

CL 63

24 March 2000
Sir Bryan Carsberg
The Secretary-General
International Accounting Standards Committee
166 Fleet Street
London EC4A 2DY

Re: E65, *Agriculture*

Dear Sir Bryan:

Ernst & Young International is pleased to comment on E65, *Agriculture*.¹ We acknowledge the need for accounting guidance on agricultural assets and support the Board's efforts to develop such a standard; however, we fundamentally disagree with the proposals expressed in E65.

Our views, discussed more fully in the remainder of this letter, can be summarized as follows:

- While we agree that there may be a case for a fair value model for financial instruments, the IASC has not yet made its case or put forward any convincing arguments in favor of a fair value model for other non-financial assets.
- We believe that the reliability of measurement assumptions on which E65 is built are seriously flawed. Many agricultural assets are simply not subject to reliable estimates of fair value.
- The IASC's arguments in favor of E65 are built entirely around the notion of "relevance." We believe that this is misguided and question whether fair value always provides the most relevant measure of performance.
- The IASC needs to conduct extensive field tests and needs to come back to its constituents with the results of those field tests before proceeding.

We strongly urge the Board to substantially modify this proposed Standard to require agricultural assets to be accounted for on a lower-of-cost-or-market basis. We note that this approach would be consistent with the policies and practices in Canada and the US, as set out in the AICPA's SOP No. 85-3, *Accounting by Agricultural Producers and Agricultural Cooperatives*, and in a CICA research study, *Accounting and Financial Reporting by Agricultural Producers*. Attachment B describes the recognition and

¹ This letter reflects the majority view of our global accounting and auditing committee.

measurement policies in SOP 85-3, which we believe are reasonable and could be incorporated into an IAS. Such a standard would be more likely to result in consistent measurements among preparers across geographic and industry lines and, in our view, would be much more useful to users of financial statements.

After the Board considers the comments received on E65 and after it reconsiders its conclusions about the fundamental measurement requirements, we would also strongly urge it to field test the proposal. As the Board undoubtedly is aware, the Australian Accounting Research Foundation has delayed the implementation date of its agricultural standard, which also calls for fair value measurements, because of serious difficulties experienced by financial statement preparers in implementing the standard. An extensive field test—particularly if the Board retains the fair value measurement tenet—would be essential to the Board's understanding the implementation issues involved and in preparing vital implementation guidance for inclusion in a final Standard.

Fair value proposition

As noted above, we strongly disagree with the fundamental principle in E65 that calls for agricultural assets to be carried at fair value. The fair value measurements specified in E65 do not possess the qualitative characteristics—specifically, reliability and relevance—called for in the IASC Framework to make information provided in financial statements useful to users. Further, paragraph 83 of the Framework also states that one of the requirements for an asset to be recognized is that it have a cost or value that can be measured with reliability. Measuring many agricultural assets reliably—particularly those with a long life—is generally very difficult, if not impossible.

Reliability

IAS 38, *Intangible Assets*, allows intangible assets to be carried at revalued amounts. However, for intangible assets to be carried at revalued amounts, IAS 38 imposes strict criteria—an active market is necessary, which requires items traded to be homogeneous, with willing buyers and sellers normally being found at any time and prices being available to the public. Paragraph 17(b) of E65 likewise notes that the fair value of agricultural assets must be able to be measured reliably. However, E65 does not possess the same high hurdles for assessing when a measurement is reliable as does IAS 38. Simply, under IAS 38, if an active market does not exist, an enterprise would not be allowed to use the fair value measurement alternative. It is unclear why the Board would apply a lesser standard of reliability to agricultural assets.

The Exposure Draft seems to presume that fair value generally can be readily determined when in reality it can be done in only a minority of situations. For example, because there is rarely an active market for growing plantations and forests (when the purchaser intends to remain in the same business without changing the use of the underlying land), fair values of plantations and forests will generally need to be determined using a net present value technique (described in paragraph 26 of the Exposure Draft). Employing a present value measurement technique for plantations and

forests would result in widely diverse practice because of the implementation issues that would require resolution and assumptions that would be necessary.

