Bunge LTD
Form 10-Q
May 07, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-16625

BUNGE LIMITED

(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**98-0231912** (I.R.S. Employer Identification No.)
50 Main Street, White Plains, New York (Address of principal executive offices)	**10606** (Zip Code)

(914) 684-2800
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No x

As of April 30, 2012 the number of common shares issued of the registrant was:

Common shares, par value $.01: 145,925,411

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BUNGE LIMITED

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(U.S. dollars in millions, except per share data)

	Three Months Ended March 31, 2012	2011
Net sales	$ 13,446	$ 12,194
Cost of goods sold	(12,925)	(11,555)
Gross profit	**521**	**639**
Selling, general and administrative expenses	(419)	(344)
Interest income	26	21
Interest expense	(62)	(72)
Foreign exchange gain (loss)	66	42
Other income (expenses) net	(29)	(8)
Income before income tax	**103**	**278**
Income tax expense	(14)	(43)
Net income	**89**	**235**
Net (income) loss attributable to noncontrolling interest	3	(3)
Net income attributable to Bunge	**92**	**232**
Convertible preference share dividends	(8)	(8)
Net income available to Bunge common shareholders	**$ 84**	**$ 224**
Earnings per common share basic (Note 19)		
Earnings to Bunge common shareholders	$ 0.57	$ 1.53
Earnings per common share diluted (Note 19)		
Earnings to Bunge common shareholders	$ 0.57	$ 1.49
Dividends per common share	$ 0.25	$ 0.23

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(U.S. dollars in millions)

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
Net income	$	89	$	235
Other comprehensive income (loss):				
Foreign exchange translation adjustment		335		297
Unrealized gains (losses) on commodity futures and foreign exchange contracts designated as cash flow hedges, net of tax (expense) benefit $(4), $(2)		9		4
Unrealized gains (losses) on investments, net of tax (expense) benefit $(7), $0		13		
Pension adjustment, net of tax (expense) benefit $0, $0		1		(2)
Total other comprehensive income (loss)		358		299
Total comprehensive income (loss)		447		534
Less: Comprehensive income attributable to noncontrolling interest		(10)		(11)
Total comprehensive income (loss) attributable to Bunge	**$**	**437**	$	**523**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(U.S. dollars in millions, except share data)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,250	$ 835
Trade accounts receivable (less allowance of $115 and $113)	2,908	2,459
Inventories (Note 4)	6,368	5,733
Deferred income taxes	315	305
Other current assets (Note 5)	3,910	3,796
Total current assets	14,751	13,128
Property, plant and equipment, net	5,791	5,517
Goodwill (Note 6)	915	893
Other intangible assets, net	270	220
Investments in affiliates	627	600
Deferred income taxes	1,330	1,211
Other non-current assets (Note 8)	2,112	1,706
Total assets	**$ 25,796**	**$ 23,275**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 758	$ 719
Current portion of long-term debt (Note 12)	14	14
Trade accounts payable	3,834	3,173
Deferred income taxes	188	152
Other current liabilities (Note 10)	2,789	2,889
Total current liabilities	7,583	6,947
Long-term debt (Note 12)	4,471	3,348
Deferred income taxes	161	134
Other non-current liabilities	811	771
Commitments and contingencies (Note 16)		
Equity (Note 17):		
Convertible perpetual preference shares, par value $.01; authorized, issued and outstanding: 2012 and 2011 6,900,000 shares (liquidation preference $100 per share)	690	690
Common shares, par value $.01; authorized 400,000,000 shares; issued and outstanding: 2012 145,907,590 shares, 2011 145,610,029 shares	1	1
Additional paid-in capital	4,855	4,829
Retained earnings	6,964	6,917

