

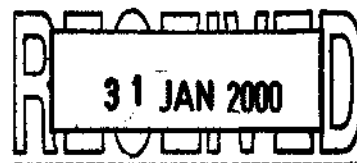


Nutreco International B.V.

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The Secretary General
International Accounting Standards Committee
166 Fleet Street
London EC4A 2DY
United Kingdom

CL 2 1



January 24, 2000

Subject: E65 -Biological Assets
Reference: JP0006/Alba

Dear Sir,

On behalf of Nutreco, an international group of companies with leading positions in the aqua- and agriculture business and listed on the Amsterdam Stock Exchange, I enclose the Company's comments on Exposure Draft E65.

Kind regards,

Drs. J. Pullens RA
Chief Accountant

1. Introduction

Nutreco is an international group of companies with leading positions in the high-quality animal and fish feed industries. The group's largest activities centre on the production of compound feed for pigs, poultry, and ruminants, and salmon and trout feed. Other Nutreco activities include the production of premixes and speciality feed, poultry and pig processing, pig and poultry breeding and salmon farming. With headquarters in the Netherlands, the group has over eighty production and sales operations in more than twenty countries. Nutreco was established in 1994 and incorporates a number of activities formerly belonging to British Petroleum. Although Nutreco's history is relatively short, many of the current operating companies have existed for over half a century. Nutreco has been listed on the Amsterdam Stock Exchange since 1997.

2. General comments

Nutreco strongly believes that the Exposure Draft E65 should not be issued as an International Accounting Standard for several reasons:

1. We believe that fair values cannot be measured reliable prior to a realisation event;
2. A change in fair values of biological assets reported in net profit or loss is not the most appropriate indicator of the performance;
3. The proposed draft seems to be in conflict with the overall IASC Framework, which states that financial statements should be prepared in accordance with an accounting model, based on recoverable historical costs. The Framework recognises that other concepts could be more appropriate however with the remark that at this moment there is no consensus for change.

3. Answers to specific questions

Question 1 – Scope: further processing after harvest

We agree that the standard should not address further processing. We believe also that the distinction between biological assets, agricultural produce at the point of harvest and further processing after harvest can be very artificial.

Question 2 – Biological assets: measure at fair value

Biological assets and agricultural produce especially when the period between initiation and harvest is relatively short should be measured at the lower of cost or net realisable value. Furthermore we refer to the general comment that the fair value concept in financial statements is not generally accepted.

Question 3 – Reliability of fair value measurement

The exposure draft presumes that reliable fair values can be determined for biological assets since markets exist. We do not believe that fair value measurement is reliable.

Questions Nutreco has regarding to this point are (not limited):

- In the salmon farming business there is no market for salmons with a weight below 2 kg (worthless in the market). Fair value is 0?
- For salmons of 2 kg there is maybe a market but Nutreco will never be able to sell it's total stock of salmons of 2 kg for the "existing market price" because the volume would have a significant impact on the price. How to determine fair value?
- The Board presumes that world-wide administrative procedures and controls can be implemented which gives a true and fair view on central level on each measurement date on the balance of live-stock, given the fact that the fair value principles should be applied. Our fear is that fair value measures are less reliable than measures of costs. Any attempt to give a fair market value of total inventory given the size distribution of fish in inventory will be arbitrary and very subjective.

Question 4 – Fair value change in net profit or loss.

We doubt the reliability of the fair value change (see question 3) so we believe that the change in fair value is certainly not the most appropriate indicator of the performance of our business. Hence we refer again to our general comment that reflecting fair value changes in the P&L should be part of a much broader general discussion. It's in our opinion in conflict with the IASC Framework and general accepted accounting principles to issue now the accounting concept of fair value specific for the Agri and Aqua culture business when there is no consensus about applying the fair value concept in general in preparing financial statements.

Question 5 – Definition of fair value

The exposure draft concludes that if an active market exists for a biological asset at the reporting date in the location in which the asset is intended to be sold, that the market price is the most reliable measure of fair value of that asset.

Our opinion is that prices should be adjusted to determine fair value given the fact that:

1. Besides weight is quality a major component of the price, how to quantify the quality component? Reliability?
2. How to handle the impact of diseases on the market price?
3. What is the market price when you have the choice to sell the salmon farmed in Scotland to the industry in Europe, the States or to further process the salmon by ourselves?

Conclusion

To implement the fair value concept with at least an attempt for accuracy, consistency and reliability would be an accountant and management's nightmare. Hence Nutreco believes that there are also no benefits for the users of financial statements. Therefore Nutreco strongly believes that the Exposure Draft E65 should not be issued as an International Accounting Standard.

Boxmeer, January 24, 2000