Vineyards and coffee and tea plantations have similar measurement issues. The relationship between the vines and coffee or tea plants and the land that they occupy is unique and integrated. The vine or plant itself has relatively little value. However, in conjunction with the land, they do have value. Determining the fair value for a vineyard, coffee or tea plantation involves estimating the production along with sales prices and costs for a number of years in the future, together with estimating a terminal value and the application of a discount rate to calculate the net present value—an enormously complex and subjective task. The value of the vines and plants would then have to be determined as a residual because it would be calculated by deducting the value of the unimproved land and the value of the infrastructure from the aggregate value. It is clear that the valuation, as a result of the estimates and subjectivity, is open to substantial variability. Furthermore, we question whether approaches that take market values for end products and attempt to translate them back into fair values for output at various stages of growth will produce meaningful results.

It is also clear that the measurement techniques suggested in paragraph 26 of E65 as alternatives to active markets simply would not generally produce measurements that meet the Framework's basic expectation of reliability. The valuations may vary significantly depending on who performs the valuation and inconsistencies from period to period and from one entity to another are sure to result. Further, some of the market prices outlined in paragraph 26 are unlikely to be available, either because the information is not publicly available or because such sales occur infrequently. In addition, for many products, the prices can vary considerable in a short period depending on market conditions, so the estimate of future selling prices in these circumstances must be highly subjective. History shows that prices vary for many reasons—including climatic conditions and local and international supply and demand—all of which indicate that there might be no reliable method of predicting future selling prices. These techniques would not be acceptable under IAS 38 if intangibles were to be revalued. Similarly, they should not be acceptable for valuing agricultural products.

Another question about the reliability of measurements relates to the homogeneity of the assets. For example, the same assets might develop differently in different geographic areas, and even if prices were available for the assets, prices are less likely to be available by geographic area. The soil conditions and the availability of water could have a significant impact on the ultimate quality of the produce and the rate the product develops. Thus, even if the assets are homogeneous, the prices could vary considerable depending on their quality, with quality determining the use of the asset. High quality products might be sold overseas, thereby achieving high prices, with lower quality products achieving lower prices on local markets. But, during the transformation process, it could be very difficult to determine the likely quality. In addition, different prices could be achieved in the local market, depending on the quality. For example, poor quality produce or produce damaged during the picking and transportation process

might be used in other products, achieving a lower selling price than good quality products. The quality and therefore the price might only be determinable at the end of the process. Where a product is likely to be sold also could depend on market conditions at the time the transformation process is complete. Significantly different prices also could be achieved depending on whether products are sold individually or in bulk. The reliability of fair values can therefore depend on whether a business has a predictable pattern of sales by size of consignment. These issues further illustrate the lack of reliability inherent in the measurements called for by the proposed Standard.

Paragraph 6 of the Exposure Draft presents a table with examples of biological assets for which fair value measurements are mandated by the proposed Standard and of assets that result from further processing and therefore are outside the scope. We note that in most cases, the fair values of the assets that result from further processing are more readily available and can be more reliably measured than the assets that are in the process of biological transformation and within the scope of the proposed Standard. It therefore seems incongruous that fair value measurements should be used when values are less reliable and cost measurements when values are more reliable.

In addition, on a more pragmatic note, in many countries, the enterprises involved in agriculture are less sophisticated than those involved in other industries. And, those enterprises are similarly less likely to have the same access to highly knowledgeable people who would be able to apply the sophisticated measurements required by this proposed Statement. While the measurements called for are far from reliable, they would be even less reliable in many of the enterprises that would be most affected by the proposed Standard.

For all the reasons discussed above, the fair value measurements mandated by the proposed Standard fail the reliability test noted to be essential by the IASC Framework.

Relevance

The IASC Framework also requires that information must be relevant to the decision-making needs of users. It notes that reliable historical information is useful for making predictions about the future—information in which users are interested. The foregoing discussion of the subjectivity and variability (enterprise to enterprise and period to period) likely to result from a fair value approach to measuring agricultural assets, further raises questions about whether fair value measurements would produce more relevant information than historical cost measurements.

The following example, developed by our Australian firm in response to the AARB Exposure Draft 83, very clearly illustrates the significant issues that can arise over the relevance of information produced by a fair value model.

