Summary

The trend of direct operating costs, it may be specifically stated that they were less in Wisconsin beet sugar factories from 1932-35 than they were from 1909-14, in which period they were among the highest in the nation. However, a number of factors such as the business cycle, and weather conditions did not influence operating costs either in the same manner or to the same extent in both periods, but the availability of an adequate beet supply, sugar content of beets, length of campaign and wage rates were shown to be vital factors in determining operating costs in the later period as well as the former. As a result, total operating costs were the same in 1934 as in 1933, though at the same time there were compensating movements between the constituent cost items. In 1935, however, a combination of decreased tonnage, reduced sugar content and a higher general price level served to increase unit operating costs materially.

Administrative and General Costs

Administrative and general costs are relatively stable year after year, and when considered on the basis of 100-pound units of sugar, they are determined to a great extent by the quantity of sugar into which they are apportioned. Wage levels are only a minor factor and are less important here than in operating costs because of the fact that administrative workers are fewer in number and their services are of a nature which is less under the direct influence of general wage rates.

Administrative costs were of minor importance in the processing of Wisconsin beets both in 1909-14 and 1933-35 constituting only 4.2 per cent of the total costs in the former period and 3.16 per cent in the latter. Their average cost from 1909-14, $.2049 per 100 pounds of sugar, was very near the United States average and was exceeded by similar costs in some major beet producing areas of the nation, in spite of the fact that Wisconsin was among the highest cost regions in agricultural and operating expense.

Table V.—Administrative and general costs of manufacturing beet sugar per 100 pounds of sugar produced by three Wisconsin companies 1933-35.

<table>
<thead>
<tr>
<th>Item</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost per 100 pounds of sugar</td>
<td>Per cent of total</td>
<td>Cost per 100 pounds of sugar</td>
</tr>
<tr>
<td>Official and office salaries</td>
<td>$.0782</td>
<td>65.88</td>
<td>$.0831</td>
</tr>
<tr>
<td>General office expense</td>
<td>.0198</td>
<td>16.68</td>
<td>.0192</td>
</tr>
<tr>
<td>Legal, audits, taxes</td>
<td>.0069</td>
<td>5.81</td>
<td>.0117</td>
</tr>
<tr>
<td>Subscriptions, dues, donations</td>
<td>.0059</td>
<td>4.97</td>
<td>.0060</td>
</tr>
<tr>
<td>Insurance</td>
<td>.0012</td>
<td>1.01</td>
<td>.0018</td>
</tr>
<tr>
<td>Miscellaneous and non-comparable</td>
<td>.0067</td>
<td>5.65</td>
<td>.0111</td>
</tr>
<tr>
<td>Totals</td>
<td>0.1187</td>
<td>100.00</td>
<td>0.1329</td>
</tr>
</tbody>
</table>

Figures for 1933-35, found in Table V, indicate that administration costs were materially less than they were from 1909-14, but in the study of the earlier period the individual items were not recorded, and the two lists may not be comparable. However, it is logical to assume that the lists were of approximate similarity because the differences in the to-

tal costs can be explained by the fact that 1933 and 1934 were in the depression phase of the business cycle when all costs dropped far below the 1909-14 level. On the other hand, the costs in the earlier years were extremely high due to the abnormal conditions of 1911. By eliminating the influence exerted by these unusual conditions, the results would show almost equal expenditures for administration which indicates that the lists must have been very similar to one another.

Official and office salaries amounted to about 60% of administrative expenditures. The small salary fluctuations from year to year, as indicated by Table V, were of no importance in the determination of unit costs compared with the volume of sugar processed. As an illustration salary costs per 100 pounds of sugar increased one-half cent from 1933 to 1934 because production fell off 66,000 hundred weights and 4 cents (or 50%) when production was further reduced over 150,000 hundred weights in 1935.

Office Expense

From 1933 to 1934 the reduction of total office expense was proportionately greater than the decline in sugar production and the cost decreased .06 of a cent per 100 pounds of sugar, but such was not the case in 1935. Even though total office expense for the three companies fell off almost $1,000 this reduction was so completely overbalanced by the decreased sugar production that the cost per 100 pounds of sugar amounted to $.027, an increase of 42% over the previous year.

Audits, Legal Services, and Taxes

The expense incurred by Wisconsin sugar factories for legal services, audits, and the portion of their tax expenditures not allocated to direct operating costs made up 13% of the administrative and general costs from 1933 to 1935. These items were extremely variable and yet were fixed cost items in the sense that their changes were independent of the quantity of sugar produced. Therefore, this particular group of expenses, if based upon units of 100 pounds of sugar produced, show very rapid increases because as the absolute expense went up, sugar production was going down. The major cause for the great absolute increase in 1935 was the tax burden assumed in the purchase of a plant which had been leased previously. As a result, legal audit and tax costs increased from $.0069 per 100 pounds of sugar in 1933 to $.0117 in 1934, and to $.0547 in 1935. This represents a climb from 6% of the total administrative and general costs to 23%.

Subscriptions, Dues, and Donations

The total amount of subscriptions, dues, and donations decreased $3.88 from 1933 to 1934 and $35.73 from 1934 to 1935. These reductions are illuminating when it is observed that while they were going down, unit costs were rising each year.

Miscellaneous and Non-Comparable Items

Miscellaneous and non-comparable items together with insurance on administrative buildings and materials amounted to approximately 10% of the administrative and general costs. They increased each year both in absolute amounts and in proportion to the total, but at their highest point in 1935 they averaged only $.0265 per 100 pounds of sugar.

Summary

Wisconsin compared favorably with other beet manufacturing areas in administrative and general costs from 1909-14, and these costs per 100 pounds of sugar were materially less in the 1933-35 period than they were from 1909-14.
Administrative and general costs are relatively fixed from year to year and their unit fluctuations are primarily dependent upon the quantity of production because the total expense of administration is not affected by output. Figure 3 emphasizes the influence of production declines upon relatively small fixed costs by revealing that administrative costs per unit increased proportionately more than any other cost group.

**Marketing Beet Sugar**

The price of sugar in the United States is established by a base-price at New York City, which determines the price quotations in all other areas plus freight from New York. Consequently, the price of sugar will increase as the freight costs from the Atlantic seaboard increase. This system provides a tremendous incentive for local selling of sugar because the local company collects the price differential between the freight costs actually paid and the rate between New York City and the place of delivery.

Sugar is sold ostensibly on a 30 day, 2%, four-way discount contract; one-fourth of the purchase to be paid in 10 days, another fourth in 17 days, another in 24 days, and the final payment in 30 days. In actual practice the time is extended to 42 days by adding a traditional 12-day period for time enroute, even though the sugar is delivered on the day the contract is made. Furthermore, competition has forced a general leniency among the companies in demanding prompt payment. Sugar buyers make it a two—rather than a four—payment plan by taking full discount while paying for half of their purchase in 17 days and the remainder in 30.

The seller does not always insist that the buyer take all of the sugar contracted for, and as an additional inducement the seller guarantees