

The United Kingdom sugar market

Introduction

2.1. United Kingdom sugar consumption amounts to some 2·3 million tonnes per annum, of which almost one-half is sugar produced from beet grown in this country. This consumption compares with an EEC figure of 9·5 million tonnes and a level of world consumption of approximately 90 million tonnes. Most sugar is consumed within the country of production although international trade in sugar amounts to approximately 25 million tonnes per annum. Just over 25 per cent of this trade is carried out under long-term intergovernmental agreements at special fixed prices. The majority, however, is traded on the world market at the freely fluctuating world market price. (Although there are long-term commercial supply arrangements involving some 5 million tonnes, these are all priced at, or in relation to, world prices.) As explained in later sections, United Kingdom sugar prices bear no relation to the fluctuating world price because of the effect of the EEC sugar regime.

History and development of the United Kingdom sugar beet industry

2.2. Although in the 17th and 18th centuries the West Indian islands provided the bulk of the United Kingdom's sugar, the period from the abolition of slavery in 1833 to the outbreak of World War I saw a considerable change in the sources of United Kingdom supplies in favour of continental beet sugar. Indeed, by 1913 continental beet sugar accounted for nearly 80 per cent of United Kingdom supplies, and just over half our sugar needs were imported from Germany and Austria.

2.3. Various attempts had been made to establish beet factories in East Anglia in the 19th century without success and the first modern beet sugar factory built in the United Kingdom at Cantley in 1912 closed down by 1916. The 1914-18 war necessitated a revival of trade in cane sugar, and the disruption to food supplies caused by the war resulted in the Selborne Committee recommending the establishment of a domestic beet sugar industry as a national security measure. Official loans and public subscriptions were used to buy land to be devoted to beet growing and to erect a factory at Kelham. It began to operate in 1921, a year after the Cantley factory resumed its operations.

2.4. Financial difficulties necessitated continual Government support for the infant industry. Between 1922 and 1925 such support took the form of a high rate of customs duty imposed on foreign sugars (and the remission of excise duty on the home-grown sugar). In 1925, customs duty was cut by nearly 55 per cent, putting the existing plants in peril, and the Government decided to subsidise the domestic industry for ten years with the level of support declining progressively over the period as the new industry gained experience.

2.5. Beet sugar production increased rapidly from 24,000 tons in 1924 to 192,000 tons in 1928, by which time all the factories now in operation had been built. By the early 1930s production of over 400,000 tons had been achieved. In 1928 the import duty on sugar of less than 98 per cent polarity was reduced (the duty on white sugar being maintained) to alleviate the competitive pressure that had been exerted on United Kingdom cane refiners by continental beet processors exporting refined sugar to this country. The cane refiners, in return, agreed to limit their refining margins and to submit proposed price increases to the Treasury for approval. Imports of refined white sugar declined but, as the depression reduced the world price of raw sugar to levels below the cost of production, the cane refiners were able to compete more vigorously with the domestic beet sugar producers. In 1933 the Ministry of Agriculture induced the refiners to enter into an agreement with the beet processors. This allocated to the United Kingdom beet factories a quota of 500,000 tons, in relation to a total consumption of 1.9 million tons.

2.6. The need for subsidies and market sharing arrangements indicated that a domestic beet industry could not be viable in the face of uninhibited competition from cane refiners importing raw sugar from the Empire and therefore at reduced tariffs. With the ten year period of subsidy due to end, the Greene Committee was appointed to determine the future of the industry. In 1935 the Committee advised that assistance to the beet industry should be abolished, but the Government adopted a minority recommendation that assistance should continue without time limit. Under the Sugar Industry (Reorganisation) Act 1936 the 18 beet factories (including four in which Tate & Lyle had a majority interest) were amalgamated to form the British Sugar Corporation Limited (British Sugar) and financial assistance was given to the growers for the production of the equivalent of 560,000 tons of white sugar per annum. An outstanding Treasury loan was converted into a 15 per cent shareholding. The 1933 agreement between cane refiners and beet processors continued and, to promote British Sugar's efficiency in such sheltered circumstances, an Incentive Agreement was drawn up.

2.7. With the advent of World War II the sugar industry and its market were subjected to administrative control. Overseas purchases were made by the Ministry of Food, and a policy of drawing up long-term contracts with Commonwealth suppliers evolved. At home, to reduce transport costs, plants were limited to supplying sugar in their neighbourhood, thus effectively regionalising the sugar market. The long-term agreements with Commonwealth suppliers continued after the war and became formally established under the 1951 Commonwealth Sugar Agreement. The Agreement provided for the supply of specified quantities of raw cane sugar at negotiated prices. This revived the sugar industries of the Commonwealth and enabled the United Kingdom to secure supplies from within the sterling area. The existence of the Agreement also led to a Government limitation on the beet acreage for which British Sugar might contract and to the stipulation that only the production from that acreage would be eligible for price support.

2.8. The Sugar Act of 1956 replaced the system of war-time controls and established the Sugar Board to regulate the United Kingdom industry. The main features of the system were as follows:

- (a) Ministers controlled the acreage of beet grown and set a guaranteed price for sugar beet.
- (b) A market sharing agreement (formalised in the Sugar Refining Agreements (Approval) Order 1957) required British Sugar to charge an identical ex-factory price to that of the cane sugar refiners and to continue the zoning arrangements of World War II. In addition British Sugar placed a voluntary limitation of 640,000 tons on the amount of refined sugar it would produce, and any surplus beet raws were sold to the cane refiners and marketed within their zones. The Sugar Board paid British Sugar the difference between the market price of refined sugar and the guaranteed price of beets, plus a manufacturing margin commensurate with efficient operations; the Corporation was encouraged to improve efficiency by the payments made under the Incentive Agreement.
- (c) The Sugar Board purchased the raw sugar contracted for under the CSA at the negotiated prices and re-sold it at world prices to the United Kingdom refiners, who then arranged the shipment of the cane raws for refining in the United Kingdom. In return for the Government's protection against the import of white sugar (which remained the subject of heavy customs duties), the refiners reached an agreement with the Government which gave them a margin consistent with efficient production.
- (d) The Sugar Board financed the cost of paying the guaranteed prices for cane and beet sugar by charging a levy (included in the ex-factory price) on sugar sold for domestic consumption. At times when world prices were above guaranteed prices the Sugar Board made distribution payments in respect of sugar for domestic consumption.

2.9. Thus the 1956 sugar regime placed British Sugar and the cane refiners under very close control. Volumes, prices, profit margins and even areas of marketing operations were all controlled by the Government with the United Kingdom consumer providing the necessary funds to finance the guaranteed raw sugar prices. However, the regime offered some flexibility to cane refiners in that they traded in cane raws at world prices and the system provided the sugar backing that was necessary for the revival of the London Terminal Market.