A farmer purchases a calf which has a good blood line and, as a result, the farmer decides that he will keep the calf as potential breeding stock. The calf grows into a fine bull which is worth twice the price that the farmer paid for the calf initially. The farmer

enters the bull into the Sydney Royal Agricultural Show, where the bull wins first prize. Upon being the champion of the show, the bull's value has increased by ten times. The farmer has no intention of selling the bull as the farmer will be able to make a substantial amount of money from breeding services provided by the bull. As the bull gets older, his net market value diminishes as the number of services that the bull can provide diminishes. Eventually the bull dies of old age and the farmer sells the carcass for use as pet food.

Under the requirements of E65, in the initial years of owning the bull, the value of the bull increased and therefore profits would have been recognized in the financial statements in relation to the bull. The value of the bull reached its peak when the bull won the Sydney Royal Agricultural Show. As the bull ages, the value of the bull would diminish and losses would be recorded in the income statement under the proposal in E65.

This example demonstrates that the bull is similar in nature to other non current assets in that revenue is derived by the farmer from activity over it's useful life. We consider that the revenue in relation to the bull should be recognized as the bull provides breeding services, rather than as the bull grows from a calf to an adult—a much more relevant presentation than that called for by E65.

* * * * *

To reiterate our views about E65—we strongly object to the proposed Standard because the fair value measurements called for are inconsistent with the measurements required for other non-monetary assets and because they fail the tests of reliability and relevance called for in the IASC Framework. We strongly urge the Board to substantially revamp its proposal to require agricultural assets to be accounted for on a lower-of-cost-or-market basis consistent with existing practices in the US and Canada.

Our responses to the specific questions set forth in the Exposure Draft are included in Attachment A.

If the Board or staff wishes to discuss our views in more detail, please contact Danita Ostling at 020 7951 8772.

Very truly yours,

Ernst & Young International

Question 1—Scope: further processing after harvest (paragraphs 4-7)

Do you:

- (a) *agree that the final Standard should not address the further processing? If so, do you believe that the guidance in paragraphs 4-7 for distinguishing between agricultural activity and further processing is adequate; or*
- (b) *believe that the final Standard should address further processing? If so, what method of accounting do you propose?*

The Board has not adequately explained its logic for excluding agricultural produce from the scope of this Standard since the fair values of assets that result from further processing are more readily available and can be more reliably measured than the assets that are in the process of biological transformation and within the scope of the proposed Standard. While we do not support the fair value model for the reasons discussed in our cover letter, it is difficult to understand the Board's conceptual basis for the proposal in E65 to discontinue the fair value model at the point of harvest.

Question 2—Biological assets: measure at fair value (paragraphs 21 and 26)

Do you believe:

- (a) *all biological assets should be measured at each balance sheet date at fair value and agricultural produce should be measured at fair value at the point of harvest?*
- (b) *biological assets should be measured at cost until harvested, and then agricultural produce should be measured at fair value at the point of harvest?*
- (c) *or all biological assets and agricultural produce should be measured at cost?*

(c). As noted above and in our cover letter, we support the practices followed in the US and Canada (outlined in Attachment B)—basically, a lower-of-cost-or-market approach. We also would not object to codifying the approach in the US and Canada whereby harvested crops and animals held for sale could be accounted for either at the lower-of-cost-or-market or, in accordance with established industry practice, at sales price less estimated costs of disposal when the product is available for immediate delivery at a reliable, readily determinable and realizable market price and has relatively insignificant and predictable costs of disposal.

Question 3—Reliability of fair value measurement (paragraphs 21-31)

Do you believe that:

- (a) *a reliable estimate of fair value can be determined for (i) biological assets and (ii) agricultural produce at point of harvest;*
- (b) *a reliable estimate of fair value can usually be determined, and even if, at times, fair value cannot be determined to a very high degree of precision, neither can cost, and on balance an estimate of fair value should be required; or*
- (c) *fair value sometimes cannot be determined reliably, and the cost basis should be used? If this is your view, please identify circumstances in which fair value cannot be determined reliably and explain, in such cases, (i) how cost could be determined reliably and (ii) how cost of biological assets and agricultural produce is relevant to the user of the financial statements of an enterprise engaged in agricultural activity.*

Scenario (c) is the most accurate. As discussed in our cover letter, the fair value of biological assets is often impossible to reliably measure. In addition, prices for agricultural produce might only be determinable at the end of the process; thus, the ultimate value will often be unknown at the point of harvest. With appropriate guidance, such as that contained in the US SOP 85-3, the accumulation of costs for a lower-of-cost-or-market measurement standard is infinitely more reliable than fair value.