Accumulated other comprehensive income (loss)	(265)	(610)
Treasury shares, at cost - 1,933,286 shares	(120)	(120)
Total Bunge shareholders equity	12,125	11,707
Noncontrolling interest (Note 18)	645	368
Total equity	12,770	12,075
Total liabilities and equity	**$ 25,796**	**$ 23,275**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
OPERATING ACTIVITIES		
Net income	$ 89	$ 235
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Foreign exchange loss (gain) on debt	(15)	(43)
Bad debt expense	16	(4)
Depreciation, depletion and amortization	120	104
Stock-based compensation expense	19	15
Deferred income taxes	(34)	(11)
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(439)	(212)
Inventories	(549)	40
Prepayments and advances to suppliers	(57)	(98)
Trade accounts payable and accrued liabilities	653	342
Net unrealized gain/loss on derivative contracts	(3)	84
Margin deposits	(95)	330
Other, net	(7)	(48)
Cash provided by (used for) operating activities	(302)	734
INVESTING ACTIVITIES		
Payments made for capital expenditures	(224)	(207)
Acquisitions of businesses (net of cash acquired)	(98)	(62)
Proceeds from investments	18	16
Payments for investments	(9)	(12)
Investments in affiliates, net	(49)	(8)
Other, net	41	(9)
Cash provided by (used for) investing activities	(321)	(282)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	69	(70)
Proceeds from short-term debt with maturities greater than 90 days	194	76
Repayments of short-term debt with maturities greater than 90 days	(225)	(732)
Proceeds from long-term debt	1,488	731
Repayments of long-term debt	(457)	(221)
Proceeds from sale of common shares	8	12
Dividends paid	(47)	(48)
Other, net	3	22
Cash provided by (used for) financing activities	1,033	(230)
Effect of exchange rate changes on cash and cash equivalents	5	12
Net increase (decrease) in cash and cash equivalents	415	234
Cash and cash equivalents, beginning of period	835	578

Cash and cash equivalents, end of period	**$**	**1,250**	**$**	**812**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(U.S. dollars in millions, except share data)

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non Controlling Interest	Total Equity
	Shares	**Amount**	**Shares**	**Amount**						
Balance, January 1, 2011	6,900,000	$ 690	146,635,083	$ 1	$ 4,793	$ 6,153	$ 583	$	$ 334	$ 12,554
Net income						232			3	235
Other comprehensive income (loss)							291		8	299
Dividends on common shares						(34)				(34)
Dividends on preference shares						(8)				(8)
Dividends to noncontrolling interest on subsidiary common stock									(6)	(6)
Capital contribution from noncontrolling interest									42	42
Stock-based compensation expense					15					15
Issuance of common shares			571,364		8					8
Balance, March 31, 2011	**6,900,000**	**$ 690**	**147,206,447**	**$ 1**	**$ 4,816**	**$ 6,343**	**$ 874**	**$**	**$ 381**	**$ 13,105**

	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non Controlling Interest	Total Equity
	Shares	**Amount**	**Shares**	**Amount**						
Balance, January 1, 2012	6,900,000	$ 690	145,610,029	$ 1	$ 4,829	$ 6,917	$ (610)	$ (120)	$ 368	$ 12,075
Net income						92			(3)	89
Other comprehensive income (loss)							345		13	358
Dividends on common shares						(37)				(37)
Dividends on preference shares						(8)				(8)

Dividends to noncontrolling interest on subsidiary common stock									(3)	(3)
Capital contribution from noncontrolling interest									270	270
Stock-based compensation expense					19					19
Issuance of common shares			297,561		7					7
Balance, March 31, 2012	**6,900,000**	**$ 690**	**145,907,590**	**$ 1**	**$ 4,855**	**$ 6,964**	**$ (265)**	**$ (120)**	**$ 645**	**$ 12,770**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BUNGE LIMITED AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Bunge Limited (Bunge), its subsidiaries and variable interest entities (VIEs) in which it is considered the primary beneficiary. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended (Exchange Act) and include the assets, liabilities, revenues and expenses of all entities in which Bunge has a controlling financial interest or is otherwise deemed to be the primary beneficiary. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The condensed consolidated balance sheet at December 31, 2011 has been derived from Bunge s audited consolidated financial statements at that date. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2011, forming part of Bunge s 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 27, 2011.

As described in Note 3, Bunge acquired an asset management business in Europe on March 19, 2012. Based on the accounting requirements of Accounting Standards Codification (ASC) Topic 810-10, *Consolidation*, Bunge concluded that restrictions on certain subsidiaries of this asset management business that serve as general partners in certain investment funds managed by that business to sell, transfer or encumber their partnership interests without advance approval of specified majorities of limited partner investors, and similar restrictions on such limited partner investors to sell, transfer or encumber their interests in the funds without prior approval of the general partner, result in a potential de facto principal/agency relationship as defined under accounting requirements and therefore Bunge is required to consolidate these investment funds, although it does not have significant equity at risk in these investment funds. The consolidation of these investment funds into Bunge s financial statements impacts primarily investments, long-term debt and noncontrolling interest in Bunge s condensed consolidated balance sheet as of March 31, 2012 in the amounts of $351 million, $95 million and $267 million, respectively. Bunge does not provide performance guarantees and has no financial obligation to provide funding to these investment funds.

