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Some Characteristics of Producing and Marketing Cuban Sugar

By J. L. BARNETT, of the New York Office

A SUGAR estate in Cuba divides itself, in the main, into an agricultural and a manufacturing department. The fields are divided into plantations called colonias, and the land on which the mill, administration buildings, and employes' houses are situated is known as the batey.

The agricultural department is busily engaged the whole year. During the dead season, from June to December, this department takes care of cultivating, cleaning and ditching old lands, and prepares virgin lands for planting by tumbling and burning timber, cleaning up and reburning fields, cutting and hauling seed cane, and planting seedings. In the grinding season, a very important function of this department, through the transportation section, is to keep the mill supplied with cane. The magnitude of this undertaking is appreciated when it is realized that a mill with a seasonal production of 325,000 bags of sugar grinds every working day approximately 120 cars of cane of 2,000 arrobas each, or 6,000,000 pounds.

The yield of cane per caballeria ($33\frac{1}{3}$ acres) planted on new lands ranges from 100,000 arrobas commencing with the second crop, to 30,000 at the eighth crop. In order to obtain fairly high yields, replantings are made at intervals of from seven to ten years.

The sources of cane are from either the company's lands operated by it or rented to outsiders, or from lands owned by independent farmers. When a company's lands are rented, contracts are entered into with the farmers, or colonos, as they are known in Cuba, covering a period of years. The terms of these contracts differ somewhat according to location.

Cane grown by a company on its own lands is known as administration cane.

This cane is weighed on field scales, located at loading places on the railroad spurs that branch out into the plantations and connect with the batey lines, and again on the batey scales when the cars arrive at the mill. As far as the mill is concerned, no distinction is made between administration cane and that received from others, because the company's plantations are credited for the value of the cane at the same number of arrobas of sugar and the prevailing monthly average prices paid to colonos who own their lands. Because of the high average prices that prevailed for sugar during the grinding season of 1919-1920, a majority of the plantations producing administration cane showed large profits.

As all of the cane is cut by hand and hauled by ox-carts, the disbursements made for cutting and hauling administration cane are charged to the plantations from which the cane is taken. Cane cutters are paid by weight. The hauling charge is also based on the weight of the cane and varies according to the distance to the railroad spur as well as whether the company's oxen and carts are used. Drivers employing their own live stock and carts are paid twice as much as those who use the company's equipment. The weights used in paying for cutting and hauling are those recorded by the field scales. For this reason it is essential that these scales be in agreement with those located on the batey.

Each cutter has assigned to him a driver who hauls the cane to the field scales. In a number of sugar estates, the field weighers are provided with small liquidation books. These forms are printed in triplicate and the first and second copies are perforated. After the cane is weighed,

the perforated copies are given to the driver who retains one and delivers the other to the cutter. From the copy which remains in the book the field weighers prepare daily statements which are forwarded to the general office. This statement provides for the name of the colonia (plantation), field scales number, name of cutter, price per 100 arrobas, liquidation number, cart number, weight of cane, cane car number, name of driver, price per 100 arrobas. (to be paid to the driver), voucher number and remarks.

As the drivers and cutters are frequently located quite some distance from the cashier's office, they either cash or trade in their liquidations at the cantina located on the plantation on which they are working. When the owner of the cantina has collected a number of these liquidations he presents them to the cashier for payment. Before he receives reimbursement the liquidations are checked by the Accounting Department with the daily field weight statements.

The company has no direct interest in cutting and hauling expenses incurred on cane received from outside colonos, but in the case of those operating on lands rented from it, colonos are always allowed sufficient funds out of cane liquidations to pay for these expenses. These colonos are furnished with forms which embrace only the name of the plantation, date of shipment, car numbers and weights. These forms are sent each day to the mill in sealed envelopes. When the cars are received at the batey they are weighed by the company's weigher who prepares a daily statement on which are recorded the car numbers and gross and net weights. With the exception of the cars loaded with administration cane, the batey weigher is not supposed to know to which colonia the cars of cane that he weighs belong. In order to minimize collusion between the company's weigher and the

field weighers of other plantations, the Accounting Department makes a comparison of the weights shown on the daily statement furnished by the former with those received from the latter. Cane liquidations are based on company's weights which, almost without exception, are less than those reported by colonos.

A classification of accounts reflecting the seasonal operations of colonias producing administration cane should provide for the following:

EXPENSES:

Field expenses:

- Pastures
- Supplies
- Cultivation
- Cleaning
- Ditching
- Camp guards
- Cutting and hauling cane

Maintenance expenses:

- Agricultural implements
- Cane carts and equipment
- Field derricks and scales
- Railroad lines
- Telephone lines
- Roads and bridges
- Fences
- Wells and water service
- Buildings

General expenses:

- Superintendence
- Hospital and sanitation
- Cattle attendance
- Horse and mule attendance
- Watchmen
- Importation of labor
- Land taxes
- Miscellaneous
- Provisions for replanting
- Provisions for depreciation of plantation buildings, etc.