2.10. The regime provided a reasonably balanced market for sugar. The table below compares the contributions made to domestic sugar consumption by beet, CSA raws and Commonwealth 'frees'; ie Commonwealth sugar bought at the London Daily Price (plus a small Commonwealth duty).

	'000 tonnes WSE				
	1956-57	1966-67	1970-71	1971-72	1972-73
Demand	2,639	2,645	2,662	2,642	2,648
UK beet	698	861	906	1,086	886
CSA cane imported under contract	1,514	1,625	1,660	1,657	1,655
Commonwealth 'frees'	1,091	480	281	342	360

Source: Calculated from data based on the following:
Annual Review of Agriculture.
Annual Report of the Sugar Board.
Monthly Digest of Statistics.

Summary of the CAP sugar regime

(The CAP sugar regime is described in more detail in Appendix 2.)

2.11. On accession to the EEC, the United Kingdom sugar market became subject to the CAP sugar regime. Under the current regime the Council of Ministers allocates production quotas to each member state, in order to control the quantity of sugar grown and processed in the Community that is entitled to guaranteed prices. With the exception of the French Départements d'Outre Mer¹ (DOMs), where cane sugar is produced, quotas apply to beet sugar production. The basic or 'A' quota is the quantity of sugar which can benefit in full from the Community's price guarantees, without being subject to any levy. Since 1975-76 the United Kingdom's 'A' quota has been set at 1.04 million tonnes WSE per annum. In addition member states are allotted a 'B' quota, which under the current regime is determined annually as a fraction of the 'A' quota (in 1979-80 it was 27.5 per cent), and together they form the maximum quota; that is the maximum amount of sugar that may benefit from Community price support, whether consumed within the Community or exported to the world market. Sugar that is produced in excess of the maximum quota (known as 'C' sugar) is not eligible for price support and must be exported outside the Community without receiving any export subsidy or paying any export levy (as the case may be). As the sole United Kingdom beet sugar producer, British Sugar is allocated the entire United Kingdom quota.

2.12. The minimum price guaranteed to the producer for sugar produced within the maximum quota is known as the intervention price. Producers may sell surplus quota sugar to the Intervention Agencies of the Community at the intervention price. However, in order to avoid the storage costs of holding large stocks of sugar, the CAP sugar regime encourages the export of surplus quota sugar. Thus when world market prices are below EEC intervention prices exports of surplus quota sugar are subsidised, and when world market prices are above EEC intervention prices levies are imposed. The Commission wholly or partly finances this scheme by charging a production levy on 'B' quota sugar. The levy, which is set annually, is divided between processors and farmers in the ratio of 40:60; it is currently limited to a maximum of 30 per cent of the intervention price. When this is insufficient the shortfall is made up by FEOGA.²

2.13. The beet farmer in each country is guaranteed a minimum price for sugar beets based on the intervention price. To encourage self-sufficiency deficit countries such as the United Kingdom, where sugar consumption exceeds beet sugar production, have a higher guaranteed beet price and a commensurately higher intervention price than the other member states.

2.14. Prices and amounts under the CAP are set in European Currency Units (ECUs) and are converted into national currencies at special rates of exchange known as representative or 'green' rates. These rates are set by the

¹ Former French colonies which are part of Metropolitan France.

² Fonds Européen d'Orientation et de Garantie Agricole or European Agricultural Guidance and Guarantee Fund.

EEC Council of Ministers and, in order to give an appropriate degree of stability to farm support prices in each member state, they are not automatically changed in line with fluctuations in the market rate of the currency concerned against the ECU.

2.15. If significant differences arise between a member state's green rate and its market rate, Monetary Compensatory Amounts (MCAs) have to be introduced on that member state's trade in the main agricultural products including sugar. The MCAs act as subsidies on its imports and levies on its exports if the market exchange rate of that member state's currency falls relative to its green rate (and vice versa if its market rate rises relative to its green rate). Without MCAs, distortions would occur through produce being artificially attracted into a member state whose market exchange rate had appreciated relative to its green rate, and which was accordingly operating support prices higher than those in force elsewhere in the Community.

2.16 The export provisions for quota sugar also act to protect consumers from the high prices that occasionally occur in the world market, since a levy is charged on exports when world prices exceed those in the EEC. The levy may vary daily to take account of any fluctuations in world prices and its effect is to make the EEC market at least as attractive to the processor as the world market and to prevent the rise in domestic prices which would otherwise occur. In return the processor is protected from import competition during periods when world prices are below the threshold price, by an import levy on non-preferential imports. Thus the CAP regime insulates both producers and consumers in the Community from the price fluctuations of the world market.

2.17. As a result of the United Kingdom's entry into the EEC, the Commonwealth Sugar Agreement was not renewed in 1974. However, as part of the terms of the United Kingdom's entry into the EEC, guarantees were sought to ensure that a reasonable level of United Kingdom cane refining capacity would remain after entry and that those developing countries whose economies depended on sugar cane exports had right of access to the Community market on reasonable terms. Those terms are set out in the sugar protocol of the Lomé Convention, signed in February 1975. With the single exception of Australia which did not obtain a quota, members of the Commonwealth Sugar Agreement and also certain former colonies of other member states were granted quotas which in total amounted to 1,304,700 tonnes WSE. The agreement was not simply a right of access but guaranteed suppliers that, if the option on the quotas was not taken up by European cane refiners, the sugar would be accepted by the Community's Intervention Authorities at the intervention price. To date, the ACP countries have not resorted to the use of this facility. If, for reasons other than *force majeure*, a supplier did not offer his full quota in any year then that quota would be commensurately reduced in ensuing years. At the Commission's discretion unfilled shares of the quota may be reallocated to other signatories.

The effect on the United Kingdom cane refining industry

2.18. The guaranteed prices for preferential cane sugar (raw and refined) are agreed annually by the ACP countries and the EEC. The prices fall within the price range obtaining in the Community and, in effect, for raw sugar the guaranteed price is the raw sugar intervention price for the Community's surplus areas. This beet raw intervention price is essentially a theoretical price, since virtually all beet processing operations in the EEC do not stop at the intermediate raw sugar stage, but produce white sugar only. Thus, if the beet raw price is high it has little effect on the beet processor but for Tate & Lyle it forms the basis of its raw material costs.