Certain prior year amounts have been reclassified to conform to current year presentation (see Notes 6 and 20).

2. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements In May 2011, the Financial Accounting Standards Board (FASB) amended the guidance in ASC Topic 820, *Fair Value Measurement*. This guidance is intended to result in convergence between U.S. GAAP and IFRS requirements for measurement of, and disclosures about, fair value. The amendment clarifies or changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The adoption of this standard did not have a material impact on Bunge s condensed consolidated financial statements.

In June and December 2011, the FASB amended the guidance in ASC Topic 220, *Comprehensive Income*. The guidance requires that other comprehensive income be presented in either one continuous statement, or in two separate but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The amendment eliminates the option to report other comprehensive income in the statement of changes in equity. The FASB also deferred the required presentation of reclassifications out of accumulated other comprehensive income on the face of the financial statements. The adoption of these standards did not have a material impact on Bunge s condensed consolidated financial statements.

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In September 2011, the FASB amended the guidance in ASC Topic 350, *Intangibles Goodwill and Other Intangibles*. This guidance provides an option to perform a qualitative assessment to determine potential impairment as a basis for determining the necessity of the two-step quantitative goodwill impairment test. The adoption of this standard did not have a material impact on Bunge s condensed consolidated financial statements.

New Accounting Pronouncements In December 2011, FASB amended the guidance in ASC Topic 210, *Balance Sheet*. This amendment requires an entity to disclose both gross and net information about financial instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. The amendment is effective for annual and interim periods beginning on January 1, 2013 on a retrospective basis for all comparative periods presented. The adoption of this standard may expand Bunge s disclosures but is not expected to impact Bunge s condensed consolidated financial results.

3. BUSINESS ACQUISITIONS

In March 2012, Bunge acquired an asset management business in its agribusiness segment in Europe for $9 million net of cash acquired. The preliminary purchase price allocation includes $25 million of current assets, $346 million of long-term investments, $13 million of other intangible assets, $25 million of other liabilities, $94 million of debt, $264 million of noncontrolling interest and $8 million of goodwill. Of these amounts, $14 million of other net assets, $344 million of long-term investments, $94 million of long-term debt and $264 million of noncontrolling interest are attributed to certain managed investment funds, which Bunge consolidates as it is deemed to be the primary beneficiary.

In February 2012, Bunge acquired an edible oils and fats business in its edible oils segment in India for $94 million, net of cash acquired. The purchase price consisted of $77 million in cash and $17 million of acquired debt. The preliminary purchase price allocation includes $15 million of inventory, $4 million of current assets, $27 million of property plant and equipment, $53 million of intangible assets (primarily trademark and brands) and $5 million of other liabilities.

4. INVENTORIES

Inventories by segment are presented below. Readily marketable inventories refers to inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms.

(US$ in millions)	**March 31, 2012**	**December 31, 2011**
Agribusiness (1)	$ 4,713	$ 4,080
Sugar and bioenergy (2)	410	465
Edible oil products (3)	605	489
Milling products (4)	99	130
Fertilizer (4)	541	569
Total	**$ 6,368**	**$ 5,733**

(1) Includes readily marketable agricultural commodity inventories at fair value of $4,353 million and $3,724 million at March 31, 2012 and December 31, 2011, respectively. All other agribusiness segment inventories are carried at lower of cost or market.

(2) Includes readily marketable sugar inventories of $43 million and $139 million at March 31, 2012 and December 31, 2011, respectively. Of these sugar inventories, $38 million and $83 million are carried at fair value at March 31, 2012 and December 31, 2011, respectively, in Bunge s trading and merchandising business. Sugar and ethanol inventories in our industrial production business are carried at lower of cost or market.

(3) Edible oil products inventories are generally carried at lower of cost or market, with the exception of readily marketable inventories of bulk soybean oil which are carried at fair value in the aggregate amount of $231 million and $212 million at March 31, 2012 and December 31, 2011, respectively.

(4) Milling products and fertilizer inventories are carried at lower of cost or market.