REVENUE:

- Sale of cane to mill
- Miscellaneous rents

Some of the mills in Cuba are divided into two sections, viz.: Engineering Department and Fabrication Department.

These are known as "two-men" sugar mills. Others have one man in charge of both divisions. In mills having both an engineering and a fabrication section the machinery, machine shop, boiler and electric plants come under the direct supervision of the chief engineer, while the defecation and evaporation equipment are in charge of the factory superintendent. The responsibility for the operation of the centrifugals is shared by both.

The grinding season usually commences early in December and ends the first part of June. During this period the machinery is not stopped except for minor repairs and cleaning. All major repair work, general overhauling, and new construction are carried on during the dead season.

Practically all of the laborers employed in a mill and on a batey are paid at daily rates, with the exception of those required for purging the sugar and storing it in batey warehouses and loading on railroad cars. This class of labor is usually contracted for at a specified rate per bag.

A chart of accounts necessary to reflect mill and batey operating expenses should include the following:

Purchase of Cane:

- Company's plantations
- Others

Transportation of Cane:

- Rent of cars and engines
- Transportation of cane from company's plantations
- Transportation of cane from other plantations

Manufacturing Expenses:

- Superintendence
- Wages
- Supplies
- Fuel
- Sugar bags
- Lighting
- Laboratory
- Warehousing and loading sugar
- War tax on sugar and molasses

Maintenance Expenses:

- Cane switches and derricks
- Railroad lines—batey
- Telephone lines
- Buildings
- Gardens
- Carts and harness
- Wells and water service
- Sewerage system

General Expenses:

- Salary and expenses—general officers
- Salary and expenses—office clerks
- Cables, telegrams, stamps, etc.
- Stationery and printing
- Hospital and sanitation
- Storehouse expense
- Insurance
- Watchmen
- Surveying
- Taxes
- Depreciation of batey railroad lines and buildings

Producing companies either sell raw sugar through New York brokers or to commission agents who have facilities for handling and storing sugar at Cuban ports. On the north coast of the provinces of Camaguey and Oriente, terminal warehouses owned by railroad companies are provided for handling, storing and loading sugar on steamers. The handling charges are computed on the number of bags shipped, the storage charges on each bag that enters the terminal limits at rates ranging from three cents to five cents per bag per month or fraction thereof.

Sugar is usually quoted either f.o.b. Cuban ports, or cost and freight, the latter term signifying that the seller pays the ocean freight. A typical cost and freight contract for Cuban raw sugar specifies:

1. Number of bags.
2. Name of steamer.
3. Price per pound on the basis of 96° average out-turn polarization on net landed weights.
4. Terms of payment—usually 95 per cent. of invoice amount (shipping documents attached), by ten day sight draft; balance after final settlement of weights and tests.

5. Delivery at a customary safe wharf.
6. Number of tests of each sample to be made—ordinarily three, and the average of the two nearest polarizations is taken as the final test.

The broker forwards to the seller an

account sales for each shipment. This statement, a specimen of which is given below, forms the basis for recording on the company's books the sales and expenses incurred in connection therewith.

JONES & SMITH
65 Wall Street
New York

Account sales of 6,787 bags of Cuba Centrifugal Sugar received from Cuba per S. S. "Ocean Transport" and sold by order and for account and risk of La Luna Sugar Company.

Gross weight.....	2,208,976 lbs.	
Tare.....	16,828 lbs.	
Net weight.....	2,192,148 lbs. @11¼c	
per pound, basis 96°, cost and freight.....		\$246,616.65
Out-turn polarization 95.8669 degrees		
Deducting .021296c per pound (.1331 degrees @ 16c per degree).....		466.84
		<u>\$246,149.81</u>
Marine insurance.....		683.14
Amount of invoice.....		<u>\$246,832.95</u>
Charges:		
Freight @ 41c per 100 pounds on United States Government Weight		
of 2,214,965 pounds.....	\$9,081.36	
Weighing, mending and taring.....	343.57	
Special clerical services.....	50.90	
Brokerage on \$246,149.81 @ ¼%.....	307.69	\$9,783.52
Balance.....		<u>\$237,049.43</u>
Less-check (endorsed over) on account August 25, 1920.....		234,500.00
Remainder.....		<u>\$2,549.43</u>

New York, Sept. 1, 1920.

JONES & SMITH,
Brokers.

Allowances for test deviations from the selling basis of 96° average out-turn polarization are usually in accordance with those used covering deliveries of centrifugal sugar in the New York market.

The sales price of the 1919-1920 crop of raw sugar varied from slightly over 22 cents a pound in June to 7½ cents in the first part of October. Because the major portion of loans made by Cuban banks are

secured by sugar, this decrease in sales price has caused a temporary financial crisis. Plans are now being formulated by American and Cuban bankers and refiners which provide that Cuban sugar shall not be sold at less than 8 cents per pound. If this plan is adopted, the situation will be controlled by the non-issuance of export licenses by the Cuban Government on sugar sold below this price.