2.19. The United Kingdom beet industry became subject to the CAP regime upon accession in February 1973, however an arrangement was reached with the Community whereby the Sugar Board and the United Kingdom cane refiners could continue their operations under the Commonwealth Sugar Agreement until February 1975. Unfortunately, this period coincided with the worst worldwide sugar shortage for 20 years. In spite of two increases in the CSA negotiated price in 1974 (to a level of £140 per ton by September), the greater attraction of higher prices on world markets (which peaked at £650 per ton in November 1974) resulted in a shortfall in CSA quota deliveries of over 300,000 tons of raw sugar in that year. In order to secure supplies, the United Kingdom Government guaranteed ACP countries a special price of £260 per ton for sugar shipped in 1975. It was against this background that Tate & Lyle negotiated with ACP countries for the quotas of sugar agreed at the Lomé Convention in February 1975. The immediate outcome was that the guaranteed price was honoured but, since the United Kingdom market could not sustain such a price in the face of competition from continental sugar, a subsidy was paid to United Kingdom cane refiners by the Exchequer to enable them to pay the £260 per ton price. The longer term outcome of the negotiations was that Tate & Lyle agreed to pay suppliers a loyalty premium (equivalent to approximately £2 per tonne) and a market premium (linked to the realised selling price of the main sugar products), in addition to the guaranteed price set by the Community. The contracts were agreed for a five-year period with a possible two-year extension. In most cases the two-year extension has been agreed so that the renegotiation of most of the contracts with ACP countries will take place in 1982.

2.20. The total ACP quota into the EEC represented a reduction of approximately 340,000 tonnes (raw value), or 20 per cent, from the level of quotas the United Kingdom cane refiners had been accustomed to under the CSA. Because of this and the shortage of sugar prevailing at the time within the EEC, Tate & Lyle (also acting for Manbré & Garton) felt it prudent to secure through contracts a large portion of the ACP supply—1.225 million tonnes WSE. The reduced supply of cane raws, coupled with the expressed intention of British Sugar to add white ends to their existing beet raw factories, inevitably resulted in excess refining capacity in the United Kingdom, but Tate & Lyle and Manbré & Garton could not agree on a rationalisation programme. In 1976 the impasse was broken by Tate & Lyle acquiring Manbré & Garton and in 1977, following discussions with MAFF, Tate & Lyle published its rationalisation plan. This forecast a need for 1.4 million tonnes

of cane refining capacity by 1980 and phased the closure of plants over the three-year period. However, the plan was overtaken by a number of factors. These included the virtual disappearance of in-transit refined exports (for which 200,000 tonnes capacity had been provided) owing to large EEC white sugar surpluses; the growth in United Kingdom beet production which, although planned, had not seemed likely in the light of three successive bad beet crops; a certain resilience on the part of continental imports into the United Kingdom; and the fact that sugar consumption was slightly lower than previously forecast. Thus the problem of excess capacity remained and Tate & Lyle has recently announced proposals for closing its Liverpool refinery.

The emergence of British Sugar as a national beet sugar producer

2.21. The reduced quotas for cane sugar presented the United Kingdom beet industry with the opportunity to expand. The maximum beet quotas assigned to the United Kingdom in 1973-74 had been set at 900,000 tonnes WSE—a level consistent with past performance. The repercussions of the world sugar shortage prompted the European Commission to revise the quotas substantially in all member states (except Italy) and, for the year 1975-76, the United Kingdom maximum quota was raised to 1,508,000 tonnes—a level far in excess of past production. In order to encourage farmers and processors to increase beet sugar production the guaranteed prices paid on quota sugar were raised by 15 per cent.

2.22. British Sugar was encouraged in plans for expansion by the publication of a White Paper in 1975 entitled 'Food from our own Resources' which stated (*inter alia*) that 'the first task is to raise the acreage sufficiently to produce 1,040,000 tonnes of sugar (the 'A' quota), thereafter it should aim for a production of some 1.3 million tonnes'. This aim was supported in a second White Paper in 1979, 'Farming and the Nation'. British Sugar was further assisted in its plans for expansion by the termination of the marketing agreement which had hitherto effectively zoned the United Kingdom into cane and beet areas and had required British Sugar to charge the same ex-works prices as Tate & Lyle. To take advantage of its opportunities British Sugar instituted a programme of expansion on three fronts:

- (a) to expand both beet slicing and white sugar processing capacity in order to handle a target output of 1.25 million tonnes of white sugar per annum;
- (b) to persuade United Kingdom farmers to increase the beet growing area and achieve better yields per acre; and
- (c) to encourage retail and industrial buyers outside British Sugar's traditional marketing area to buy its sugar.

2.23. The company's target of 1.25 million tonnes was set with two important factors in mind. Firstly, British Sugar decided that it should concentrate its activities on supplying sugar to 50 per cent of the United Kingdom market.

Secondly, although maximum quotas permitted production in excess of 1.3 million tonnes, British Sugar accepted a target of 1.25 million tonnes in order to allow a margin of quota sugar in high yield years. The table below shows how capacity has been increased over the period.

TABLE 2.2 Capacity (tonnes of beet sliced per day)

	<i>Tonnes</i>	<i>Index</i>
1972-73	59,850	100.0
1973-74	65,050	108.7
1974-75	63,950	106.9
1975-76	66,150	110.5
1976-77	67,350	112.5
1977-78	70,775	118.3
1978-79	73,000	122.0
1979-80	76,575	127.9
1980-81	80,000	133.7

Source: British Sugar Corporation.

2.24. British Sugar estimated that a 20 per cent increase in the area under beet (ie to 237,000 hectares) would enable it to achieve its target production if improved extraction rates in the factories were achieved. A detailed survey carried out by the company indicated that the required area could be achieved within the established beet growing regions and without a relaxation of the strict rotational constraint judged by farmers to be necessary, ie that sugar should be grown no more than every third year. In order to persuade farmers to increase the area under sugar beet in the face of other competing crops, the company offered a higher beet price than the guaranteed price. Subsequent to the contract negotiations British Sugar undertook to pay the growers' share of the 'B' quota levy and to take the risk on green pound devaluations. British Sugar's efforts to expand acreage were, according to the company, hindered by the over-valuation of the green pound. During the period the green pound was over-valued by up to 55 per cent so that the EEC minimum beet price (and consequently the sugar price) was significantly lower than in some EEC countries. In contrast, imported sugar received the benefit of EEC MCA payments. In spite of this factor and in spite of disease and drought which seriously damaged the crop, consequently affecting the relative profitability of beet in the period 1974-76, beet area has increased as the table below illustrates:

TABLE 2.3

<i>Year</i>	<i>Hectares contracted</i>	<i>Hectares cropped</i>	<i>Tonnage of beet cropped</i>	<i>Sugar production '000 tonnes WSE</i>
1972-73	179,247	179,121	6,215,846	886
1973-74	189,224	188,699	7,426,939	963
1974-75	196,059	182,438	4,187,650	568
1975-76	197,515	193,336	4,863,957	641
1976-77	206,959	200,809	6,325,081	695
1977-78	205,967	200,440	6,381,992	950
1978-79	209,224	203,967	7,080,861	1,022
1979-80	217,263	213,509	7,658,875	1,154
1980-81	215,216			

Source: British Sugar Corporation.