Fair values would be particularly difficult to measure for biological assets that are held and cultivated for longer terms, such as forestry. Currently, cost-based accounting methods specific to the forestry industry have developed in many countries and seem to provide financial statement users with adequate, useful information. Specific industry guidance like this could easily be incorporated into a final Standard. For example, under the "perpetual or sustained yield method," all costs in acquiring or bringing new forest into the estate are capitalized until the first harvest. All subsequent direct and rotation costs are expensed in the year incurred. A sustainable yield by major species is determined, and if the actual cut for the species exceeds that yield (an overcut), the forest asset is reduced. If the actual cut is less than the sustainable yield (an undercut), the asset is increased. Having adjusted the assets, the opposite entries for net overcuts (debit) and undercuts (credit) are recorded to income or equity, depending on the national standards in the country in which the enterprise operates.

Question 4—Fair value change in net profit or loss (paragraph 22)

If biological assets are measured at fair value, do you believe that the change in fair value should be:

- (a) *reported entirely in net profit or loss for the period;*
- (b) *reported entirely in equity until the asset is sold or consumed, at which time it should be removed from equity and reported in net profit or loss for the period;*
- (c) *reported entirely in equity until harvest, at which time it should be removed from equity and reported in net profit or loss for the period;*
- (d) *reported in net profit or loss only to the extent of the physical change component; the price change component should be reported directly in equity until the asset is sold or consumed (or possibly until harvest); or*
- (e) *reported entirely in equity and, thereafter, never reported in net profit or loss for any period?*

If the Board proceeds with issuing a Standard that requires agricultural assets to be measured at fair value, the most appropriate of the options is (b), in which changes in fair value would be reported in equity until the asset is sold or consumed, at which time the fair value adjustments inequity would be removed from equity and recorded in net profit or loss for the period. We recognize that reporting financial performance is currently a topic of much discussion and debate, including whether an expanded performance statement that would combine gains and losses of varying types is appropriate. Before that debate is concluded, we believe that including unrealized gains and losses resulting from changes in fair value estimates in the income statement (particularly in this case when the fair value measurements are not subject to reliable estimates) could be misunderstood by users of the financial statements. In addition, it is counterintuitive that an agricultural enterprise could literally sell nothing and under alternative (a) still report earnings; similarly, it is counterintuitive that under alternative (e) an agricultural enterprise might never report significant income. Although alternative (e) is consistent with the benchmark treatment in IAS 16, *Property, Plant and Equipment*, in our view, realization through sale for agricultural assets is a key economic event. Accordingly, if a fair value approach is adopted, we believe that recycling through the income statement is necessary, at least until a standard on reporting financial performance is issued.

Question 5—Definition of fair value (paragraph 24)

Do you believe that:

- (a) *price in an active market in the asset's intended location of sale or use is always the best measure of fair value; or*
- (b) *sometimes price in such a market should be adjusted to determine fair value? If so, under what circumstances and how should such a market price be adjusted?*

In principle, we agree with (a). However, again, as noted in our cover letter, active markets in biological assets (as distinct from end products) will generally not be commonplace.

If market prices for end products are to be used as a starting point for determining fair values for biological asset precursors of those products, it is essential that the Board provide more guidance about how such calculations and adjustments are to be made. This guidance should be based on specific field tests with different types of agricultural produce.

In addition, E65 does not apply to forward sales contracts for agricultural produce settled by delivery of the produce. Such contracts are common practice in some agricultural businesses, and it is imperative that the Board provide guidance about how to account for them.

Question 6—Agricultural land: follow IAS 16 (paragraph 38)

Do you believe that:

- (a) *IAS 16 should apply to agricultural land;*
- (b) *all agricultural land should be measured at fair value, either separately or as part of a combined group that includes the land and related bearer biological assets;*
- (c) *only agricultural land that is part of a combined group that includes the land and related bearer biological assets should be measured at fair value;*
- (d) *enterprises should be permitted or encouraged to measure agricultural land at fair value, but not required; or*
- (e) *all agricultural land should always be carried at cost, that is, the revaluation alternative of IAS 16 should be prohibited?*

(d). In theory, we agree with E65 as drafted that IAS 16 should apply to agricultural land. However, as discussed in our cover letter, it may not be possible to separate the land component and the biological asset component of fair values, and in many cases, there will not be active markets for separately selling the assets.