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5. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US$ in millions)		March 31, 2012		December 31, 2011
Prepaid commodity purchase contracts (1)	$	359	$	206
Secured advances to suppliers, net (2)		267		349
Unrealized gains on derivative contracts at fair value		1,200		1,283
Recoverable taxes, net		476		528
Margin deposits (3)		450		352
Marketable securities		128		50
Deferred purchase price receivable(4)		200		192
Prepaid expenses		386		369
Restricted cash(5)				43
Other		444		424
Total	**$**	**3,910**	**$**	**3,796**

(1) Prepaid commodity purchase contracts represent advance payments against fixed-price contracts for future delivery of specified quantities of agricultural commodities. These contracts are recorded at fair value based on prices of the underlying agricultural commodities.

(2) Bunge provides cash advances to suppliers, primarily Brazilian farmers of soybeans, to finance a portion of the suppliers production costs. Bunge does not bear any of the costs or risks associated with the related growing crops. The advances are largely collateralized by future crops and physical assets of the suppliers, carry a local market interest rate and settle when the farmer s crop is harvested and sold. The secured advances to farmers are reported net of allowances of $3 million at both March 31, 2012 and December 31, 2011.

Interest earned on secured advances to suppliers of $8 million and $7 million for the three months ended March 31, 2012 and 2011, respectively, is included in net sales in the condensed consolidated statements of income.

(3) Margin deposits include U.S. treasury securities at fair value and cash.

(4) Deferred purchase price receivable represents additional credit support for the investment conduits in Bunge s accounts receivables sales program (see Note 13) and is recognized at its estimated fair value.

(5) Restricted cash at December 31, 2011 includes an escrowed cash deposit related to an equity investment which was completed in the first quarter of 2012.

6. GOODWILL

Changes in the carrying value of goodwill by segment for the three months ended March 31, 2012, are as follows:

(US$ in millions)	Agribusiness	Sugar and Bioenergy	Edible Oil Products	Milling Products	Fertilizer	Total
Balance, December 31, 2011	$ 216	$ 560	$ 110	$ 6	$ 1	$ 893
Acquired goodwill (1)	8					8
Reallocation of acquired goodwill(2)	(1)		(13)		1	(13)
Tax benefit on goodwill amortization (3)	(2)					(2)
Foreign exchange translation	4	17	8			29
Balance, March 31, 2012	**$ 225**	**$ 577**	**$ 105**	**$ 6**	**$ 2**	**$ 915**

(1) See Note 3.

(2) Beginning in the first quarter of 2012, the management responsibilities for certain Brazilian port facilities were moved from the agribusiness segment to the fertilizer segment. Accordingly, goodwill attributable to these port facilities was reclassified to conform to the 2012 segment presentation. Also in the first quarter of 2012, the purchase price allocation for the 2011 edible oil products acquisition was revised

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resulting in a reduction of goodwill of $13 million, a reduction of inventory of $6 million, an increase in finite-lived intangibles of $14 million and a reduction of deferred tax liabilities of $5 million.

(3) Bunge s Brazilian subsidiary s tax deductible goodwill is in excess of its book goodwill. For financial reporting purposes, for goodwill acquired prior to 2009, the tax benefits attributable to the excess tax goodwill are first used to reduce associated goodwill and then other intangible assets to zero, prior to recognizing any income tax benefit in the condensed consolidated statements of income.

7. INVESTMENTS IN AFFILIATES

In January 2012, Bunge completed the acquisition of a 35% interest in PT Bumiraya Investindo, an Indonesian palm plantation company for $43 million. Bunge accounts for this equity method investment in the agribusiness segment.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US$ in millions)		**March 31, 2012**		**December 31, 2011**
Recoverable taxes, net	$	528	$	386
Long-term receivables from farmers in Brazil, net		253		284
Judicial deposits		173		167
Income taxes receivable		476		565
Affiliate loans receivable		73		63
Long-term investments		398		37
Other		211		204
Total	**$**	**2,112**	**$**	**1,706**

Recoverable taxes Recoverable taxes are reported net of valuation allowances of $40 million and $41 million at March 31, 2012 and December 31, 2011, respectively.

Long-term receivables from farmers in Brazil Bunge provides financing to farmers in Brazil, primarily through secured advances against farmer commitments to deliver agricultural commodities (primarily soybeans) upon harvest of the then-current year s crop and through credit sales of fertilizer to farmers.

The table below summarizes Bunge s recorded investment in long-term receivables from farmers in Brazil for amounts in the legal collection process and renegotiated amounts.