2.25 On the sales front British Sugar decided to adopt a national marketing policy and embarked on an advertising campaign to acquaint consumers outside its traditional sales area with its brand name 'Silver Spoon'. To become

a credible supplier of the volumes involved in achieving a 50 per cent share of the United Kingdom market, British Sugar had to overcome the problem of meeting demand in poor crop years. Consequently in some years British Sugar has been required to purchase large quantities of refined sugar from Tate & Lyle. In 1979-80 the company purchased 20,000 tonnes of white sugar from the continent because Tate & Lyle was unwilling to make a firm offer for more than 80,000 tonnes in that particular year. Table 2.4 below compares British Sugar's sales commitments with the sources of those sales:

TABLE 2.4 Reconciliation of British Sugar's production and deliveries

Year	'000 tonnes				
	British Sugar's production	White sugar deliveries	Exports	Net purchases from Tate & Lyle	Other purchases
1972-73	709	727	45	23	—
1973-74	963	773	56	(168)	—
1974-75	568	478	—	0	10
1975-76	641	770	—	40	—
1976-77	695	898	—	243	12
1977-78	950	1,015	—	106	—
1978-79	1,022	1,089	—	84	—
1979-80	1,154	1,134	—	25	20

Source: British Sugar Corporation

Imports of continental sugar

2.26. Under the Treaty of Rome there are no tariffs on intra-Community trade, thus sugar from areas of surplus in the Community, notably Denmark, the Netherlands and France, may enter the United Kingdom market without the hindrance of tariff barriers. However, the CAP arrangements permit continental producers to sell all their surplus quota sugar at the continental intervention price if it is of a given quality, and delivered to the nearest sugar storage depot approved by the Intervention Board. Selling to Intervention involves some storage cost for the producer and payment may be received later than by selling to the trade, ie to merchants or brokers. It is possible for the producer to sell to Intervention and store the sugar in his own silos. However, this may lead to difficulties if the silos are needed for sugar produced in the next season. Thus, even when the United Kingdom net realised price for bulk sugar is slightly less than the continental intervention price plus the cost of transport into the United Kingdom, it may still be profitable for continental sugar to be sold in this country rather than sold into Intervention.

2.27. In 1974-75, when the United Kingdom beet crop failed and there was a shortfall in supplies expected under the terms of the CSA, imports from the rest of the Community exceeded three-quarters of a million tonnes. In 1975-76 and 1976-77 poor beet crops meant that there were still significant gaps between United Kingdom demand and domestic supply (from ACP cane and United Kingdom beet sources), which were filled mainly by continental imports. However, although domestic beet sugar production has increased considerably over the past three years, so that the gap between domestic demand and supply has narrowed to 50,000 tonnes, imports from other EEC member states still amounted to over 170,000 tonnes in 1979-80, including some 33,000 tonnes imported into Northern Ireland from the Republic of

Ireland but excluding raw cane sugar imported from France for refining by Tate & Lyle. Much of this sugar is taken up by manufacturers who wish to keep open a third source of supply, either as an insurance against supply interruptions or as a competitive threat to the United Kingdom producers. No significant quantities of sugar imported from other parts of the EEC are sold on the retail market in Great Britain but in Northern Ireland the economies of transport are such that the retail sector has increasingly been serviced from the Republic of Ireland. The degree to which imports act as a competitive influence in the United Kingdom market is described in a later section.

Summary of the demand for sugar in the United Kingdom and the sources of supply, 1973-80

2.28. The overall effect of the new institutional framework on the United Kingdom's sources of supplies is illustrated in the table below. However, it is important to note that the substantial fall in demand has been an important influence on the United Kingdom market. At the time of the United Kingdom's entry into the EEC, domestic demand for sugar (net of sugar traded in manufactured foodstuffs) averaged around 2.6-2.7 million tonnes per annum, and peaked at over 2.9 million tonnes in 1973-74. The high prices prevailing at the time of the sugar shortage, and the actual shortage itself, brought about a sharp reduction in United Kingdom domestic consumption. The figures indicate that while the decline in demand may have been arrested, there is no sign of it returning to former levels.

TABLE 2.5

	('000 tonnes WSE)							
	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Demand	2,648	2,969	2,316	2,435	2,470	2,451	2,365	2,434
UK beet	886	963	568	641	696	950	1,022	1,154
Imports from EEC	72	125	774	320	394	306	205	206
Imports from third countries (see note)	2,039	1,374	1,420	1,354	1,343	1,268	1,169	1,231
Exports to EEC	16	2	—	13	6	5	4	5
Exports to third countries	134	—	63	45	—	4	28	47
Stock change	+199	-509	+383	-178	-43	+64	-1	+105

Source: Ministry of Agriculture, Fisheries and Food

Note:

Imports from third countries consist mainly of raw cane sugar imported for refining by Tate & Lyle. Before 1975 raw cane sugar was imported under the terms of the Commonwealth Sugar Agreement (see paragraph 2.8). From 1975 onwards imports of raw cane sugar have been governed by the Lomé Convention (see paragraphs 2.17-2.20).

2.29. Since becoming subject to the CAP regime British Sugar's corporate policy has been to expand its share of the United Kingdom market, and circumstances are such that the policy of devoting its resources to the needs of domestic customers is unlikely to change. Similarly, Tate & Lyle is virtually obliged to sell its quota of ACP sugar in the EEC as, under the EEC system, ACP sugar is ineligible for intervention support once it has been refined in Europe. Exports of sugar refined from ACP raws can be made under restitution arrangements (although this is excluded under Tate & Lyle's existing contracts), but the returns from exports would fail to cover Tate & Lyle's full costs of refining. The result is that the growth of beet production, the long-term nature of Tate & Lyle's contracts with ACP countries and the resilience of continental imports have combined to produce a situation of potential overall surplus in the United Kingdom market in years when there

is a good beet crop. Nevertheless, any surplus in the United Kingdom market would be small compared with that elsewhere in the EEC and would not occur every year because of crop variations. When it does occur British Sugar could export any sugar that is in excess of its requirements and in fact is understood to have made arrangements for some exports in the year 1980–81.

