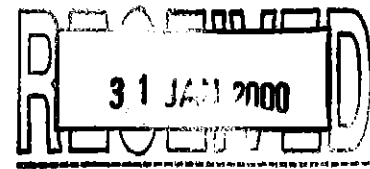


NESTLÉ S.A.



The Secretary General
International Accounting
Standards Committee
166, Fleet Street
GB - LONDON EC4A 2DY

28 January 2000

Dear Sir,

E 65 Agriculture

We have pleasure in submitting below our comments on the above mentioned exposure draft.

General Comments

Although our group is not involved in agricultural operations, we nevertheless consider it is important to comment on this exposure draft because it is the second one that recommends a full fair value approach with the recognition of the related gains and losses to the income statement. We disagree with such measurement and recognition requirements.

We consider that *fair value is not a reliable measurement method* for most biological assets with the exception of commodities that are traded on the world markets and, even in that case, the traded items are not the immature commodities but the mature ones. How can the fluctuations of the latter be projected on the former? Furthermore there are also biological assets that are not traded or that are traded on markets whose volumes are insignificant. Last but not least, the fair value might be influenced by natural disasters such as storms, frost, diseases, etc. Therefore, we consider that biological assets should be measured at cost until the harvest and then at fair value, when a market price is available.

Even if one could possibly admit that a fair value measurement might have some merits, the recognition of the fair valuation gains and losses directly to the income statement is absolutely inappropriate for immature assets and will cause an *unwanted volatility* of the earnings and an *unrealistic income statement*. In contrast, as mentioned in the previous paragraph, we agree to measure biological assets at fair value at the time of the harvest but the fair valuation gains and losses should be carried to equity and be recycled to the income statement only upon the sale of the product.

Answers to specific questions

1. Scope

We consider that the standard should not address the further processing (alternative a).

2. Fair value measurement

We disagree, please see General Comments above.

3. Reliability of fair value measurement

We do not consider such measurement as reliable, please see General Comments above.

4. Fair value changes in net profit or loss

Fair value changes should be carried to equity until the asset is sold and then recycled to the income statement (alternative b).

We disagree with the other alternatives.

5. Definition of fair value

(a) While it is correct that prices in an active market are a reliable measure, the problem is that such markets do not exist for all products.

(b) We disagree because adjustments of fair value would be based on arbitrary methods.

6. Agricultural land

We consider that IAS 16 should apply to such land (alternative a). We disagree with the other alternatives.

7. Government Grants

In the current context, we agree that grants should be recognised as income immediately if they are unconditional. However, we recommend that the Board considers a revision of IAS 20 on Government Grants.

8. Components of biological assets

We favour alternative (a) inasmuch as the disclosure requirements are limited to a narrative description. We disagree with the other alternatives.

9 and 10. Components of the changes in fair value and guidance thereon

We consider that the disclosure of the components of changes of fair value should be left up to the enterprises if they consider it is appropriate and that the standard should include no guidance thereon.

11. Analysis of expenses

IAS 1 on Presentation on Financial Statements (§ 77) allows a presentation of the income statement either by nature or by functions. The future standard on agriculture should retain IAS 1's choices.

12. Disclosures in general

Paragraph 64 (b) concerning a valuation by an independent appraiser and (c) about present value techniques are exaggerated.

13. Sensitivity Disclosures

We consider that such disclosures should not be required (alternative a).

14. Transition

We consider that IAS 8 should apply and we disagree with the other alternatives.

We thank you for giving us the opportunity of sending you our comments.

Yours very truly,

NESTLÉ S.A.



G.N. Baechler

Head of

Group Accounting & Reporting Department