(US$ in millions)	March 31, 2012		December 31, 2011	
Legal collection process (1)	$	325	$	358
Renegotiated amounts:				
Current on repayment terms		143		125
Total	**$**	**468**	**$**	**483**

(1) All amounts in legal process are considered past due upon initiation of legal action.

The average recorded investment in long-term receivables from farmers in Brazil for the three months ended March 31, 2012 and the year ended December 31, 2011 was $504 million and $561 million, respectively. The table below summarizes Bunge s recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

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(US$ in millions)	March 31, 2012 Recorded Investment	March 31, 2012 Allowance	December 31, 2011 Recorded Investments	December 31, 2011 Allowance
For which an allowance has been provided:				
Renegotiated amounts	$ 87	$ 71	$ 64	$ 52
Legal collection process	161	144	162	147
For which no allowance has been provided:				
Renegotiated amounts	56		61	
Legal collection process	164		196	
Total	**$ 468**	**$ 215**	**$ 483**	**$ 199**

The table below summarizes the activity in the allowance for doubtful accounts related to long-term receivables from farmers in Brazil.

(US$ in millions)	March 31, 2012	March 31, 2011
Beginning Balance	$ 199	$ 201
Bad debt provisions	15	1
Recoveries	(4)	(1)
Write-offs		
Transfers		
Foreign exchange translation	5	4
Ending balance	**$ 215**	**$ 205**

Judicial deposits Judicial deposits are funds that Bunge has placed on deposit with the courts in Brazil. These funds are held in judicial escrow relating to certain legal proceedings pending legal resolution and bear interest at the SELIC rate (benchmark rate of the Brazilian central bank).

Income taxes receivable Income taxes receivable at March 31, 2012 and December 31, 2011 includes overpayments of current income taxes plus accrued interest. These income tax prepayments are expected to be utilized for settlement of future income tax obligations. Income taxes receivable in Brazil bear interest at the SELIC rate (benchmark rate of the Brazilian central bank).

Affiliate loans receivable Affiliate loans receivable are primarily interest bearing receivables from unconsolidated affiliates with an initial maturity of greater than one year.

Long-term investments Long-term investments primarily relate to investments held by certain managed investment funds (see Note 1) for which Bunge has been deemed the primary beneficiary, resulting in Bunge s consolidation of the associated entities.

9. INCOME TAXES

Income tax expense is provided on an interim basis based upon management s estimate of the annual effective income tax rate and includes the tax effects of certain discrete items, such as changes in tax laws or tax rates or other unusual or nonrecurring tax adjustments, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The effective tax rate is highly dependent upon the geographic distribution of Bunge s worldwide earnings or loss and tax regulations in each geographic region. Management regularly monitors the assumptions used in estimating its annual effective tax rate and adjusts estimates accordingly. If actual results differ from management s estimates, reported income tax expense in future periods could be materially affected.

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For the three months ended March 31, 2012 and 2011, income tax expense was $14 million and $43 million, respectively. The effective tax rates for the three months ended March 31, 2012 and 2011 were 13% and 15%, respectively. Included in the effective tax rate for the three months ended March 31, 2012 and 2011 were approximately $5 million and $21 million, respectively, of discrete tax charges.

As a global enterprise, Bunge files income tax returns that are subject to periodic examination and challenge by federal, state and foreign tax authorities. In many jurisdictions, income tax examinations, including settlement negotiations or litigation, may take several years to finalize. While it is often difficult to predict the final outcome or timing of resolution of any particular matter with the various tax authorities, management believes that its non-current income tax liabilities reflect the most probable outcome of known tax contingencies. There were no material changes to uncertain tax positions for the three months ended March 31, 2012 and 2011. It is reasonably possible that the amount of unrecognized tax benefit will increase or decrease during the next 12 months; however, management does not expect a material effect on results of operations or financial position.

In the quarter ended March 31, 2012, the Brazilian tax authorities proposed certain adjustments to the income tax returns for one of Bunge s Brazilian subsidiaries for the years 2008 and 2009. The proposed adjustments totaled approximately $62 million plus applicable interest and penalties. Management believes that it is more likely than not that it will prevail and therefore, has not recorded an uncertain tax liability.