2.30. The EEC as a whole is, partly by design, in surplus as a result of the increase in quotas introduced in 1974. In 1975–76 consumption and beet sugar production were approximately in balance, but since then consumption has remained static while production has increased by some 26 per cent (see Appendix 2). The sugar regime provides for periodic reviews and the structure of the sugar regime was due to be revised by early 1980 to take effect from 1980–81. The EEC Commission published its proposals in November 1979 and recommended that maximum quotas should be cut by 1.1 million tonnes, or by almost 11 per cent. These proposals, however, proved unacceptable to many member states, not least the United Kingdom where the Commission recommended a reduction of 29.4 per cent in the maximum quota. Revised proposals were later published but these still involved a 23.3 per cent cut in the United Kingdom maximum quota as against less than 10 per cent for the Community as a whole. As a result of the widespread opposition, maximum quotas remain unchanged for the year 1980–81, but new proposals have recently been put forward by the Commission, recommending an overall reduction in maximum quotas of 0.4 million tonnes, based on an average of the best three years 'B' quota sugar production out of the last five years. However, the effect of the formula is that the proposed cuts are not evenly distributed, with France and West Germany being granted higher 'B' quotas while the United Kingdom's 'B' quota is reduced by 234,000 tonnes. Further negotiations are likely before the quotas are finally agreed.

Market structure, pricing policy and competition

2.31. The market consists of two sectors—the industrial and the domestic sectors. (The catering trade is usually associated with the latter.) Sales into the industrial sector account for approximately 57 per cent of United Kingdom sugar consumption: the domestic sector accounts for the remaining 43 per cent.

2.32. Sugar is an important input into several food manufacturing processes as the table below illustrates in respect of the main industries involved.

TABLE 2.6 Uses of industrial sugar

<i>Industry</i>	<i>Proportion of industrial sugar sold to a particular industry</i>	<i>Estimated share of sugar in the total material input</i>
	<i>%</i>	<i>%</i>
Chocolate and sugar confectionery	26	50 (chocolate) 60 (sugar confectionery)
Soft drinks and mineral waters	20	up to 50
Flour and baking products	19	25
Ice cream and milk	7	44
Canned and frozen food	6	15
Jams and preserves	6	55
Brewing	4	not available
Pharmaceutical	2	not available
Miscellaneous	10	—

Source: British Sugar Corporation estimate.

2.33. The 15 largest industrial users account for 47 per cent of the sugar supplied to the industrial market. However, as Table 2.7 below shows, the industrial sector contains a large number of users who take less than 350 tonnes of sugar per annum.

TABLE 2.7 Size distribution of industrial customers

<i>No of customers</i>	<i>Annual consumption</i>	<i>UK market share %</i>
15	Over 20,000 tonnes	47
30	5-20,000 tonnes	20
215	350-5,000 tonnes	18
1,500-2,000	Under 350 tonnes	15

Source: British Sugar Corporation estimate

2.34. The concentration of retail buying power is even greater. At the end of the financial year 1979-80, 37 retail and wholesale customers negotiated directly with British Sugar and these accounted for 98.5 per cent of British Sugar's sales into the domestic sector.

Market shares of suppliers

2.35. Table 2.5 above shows a significant change in the sources of United Kingdom sugar supplies and this is reflected in the market shares of the two producers in Table 2.8 below. It should be noted from Table 2.4 that, prior to the United Kingdom's accession to the EEC, a proportion of Tate & Lyle's production of refined sugar came from beet raws purchased from British Sugar. Since accession this position has been reversed and British Sugar has been purchasing refined sugar from Tate & Lyle to augment its own production. However, these purchases have been declining and were only 80,000 tonnes in 1979-80. (Tate & Lyle purchased beet raws from British Sugar in 1979-80 and the net purchases by British Sugar were 25,000 tonnes.)

TABLE 2.8

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	%	%	%	%	%	%	%	%
British Sugar deliveries	26.0	29.1	19.7	31.1	36.0	40.2	46.0	48.9
Tate & Lyle and Manbré & Garton deliveries	70.0	63.8	54.6	59.5	53.9	49.9	46.3	43.1
Imports (published statistics, not deliveries)	4.0	7.1	25.7*	9.4	10.1	9.9	7.7	8.0

Source: Ministry of Agriculture, Fisheries and Food.

* The year of the sugar shortage.

2.36. In view of the different characteristics of the industrial and retail markets we have examined the market shares of suppliers in the two sectors. In fact, the industrial sector can be further subdivided since sugar is supplied

to food and drink manufacturers in liquid and dry form and market share figures for the year 1978-79 are shown below.

TABLE 2.9

	<i>Retail/catering</i>	<i>Industrial dry</i>	<i>Industrial liquid</i>
	%	%	%
British Sugar	49	49	27
Tate & Lyle	48	36	73
Importers	3*	15	0
	100	100	100

Source: British Sugar Corporation and Tate & Lyle.

* Mainly imports into N Ireland from the Republic of Ireland.

2.37. The different market shares indicate different competitive influences in each sector. In the case of the retail sector the United Kingdom producers' share is unchallenged by continental imports of sugar. We have been told that this is partly because of the consistent high quality of sugar supplied by the United Kingdom companies, which has attracted considerable consumer loyalty, and partly because the scope for imported sugar to be distributed by large retail chains under their own-brand label is limited by the high cost of packaging and distribution and the fact that retail margins on sugar are particularly low.

2.38. The liquid sugar sector is dominated by Tate & Lyle because, in refining cane raws, a palatable liquid sugar may be extracted before the crystallisation stage of the refining process. The beet process is such that the sugar is fully processed first and then dissolved to produce liquid sugar. Tate & Lyle thus has an advantage over British Sugar in these products. Imports of liquid sugar cannot compete because of the additional cost of transporting a product with a high water content, but if liquid sugar prices were to rise too high there is the possibility that dry sugar could be imported and dissolved on site. A more significant source of competition for liquid sugar has been the growth of non-sugar sweeteners such as glucose syrups and isoglucose based on maize imported from the USA. Over the period 1960 to 1979 the demand for these products increased from 163,000 tonnes to 475,000 tonnes (dry weights). The effects of the sugar shortage and a consistent price advantage of between 5 and 15 per cent encouraged the substitution of glucose syrups for liquid sugar but demand for the former has now levelled off. We are advised that it is unlikely that further replacement of sugar by these other sweeteners will take place, partly because isoglucose production in the EEC is limited by quotas.

2.39. Table 2.9 shows that bulk, dry, granulated sugar for industrial purposes faces the greatest threat from import competition. Most United Kingdom food manufacturers, as a matter of policy, do not stock quantities of sugar but prefer to rely on a prompt and frequent delivery system of bulk tankers from the refiners; in some factories as many as 15 loads per day are delivered. The sugar shortage of 1974 caused the food manufacturing industry severe problems and, when the merger of Tate & Lyle with Manbré & Garton left the industry with only two sources of supply, many large firms

made the decision to maintain a third source of supply in the form of imports. We were told that such an arrangement would be more flexible in meeting contingency needs should circumstances reduce the availability of domestic supplies.

