

22 May 2017

Sue Lloyd  
Chair  
IFRS Interpretations Committee  
30 Cannon Street  
London  
United Kingdom  
EC4M 6XH

Dear Ms Lloyd

## **Tentative agenda decision – IAS 41 *Agriculture: Biological assets growing on bearer plants***

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the March IFRIC Update of the tentative agenda decision not to take onto the Committee's agenda the request for clarification on the fair value measurement of produce growing on bearer plants.

We agree with the IFRS Interpretations Committee's decision not to add the item onto its agenda for the reasons set out in the tentative agenda decision. However, we note that there exist a number of conceptual issues (not specific to palm oil and not addressed by IFRS 13 *Fair Value Measurement*) arising from the requirement of IAS 41 to split a single living organism into two units of account (one of which is measured at cost, the other at fair value), including:

- At what point in the growth cycle (which for some crops can be an extended period including a number of distinct stages of development) a 'fruit' is considered to exist separately from the bearer plant.
- Whether the capacity for transformation of an immature fruit to a fruit ready for harvest is a feature of the fruit (and, therefore, to be included in the valuation) or of the bearer plant (and, therefore, not to be included). For example, a palm oil blossom has (absent the plant on which it grows) no ability to perform the biological processes for development into a mature fruit.
- If an income approach to valuation is applied, whether or how the costs included in the valuation of a growing fruit should reflect the use of the bearer plant's productive capacity (i.e. should there be a 'contributory asset charge' for use of the plant consistent with a 'rental' cost for use of an item of property, plant and equipment applied in valuing other assets in the course of production and, if so, how would such a cost be calculated) and how general costs such as fertilizer and pest control should be allocated between care of the plant and of the growing produce.

We recognise that addressing such issues is outside the scope of the Interpretation Committee's activities, but in the absence of clarity the valuation of growing produce on bearer plants will continue to be problematic and diversity in practice will continue. As such, we recommend that the Board consider these issues, as part of the Post-implementation Review of IFRS 13.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in grey ink, appearing to read 'V. Poole', with a stylized flourish at the end.

**Veronica Poole**  
Global IFRS Leader