Corporation during which any sugar beet is being delivered to or processed in that factory.

"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.

"accepted formula" means formula (49) on page 523 of "Beet-sugar Technology" by R. A. McGinnis, 1951 edition, published by Reinhold Publishing Corporation, New York.

"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" 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 1961 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 produced during the beet campaign 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) the Standard Income in any year from any other source shall be the actual income in the year ended 31st March 1959, adjusted in proportion to the tonnage of beets bought or to the Standard Output or otherwise as may be appropriate;

(3) save as hereinafter provided the Standard Expenditure in any year shall be the actual expenditure in the year ended 31st March 1959 adjusted in proportion to the tonnage of beets bought or to the Standard Output or otherwise as may be appropriate;

(4) the items of expenditure 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;

(5) the items of income and expenditure referred to in sub-paragraphs (2) and (3) of this paragraph shall, where appropriate, be adjusted to take account of changes in the levels of prices, wage rates and other charges by the use of appropriate price indices;

(6) 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 4,200,000 tons of beet bought in that year, but such payments shall be allowable—

on the next 565,000 tons at the lowest bonus rate,
on the next 410,000 tons at the next lowest rate,
on the next 325,000 tons at the next lowest rate,

and on any balance at the next lowest rate;

(7) 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.

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 an annual sugar output of 560,000 tons, amounts to £425,331.

(2) The value of this share shall be recalculated, as at 31st March 1960 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 each of the following years the proportion indicated of the successive amounts calculated in accordance with sub-paragraph (2) of this paragraph:—

in respect of the year to 31st March 1961	70 per cent
in respect of the year to 31st March 1962	60 per cent
in respect of the year to 31st March 1963	50 per cent

(4) The level of prices and wage rates to be used in the recalculations under sub-paragraph (2) of this paragraph 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) The Incentive Agreement made on 4th June 1958 between the parties hereto ceased (by agreement between the parties in pursuance of paragraph 7 of that Incentive Agreement) to have effect on the 31st March 1960

(2) This Agreement shall come into effect in respect of the financial year beginning 1st April 1960.

(3) This Agreement shall remain in force until 31st March 1963, unless the parties hereto agree to terminate it before that date or unless it is terminated on 31st March 1962 by a notice given on or before 31st March 1961 to the Corporation by the Ministers (with the consent of the Treasury and after consultation with the Sugar Board) or to the Ministers by the Corporation.

THE FIRST SCHEDULE

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

1. *White Sugar*

The standard output of white sugar shall be calculated as follows:—

(1) 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 tops calculated as 1·8413 per cent of the sugar in the beets bought.

(2) The allowable loss of sugar shall be 0·6473 per cent of beets bought on a tonnage of beets bought not exceeding 5,060,000 tons. In any year in which the tonnage of beets bought exceeds 5,060,000 tons the allowable loss on the excess tonnage of beet shall be:—

On the first 280,000 tons or part thereof in excess of 5,060,000 tons 0·8720 per cent on beets bought;

On the first 260,000 tons or part thereof in excess of 5,340,000 tons 0·9793 per cent on beets bought; and

On the excess over 5,600,000 tons 1·1153 per cent on beets bought.

(3) In any year when owing to factors outside the control of the Corporation the tonnage of beets bought is less than 3,500,000 tons or more than 5,750,000 tons, or when the quality is substantially inferior to the average quality over the preceding five years the Ministers, in accordance with Section 19 (2) (*b*) of the Sugar Act 1956 and with the consent of the Treasury, may make such modifications in the standards specified in sub-paragraph (2) of this paragraph 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 beets bought had been within the limits prescribed in this sub-paragraph.

(4) 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.

(5) The tonnage of sugar ascertained in accordance with sub-paragraph (4) 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 by use of the accepted formula.

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

White sugar	62·4522 per cent.
Raw sugar...	37·5478 per cent.

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

2. *Raw Sugar*

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

(1) The tonnage of raw sugar ascertained and stated in accordance with sub-paragraph (6) of paragraph 1 of this Schedule shall be aggregated with a tonnage of molasses sufficient to produce raw sugar of 97·5° polarisation.

(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 (5) of paragraph 1 of this Schedule shall be divided between

(*a*) the tonnage of sugar in molasses in raw sugar;

(*b*) the tonnage of sugar in molasses added to pulp; and

(*c*) the tonnage of sugar in molasses available for sale.

(2) The tonnage of sugar in molasses in raw sugar shall be 50 per cent of the tonnage of molasses used in the aggregation required under sub-paragraph (1) of paragraph 2 of this Schedule.

(3) The tonnage of sugar in molasses added to pulp shall be 54·5603 per cent of the tonnage representing molasses used in the aggregation required under sub-paragraph (2) of paragraph 4 of this Schedule.

(4) The tonnage of sugar in molasses available for sale shall be the tonnage remaining after deducting from the tonnage of sugar in molasses as ascertained in accordance with sub-paragraph (5) of paragraph 1 of this Schedule the tonnages of sugar in molasses in raw sugar and sugar in molasses added to pulp as ascertained in accordance with sub-paragraphs (2) and (3) of this paragraph.

(5) The tonnage of sugar in molasses available for sale as ascertained in accordance with sub-paragraph (4) of this paragraph and multiplied by 2·0317 shall be the standard output of molasses available for sale.

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	4·9822 per cent of beets bought
Pulp blocks	0·2205 „ „ „ „ „
Wet or pressed pulp	0·7706 „ „ „ „ „

(2) The total plain dried equivalent tonnage of dried pulp and pulp blocks ascertained in accordance with sub-paragraph (1) of this paragraph shall be aggregated with the dried weight equivalent of a tonnage of molasses equal to 48·7841 per cent of the aforesaid total plain dried equivalent tonnage.

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

(4) The plain dried equivalent tonnage of wet or pressed pulp ascertained in accordance with sub-paragraph (1) of this paragraph shall be the standard output of wet or pressed pulp.

5. *Method of Valuation*

Sugar, molasses and pulp shall be valued at the realisable values of the production of the year. In the valuation of sugar and molasses, excise duty and surcharge payable or distribution payment receivable shall be excluded.

THE SECOND SCHEDULE

Items of Expenditure for which the Standard shall be the Actual of the Year

1. Basic price of beet and adjustment for sugar content.

2. 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.

3. Debenture interest.

4. Civil defence expenditure.

5. Research and education expenditure of an agricultural nature.

6. 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 1960 33⅓ 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 1960 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.

Provided that, if in any year the Corporation replaces capital equipment which has not been fully depreciated, the Ministers may, if they think fit, make an appropriate adjustment to the Standard Depreciation.

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 1960 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 1960.

(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 British Sugar Corporation Limited was hereunto affixed in the presence of

(L.S.) *Edmund Bacon,*
Chairman.

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