2.40. The existence of a distribution network for imported sugar and the large surplus of sugar available on the continent acts as a competitive constraint on the United Kingdom refiners but, in order to examine its importance, we must first consider a further feature of the United Kingdom sugar market: the role of the sugar merchant and sugar brokers.

The role of the merchant

2.41. There are six main merchants handling sugar in the United Kingdom. The table below sets out the proportion of United Kingdom producers' sugar handled by the merchants:

TABLE 2.10 Analysis of United Kingdom producers' sales by merchant

Merchant	Proportion of British Sugar sales by tonnage		Proportion of Tate & Lyle sales by tonnage	
	1978-79 %	1979-80 %	1978-79 %	1979-80 %
Berisford	49.1	46.0	31.7	34.9
James Budgett	[Details omitted. See note on page iv.]			
Napier Brown				
Edward Billington				
A S Pigott				
John Thomas				
Other merchants				
	82.6	77.6	65.6	67.4
Direct sales	17.4	22.4	34.4	32.6
	100.0	100.0	100.0	100.0

Source: British Sugar Corporation and Tate & Lyle.

2.42. Berisford is by far the largest merchant, having full national coverage of customers of various sizes, and it has been assisted in reaching this position of eminence by a fairly active policy of acquiring smaller merchants. Budgett, recently acquired by the sugar brokers E D & F Man Ltd, is the next largest in terms of tonnage sold and has the greatest total number of customers. The other merchants are smaller in terms of tonnage supplied and some tend to have regional concentrations of buyers and to deal mainly with smaller customers. Most, however, have a few large accounts, which may involve servicing branches in various parts of the country. As a result, in virtually every area of the country there is at least one other merchant offering competition to Berisford and Budgett. The table on facing page indicates the distribution (by size of customer) of the accounts handled by each of the six main merchants:

TABLE 2.11 Size distribution of merchants' customers

Merchant	Customers					Total number of customers
	Number buying under 350 tonnes p a	Number buying 350-1,000 tonnes p a	Number buying 1,000-5,000 tonnes p a	Number buying 5,000-20,000 tonnes p a	Number buying over 20,000 tonnes p a	
Berisford	386	60	41	18	11	516
5 other main merchants in aggregate	1,928	139	103	41	5	2,216
5 other main merchants individually: Edward Billington James Budgett Napier Brown A S Pigott John Thomas	[Details omitted. See note on page iv.]					

Sources: Berisford; Edward Billington; James Budgett; Napier Brown; A S Pigott; John Thomas.

Note:

The above table gives an indication of the size of the accounts handled by each merchant. However, since some customers make all or part of their purchases directly from the producers and some customers use more than one merchant, the figures do not accurately reflect either the total number of customers buying through merchants or the total sugar usage of purchasers.

2.43. Before the accession of the United Kingdom to the European Community, United Kingdom refiners purchased raw sugar from the Sugar Board at world prices and their refined sugar prices related to the world market prices. Thus the refined prices fluctuated daily and a merchant could make a profit by skilfully trading sugar against these fluctuations. Because of the fluctuating prices the merchants frequently hedged their purchases on the London sugar market. They competed for clients by attempting consistently to offer the lowest prices, and by advising clients when to purchase sugar; both involved correctly anticipating market movements. The discount structure of the producers was the other source of profit for the merchants, and provided the main source of income of all but the largest merchants. For example, British Sugar's list prices applied to all orders under 10 tons; a 60p per ton discount was offered on orders between 10 tons and 100 tons; orders between 100 tons and 1,000 tons received a discount of £1.40; and merchants could buy at an unpublished 1,000 ton rate which provided for a discount of £2 per ton off list price. In addition there was a £1.00 per ton discount for payment within 14 days. For a customer requiring 100 tons or more, the merchants generally supplied at the producer's list price, less the £1.40 per ton quantity discounts; for smaller quantities, or for customers where some credit risk was involved, they might charge a premium over list price. Although the merchant divided the 1,000 ton lots between his customers and carried out the invoicing and administrative arrangements he did not generally deliver the sugar. The physical delivery of sugar has traditionally been made by the producer, although the customer may rely on the merchant to arrange the timing and scheduling of deliveries.

2.44. The effect that the CAP has of protecting member states from the fluctuations of world markets has reduced the degree of internal price fluctuation to within a relatively narrow band. Because of this and the ending of zoning arrangements, the role of the merchants has changed considerably since the United Kingdom's accession to the EEC. The buying skills required

in a market prone to rapid fluctuations are no longer important, although the merchants still provide information and advice on sugar trends, CAP matters etc. Furthermore, the abolition of market zoning meant that the producers had to compete for business, with the result that in many cases buyers and producers now negotiate prices directly for orders covering a 12 month period or more. Thus, in relation to sugar produced in the United Kingdom, the role of the merchant has been largely reduced to one of liaising between buyer and producer to ensure that the calling-off of orders is administered and invoiced correctly. This usually entails ascertaining the buyer's delivery pattern for the coming week, checking that the client has taken full advantage of the producer's delivery terms (drop-size discounts), informing the producer of the client's requirements, and ensuring that the delivery has been invoiced correctly. The producer accepts the order for delivery from the merchant and invoices the merchant as a principal. To obtain the producer's prompt payment discount the merchant must pay within 14 days and so the merchant has the task of collecting clients' money in that time. (In 1978-79 merchants were responsible for arranging and invoicing nearly 180,000 deliveries made by British Sugar.) However, the actual delivery of the sugar is made by the producer. The merchants told us that the reduction of their role in respect of the sale of domestically produced sugar applied particularly to British Sugar's products, since Tate & Lyle, unlike British Sugar, allowed the merchants to participate in price negotiations if the customer wished them to do so.