Question 7—Government grants (paragraphs 41-44)

Do you:

- (a) *agree that the grant should be recognized as income immediately if it is unconditional;*

- (b) *believe that the grant should be amortized into income over the life of the biological asset (if this Exposure Draft were silent in this matter, amortization would automatically become the requirement under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance);*
- (c) *believe that the grant should reduce the carrying amount of the asset so that the carrying amount is below the fair value of the biological asset? If so, would that reduction continue as long as the asset is held? Would it be amortized?*

Government grants for agriculture should be no different from government grants for other activities. In this regard, the proposed Standard should not address accounting for government grants but should defer to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

Question 8—Components of biological assets (paragraph 46-47)

Do you believe that:

- (a) *the proposal set out in this Exposure Draft is the appropriate way to accomplish the objective of providing information about the nature and stage of production of biological assets;*
- (b) *separate disclosure of the quantified consumable and bearer components of the carrying amount of each group of biological assets should be required;*
- (c) *separate disclosure of the quantified mature and immature components of each group of consumable and each group of bearer biological assets should be required; or*
- (d) *subdivisions of biological assets other than a consumable-bearer split and a mature-immature split might provide better information about an enterprise's biological assets in some or all cases and, if so, which type of subdivision(s) and in which case(s)?*

We agree with the Board that users of financial statements need and want more detailed information about an enterprise's biological assets and agricultural produce than single total carrying amounts and generally support the disclosures in the proposed Standard. Until the recommended field test is completed, it is difficult to formulate an opinion about which additional disclosures would be appropriate.

Question 9—Components of change in fair value (paragraphs 52-58)

Do you believe that if the production cycle is longer than one year:

- (a) *an enterprise should be required to disclose separately the components of the change in fair value of its biological assets due to physical changes and price changes;*
- (b) *an enterprise should be encouraged, but not required, to disclose separately the physical and price components of the change in fair value of its biological assets; or*
- (c) *separate reporting of the physical and price change components should be prohibited because they usually cannot be measured reliably?*

Consistent with our overall views about the reliability of measurements, we do not believe that such disclosures should be required, and we would question whether the benefits obtained from the disclosures would justify the costs that enterprises would incur to provide them. We would not prohibit enterprises from voluntarily providing the disclosure when the split can be made with a high level of reliability. However, because of our reservations about the reliability of disclosures and the costs involved, we would suggest that a final Standard permit but not require them.

Question 10—Guidance on components of change in fair value (paragraphs 56-58)

If you answered Question 9 either 'a' or 'b' (that is, you believe an enterprise should be either required or encouraged to separate the physical and price components of the change in fair value), do you believe that:

- (a) *the guidance for making the split in paragraphs 56-58 is adequate; or*
- (b) *the guidance for making the split in paragraphs 56-58 is inadequate and, if so, how would you modify it?*

The guidance in paragraphs 56-58 on allocating the change in fair value between growth and unit price factors is simplistic, and we would recommend that it is thoroughly evaluated through field testing before being incorporated into a final Standard.

Question 11—Analysis of expenses (paragraphs 59-60)

Would you:

- (a) *require classification by nature of expense;*
- (b) *encourage but not require classification by nature of expense; or*
- (c) *allow each enterprise to decide whether to classify by nature or function?*

We broadly favor (c) allowing an enterprise to present expenses in a manner befitting its particular activity and the way in which the business is managed. Such presentation facilitates accompanying commentaries by management to users of financial statements (verbal or written).

Question 12—Disclosures in general (paragraphs 44-67)

Do you believe that the disclosures proposed in paragraphs 44-67:

- (a) *are about right;*
- (b) *are excessive (please indicate which one(s) you would eliminate and reasoning); or*
- (c) *are insufficient (please indicate your proposed addition(s) and reasoning)?*

(b). The disclosures required in paragraphs 44-67 and illustrated in Appendix are quite extensive. In particular, we normally would expect the disclosures in paragraph 63 concerning the nature of activities and significance of different groups of biological assets and the disclosures in paragraph 64 regarding risk management strategies to appear in management's financial and operating review and commentary accompanying the financial statements rather than in the statements themselves. If the IASC were to deal with disclosures of this nature, it should do so in a comprehensive manner for all enterprises, not just for one industry. We also reiterate our comments in the responses to questions 8-10.