2.45. As a result of the price stability inherent in the CAP regime (and a reduction in the number of small independent customers, particularly in the retail sector) the opportunity for traditional merchanting has declined and, with it, an important source of profit for the merchant. The sugar shortage made it possible for the merchants to fulfil their traditional merchanting function for a short time after accession to the EEC, but by late 1974 it was clear that merchanting would not be viable without a substitute for the profit previously earned by correctly anticipating price movements. At that time statutory controls on prices prevented the producers from adjusting their discount structures and, in acknowledgment of the services rendered to them by the merchants, the producers agreed to pay merchants an allowance per tonne on sugar sold and delivered by the producer but invoiced through a merchant. In the case of British Sugar, a merchants' allowance of £1.20 per ton on packets of sugar and 40p per ton on bags and bulk sugar (in addition to the existing discounts) was introduced on 1 January 1975. On 15 August 1976 (metrication day) the cash discount for prompt payment was amended from £1 per ton to 95p per tonne. The cash amounts of the quantity rebates were left unchanged. On 5 November 1979, British Sugar abolished quantity rebates and substituted a discount of £2.35 per tonne for prompt payment and a 60p per tonne 'administration allowance' for merchants irrespective of the size of order. Simultaneously, the existing merchants' allowances were increased to £1.45 on packet sugar and 50p on bags and bulk sugar. Tate & Lyle pays the merchants an allowance of £1.25 per tonne for all types of sugar, with a small additional rebate paid at the end of each month.

2.46. For most 'profile' sales (and for all British Sugar's profile sales) the terms are negotiated between the buyer and the producers directly, rather

than by the merchant on behalf of his customer. In the case of British Sugar's sales, the discount agreed is always rebated directly to the customer. Nevertheless, the merchant sometimes discovers prices that are being offered to other customers and can, therefore, represent an additional source of information for his customer about this.

2.47. The merchant may also service his customers' needs by supplying sugar that he has purchased on his own account from United Kingdom producers, or that he has purchased from continental suppliers. The latter may include relatively cheap parcels of sugar which the merchant has already purchased from a continental producer or a sugar broker; his task is then to find a customer for that sugar. In other cases a client may ask his merchant to quote a price for regular delivery of sugar over, possibly, a six month period in the same manner as United Kingdom producers are asked to quote prices. The merchant submits the quotation according to his assessment of fluctuations in continental prices, transport costs, currency exchange rates and MCAs and then times and places his purchases of sugar to fulfil the contracts at the lowest cost; he may even buy the sugar from British Sugar or Tate & Lyle on his own account if they are willing to offer a lower price than continental suppliers. Occasionally, a 'back-to-back' deal can be arranged, when the merchant purchases continental sugar directly in response to an order for such sugar from his customer.

The role of the broker

2.48. The United Kingdom's administrative control over the West Indian sugar islands was an important element in establishing the City of London as a centre of the international sugar trade. Furthermore, the establishment of a market for sugar futures in 1888 and its development since then has ensured that the City has retained its position in the world sugar market. An important role of the sugar brokers, some of whom are associated with or part of international trading houses, is to provide the facilities for trading in futures contracts on the London Terminal Market.

2.49. The operations of the futures market require secure supplies of sugar to provide participants with the physical backing to honour futures contracts. In the aftermath of World War II the dollar shortage interrupted the operations of the London Terminal Market because the fulfilment of futures contracts could not be guaranteed. Thus it was not until 1957 that the London Terminal Market reopened using the quota sugar negotiated under the Commonwealth Sugar Agreement (and therefore purchased within the Sterling Area) as the physical backing for futures contracts.

2.50. Apart from providing facilities for trading on the futures market, the brokers' principal role is servicing his many clients in the United Kingdom and abroad by booking or buying and selling all types of sugar in widely varying quantities to meet their needs and by providing advice on likely trends in the world sugar market. In distinguishing between the roles of merchants and brokers, the merchants' function of administering and invoicing the orders for sugar on behalf of many industrial and retail buyers may be contrasted with the large international contracts arranged by brokers. Broking firms,

whether working on commission for a selling agency or purchasing sugar in their own right for resale, are devoted to the international trade and shipment of sugar.

2.51. Under the Sugar Board regime the brokers' involvement in the United Kingdom market was limited to arranging the sale and shipment of CSA sugar and 'Commonwealth frees' to United Kingdom refiners and to providing terminal market services for United Kingdom refiners, merchants, manufacturers etc. Following accession to the EEC, the sugar shortage of 1974 opened up the home market to continental refined sugar. In the scramble to alleviate the shortage, merchants purchased directly from continental refiners, and some brokers, notably Czarnikow and E D & F Man, began selling sugar direct to industrial customers. However, in recent years the market appears to have settled down and merchants and brokers have tended to revert to their traditional roles. There are, however, exceptions. For example, Czarnikow continues to act as the agent for De Danske Sukkerfabrikker of Denmark selling directly to large industrial users, Napier Brown has retained its close links with continental refiners, and E D & F Man acquired James Budgett for its United Kingdom merchanting and EEC importing contribution.

British Sugar's pricing and marketing policy

2.52. British Sugar's marketing strategy has been increasingly to negotiate prices and discounts directly with certain customers, known as 'key account' customers. These now number approximately 265 in the industrial market and account for 92.5 per cent of British Sugar's industrial tonnage sales. In the retail market British Sugar negotiates directly with 37 retail and wholesale customers and these constitute 98.5 per cent of its retail and catering sales. British Sugar's marketing department has devised a price formula which takes into account such factors as volume, regularity of purchase, particular savings in transport costs of each profile customer, and also the need to sell sugar to maintain the balance between storage capacity and sugar stocks. Discounts are offered off list price according to this profile of the customer's business. Prices are agreed, subject to institutional price changes (either support price or green pound movements), usually for one year with retail buyers and for between three and eighteen months with industrial buyers. The buyer may choose to place his detailed orders via a sugar merchant or he may take care of the administration himself. The current price structure offers no inducement to the buyer not to place the order through a merchant and, consequently, the vast majority of British Sugar's sales are still invoiced through merchants, as the table below shows.

TABLE 2.12 Quantity of sugar invoiced through merchants by British Sugar

	1974-75 (tonnes)	1975-76 (tonnes)	1976-77 (tonnes)	1977-78 (tonnes)	1978-79 (tonnes)	1979-80 (tonnes)
Total merchants	366,590	605,808	743,693	827,981	914,892	864,748
British Sugar total sales	479,608	772,569	907,753	994,071	1,107,342	1,115,256
% through merchants	76.4	78.4	81.9	83.3	82.6	77.5

Source: British Sugar Corporation.

2.53. British Sugar's marketing strategy has been successful in expanding its market share. However, it has also affected the merchants' pricing policy. The merchants' price lists, circulated to their customers, generally set varying additional charges, which may be up to £12 per tonne, over and above United Kingdom producers' list prices. They are willing to rebate this charge, wholly or in part, according to such factors as prompt payment, the tonnage ordered, the credit risk and the amount of paperwork involved in processing the order. The circulation of list prices by British Sugar to an increasing number of customers (accounting for almost 95 per cent of its turnover), and its willingness to trade at list price or possibly less, has forced merchants to grant a full rebate to a large number of their customers. The merchants complain that British Sugar's direct dealing, at discounts from list price, has been extended to very small customers at prices which do not reflect the attendant credit risks. British Sugar has denied this and has estimated that there are over 1,500 small industrial users who are not key account customers of British Sugar.

2.54. In setting its prices, British Sugar takes account of competition from Tate & Lyle and of competition afforded by the merchants, either in the form of sugar imported from the continent or bought on own account from the producers. In effect, the excess refining capacity borne by Tate & Lyle and the EEC's pricing mechanism have reduced its ability to compete vigorously with British Sugar for marginal contracts, since the latter's higher profit margin has given it a substantial marketing advantage. Thus the main source of competitive constraint on British Sugar's pricing policy is sugar available from the continent and offered for sale on the United Kingdom market by merchants and brokers. In addition, some larger users may choose to buy sugar directly from continental producers.

Competition from merchants

(a) *Sales of United Kingdom producers' sugar bought by merchants on their own account*

2.55. Although the quantities involved are relatively small, the sugar purchased from United Kingdom producers by merchants on their own account provides a degree of competition for sugar sold by United Kingdom producers. Much of this is sold to small customers. There has also occasionally been some sugar purchased from producers by merchants immediately prior to an institutional price increase (eg a green pound devaluation), which has been sold more widely in competition with the producers' sugar once the new price came into operation. The quantities of such sugar purchased by Berisford and the other major merchants from British Sugar are shown in the table below:

TABLE 2.13 Merchants' purchases on own account from British Sugar

	1978-79 tonnes*	1979-80 tonnes*
Berisford	20,850	20,300
Other major merchants	19,150	36,750
Total	40,000	57,050

Source: British Sugar Corporation.

* Invoiced sales by British Sugar Corporation.

2.56. Tate & Lyle was unable to identify the exact tonnage which is purchased by merchants entirely on their own account. Information on own-account purchases provided by Berisford and the other major merchants, however, indicates that a much greater quantity of sugar for own-trading is purchased from Tate & Lyle than from British Sugar.

(b) Sales of imported sugar

2.57. Of much greater significance as a constraint on market price is the potential supply of sugar produced in the EEC. At the time of the sugar shortage, merchants, large food manufacturers and others not normally connected with the sugar trade purchased sugar directly from continental sources but the variability of quality was such that, once normal supply conditions were resumed, the international trading in sugar returned to a large extent to those with the expertise, ie the sugar brokers. The sugar terminal markets in London and Paris are international markets and, with the CAP regime generating a surplus of quota sugar currently in excess of 3 million tonnes, brokers are continually searching for profitable opportunities to place this sugar on world markets. The system of levies and subsidies for exporting quota sugar means that the realised price for exports outside the EEC is approximately the intervention price. Thus, if prices within the United Kingdom exceed a level which would cover the continental intervention price and provide for the combined cost of transport from the continent and the distribution within the United Kingdom (estimated to be between £15 and £25 per tonne), a greater profit can be made by selling the surplus EEC sugar in the United Kingdom than by selling it into intervention. Some of this sugar is purchased by merchants (timing purchases to coincide with favourable currency movements), who offer it to their clients in competition with the United Kingdom producers. However, as noted in paragraph 2.51, some sugar brokers have themselves taken on a merchanting role by contacting industrial buyers direct.

2.58. Although the quantity of imports has diminished in recent years (see Tables 2.5 and 2.8), the level of imports of refined sugar into the United Kingdom from other EEC member states is still over 170,000 tonnes pa. After excluding imports into Northern Ireland from the Republic of Ireland, imports of refined sugar from continental member states amounted to over 140,000 tonnes in 1979-80 (see Table 2.14). That level is sustained to some degree by the third source principle because the price in many contracts may at times be no lower and possibly slightly higher than that on offer from United Kingdom producers. It is this established channel of transport and distribution which ensures that if United Kingdom prices were to rise much above the continental intervention price plus the cost of importing, manufacturers would have ready access to alternative, cheaper supplies. We have therefore examined the potential of competing merchants and brokers to import sugar.

2.59. Much of the sugar delivered by the United Kingdom producers to food manufacturers is sent in road tankers and the plants have been developed to accept sugar in this manner. Imported sugar, on the other hand, arrives mainly by container transport, either in bags or loose. To offer customers an efficient delivery service tailored to their needs, it has been necessary for

merchants and brokers to develop delivery systems similar to those used by producers, or to persuade the manufacturers to make their plants more flexible in their offtake of sugar. Both approaches have been successful, although the most common has been delivery by road tanker. This requires a loading frame (at the docks) to transfer the loose sugar from the container into the waiting tankers. Merchants have their own tankers and also hire when necessary. Companies that are willing to accept sugar in 25 kg or 50 kg bags present the least problem because the sugar can be delivered directly in the container.

2.60. We found from our inquiries that all the large merchants and some brokers were involved in the import of continental sugar. At present the largest exporter of sugar to the United Kingdom is De Danske Sukkerfabrikker of Denmark which, in association with the London broker Czarnikow, sells under contract to large industrial users. In 1978 Berisford imported some 60,000 tonnes which was 19.9 per cent of total imports into the United Kingdom and 22.3 per cent of continental imports into Great Britain (ie excluding sugar imported into Northern Ireland from the Republic of Ireland (see Table 2.14)). Berisford's recent imports have been at a lower level and it has only accounted for a relatively low proportion of the imports through merchants or brokers in the two years to 30 September 1980, as Table 2.15 below indicates. Potentially, however, Berisford remains a major source of imported sugar with a substantial national network.

TABLE 2.14 Imports of sugar into the United Kingdom from other EEC member states ('000 tonnes)

	1977-78	1978-79	1979-80
(1) Total EEC imports into UK	306	205	206
(2) EEC imports excluding raw sugar imported by Tate & Lyle	306	169	174
(3) Imports from continental EEC member states (excluding raw sugar imported by Tate & Lyle and imports into Northern Ireland from the Republic of Ireland)	274	131	141
(4) Berisford's imports from other EEC member states	61	22	7
(5) Berisford's imports as a proportion of line (1) above	19.9%	10.7%	3.4%
(6) Berisford's imports as a proportion of line (3) above	22.3%	16.8%	5.0%

Source: MAFF; Monopolies & Mergers Commission.

TABLE 2.15 Imports of sugar from other EEC countries through merchants and through brokers acting as agents for continental producers

	Year to 30.9.79 tonnes	Year to 30.9.80 tonnes
Total EEC imports into Great Britain by main merchants and by brokers acting as agents	125,000	130,000
Berisford's EEC imports	22,000	7,000
Berisford's imports as a proportion of total	17.6%	5.4%

Source: Monopolies & Mergers Commission.