Paragraph 62 refers to disclosure of events occurring that because of their size, nature or incidence are relevant to understanding the change in fair value of an enterprise's biological assets and reported performance. The final Standard should expand the guidance to indicate that it would be very unlikely for any such events to give rise to an extraordinary item under IAS 8, *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*.

Question 13—Present value sensitivity disclosure (paragraph 64(c))

Do you believe that:

- (a) *such sensitivity disclosure should be required (and, if so, please indicate what type of disclosure should be required); or*
- (b) *such sensitivity disclosure should not be required?*

The fact that sensitivity disclosures should be considered reinforces the view expressed above that it will be difficult to obtain reliable measures of fair value for biological assets from present value calculations. Sensitivity disclosures are not called for elsewhere under IAS Standards when present value calculations

are used, for example in accounting for pensions. Requiring them in this circumstance would clearly be excessive.

Question 14—Transition: Follow IAS 8 (paragraph 69)

Do you believe that:

- (a) *both the benchmark and the allowed alternative treatments under IAS 8 should be permitted when an enterprise adopts this Standard;*
- (b) *only the benchmark of IAS 8 should be allowed by this Standard;*
- (c) *only the allowed alternative of IAS 8 should be allowed by this Standard;*
- (d) *the adjustment to biological assets to adopt this Standard should be amortized over the estimated remaining life of the biological assets; or*
- (e) *some other transition is appropriate (please specify)?*

Our preferred approach to adoption of new Standards is the benchmark treatment under IAS 8, *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*. Following paragraph 49 of that Standard, the change should be applied retrospectively, comparative information should be restated (unless impractical) and resulting adjustments made to retained earnings of the earliest period presented. However, in many cases, we believe that obtaining the information necessary to restate prior years' statements will be burdensome and costly. When the adjustment to the opening balance of retained earnings cannot be reasonably determined, IAS 8 requires the change to be applied prospectively. In practice, we would expect many enterprises to follow that approach.

Question 15—Matters not covered by a specific question

The foregoing questions do not deal with all of the principles proposed in this Exposure Draft. If you disagree with a proposed principle, explain the reasons for your disagreement and propose and defend an alternative principle that the IASC Board should consider.

We disagree with the fundamental position of the Exposure Draft that biological assets should be presented at fair value as explained in our covering letter.

Conclusions of AICPA Statement of Position 85-3 "Accounting by Agricultural Producers and Agricultural Cooperatives"

In accounting for inventories of crops by agricultural producers:

"All direct and indirect costs of growing crops should be accumulated and growing crops should be reported at the lower of cost or market.

An agricultural producer should report inventories of harvested crops held for sale at (a) the lower of cost or market or (b) in accordance with established industry practice, at sales price less estimated costs of disposal, when the following conditions exist:

- The product has a reliable, readily determinable and realizable market price.*
- The product has relatively insignificant and predictable costs of disposal.*
- The product is available for immediately delivery."*

In accounting for development costs of land, trees and vines, intermediate-life plants, and animals:

"Permanent land development costs should be capitalized and should not be depreciated or amortized, since they have, by definition, an indefinite useful life.

Limited-life land development costs and direct and indirect development costs of orchards, groves, vineyards, and intermediate-life plants should be capitalized during the development period and depreciated over the estimated useful life of the land development or that of the tree, vine or plant.

All direct and indirect costs of developing animals should be accumulated until the animals reach maturity and are transferred to a productive function. At that point the accumulated development costs less any estimated salvage value, should be depreciated over the animals' estimated productive lives.

All direct and indirect development costs of animals raised for sale should be accumulated, and the animals should be accounted for at the lower of cost or market until they are available for sale. Agricultural producers should report animals available and held for sale (a) at the lower of cost or market or (b) in accordance with established industry practice at sales price, less estimated costs of disposal, when all of the following conditions exist:

- There are reliable, readily determinable and realizable market prices for the animals.*
- The costs of disposal are relatively insignificant and predictable.*
- The animals are available for immediately delivery."*