In 2011, the Brazilian tax authorities commenced an examination of the income tax returns of one of Bunge s Brazilian subsidiaries for the years 2005-2009 and proposed adjustments totaling approximately $160 million plus applicable interest and penalties. Management, in consultation with external legal advisors, has reviewed and responded to the proposed adjustments and believes that it is more likely than not that it will prevail and therefore, has not recorded an uncertain tax liability.

In 2010, the Brazilian tax authorities had proposed certain significant adjustments to the income tax returns for one of Bunge s Brazilian subsidiaries for the years 2005 to 2007. The proposed adjustments totaled approximately $525 million plus applicable interest and penalties. In late 2011, Bunge received a decision from the Tax Inspector that dismissed approximately $170 million of the Brazilian IRS s case against Bunge. Management is appealing the remainder of the case, and has not changed its position that it is more likely than not that it will prevail and therefore, has not recorded an uncertain tax liability.

10. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US$ in millions)		**March 31, 2012**		**December 31, 2011**
Accrued liabilities	$	1,127	$	1,179
Unrealized losses on derivative contracts at fair value		1,295		1,370
Advances on sales		352		283
Other		15		57
Total	**$**	**2,789**	**$**	**2,889**

11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Bunge s various financial instruments include certain components of working capital such as cash and cash equivalents, trade accounts receivable and trade accounts payable. Additionally, Bunge uses short and long-term debt to fund operating requirements. Cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term debt are stated at their carrying value, which is a reasonable estimate of fair value. See Note 13 for deferred purchase price receivable (DPP) related to sales of trade receivables. See Note 8 for long-term receivables from farmers in Brazil, net and see Note 12 for long-term debt. Bunge s financial instruments also include derivative instruments and marketable securities, which are stated at fair value.

Fair value is the expected price that would be received for an asset or paid to transfer a liability (an exit price) in Bunge s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Bunge determines the fair values of its readily marketable inventories, derivatives, and certain other assets based on the fair value hierarchy established in ASC Topic 820, *Fair Value Measurements and Disclosures*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs based on market data obtained from sources independent of Bunge that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that are developed based on the best information available in circumstances that reflect Bunge s own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability. The standard describes three levels within its hierarchy that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include exchange traded derivative contracts.

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Level 2: Observable inputs, including Level 1 prices (adjusted); quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include readily marketable inventories and over-the-counter (OTC) commodity purchase and sale contracts and other OTC derivatives whose value is determined using pricing models with inputs that are generally based on exchange traded prices, adjusted for location specific inputs that are primarily observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually, or when aggregated with other inputs, generally represent more than 10% of the fair value of the assets or liabilities. For such identified inputs which are primarily related to inland transportation costs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Level 3 assets and liabilities include assets and liabilities whose value is determined using proprietary pricing models, discounted cash flow methodologies, or similar techniques, as well as assets and liabilities for which the determination of fair value requires significant management judgment or estimation. Bunge believes a change in these inputs would not result in a significant change in the fair values.

The majority of Bunge s exchange traded agricultural commodity futures are settled daily generally through its clearing subsidiary and therefore, such futures are not included in the table below. Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3. Bunge s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels. The following table sets forth, by level, Bunge s assets and liabilities that were accounted for at fair value on a recurring basis.

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	Fair Value Measurements at Reporting Date							
	March 31, 2012				December 31, 2011			
(US$ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Readily marketable inventories (Note 4)	$	$ 3,945	$ 677	$ 4,622	$	$ 3,736	$ 283	$ 4,019
Unrealized gain on designated derivative contracts (1):								
Foreign exchange		2		2		13		13
Unrealized gain on undesignated derivative contracts (1):								
Foreign exchange		234	1	235		451	1	452
Commodities	85	687	164	936	75	586	125	786
Freight	10		1	11	5		1	6
Energy	7	7	2	16	11	13	2	26
Deferred purchase price receivable (Note 13)		200		200		192		192
Other (2)	258	142		400	146	34		180
Total assets	**$ 360**	**$ 5,217**	**$ 845**	**$ 6,422**	**$ 237**	**$ 5,025**	**$ 412**	**$ 5,674**
Liabilities:								
Unrealized loss on designated derivative contracts (3):								
Foreign exchange	$	$ 18	$	$ 18	$	$ 45	$	$ 45
Unrealized loss on undesignated derivative contracts (3):								
Interest rate		1		1		2		2
Foreign exchange		387		387		617		617
Commodities	203	570	92	865	147	417	116	680
Freight	2			2	1			1
Energy	7	1	14	22	4	6	15	25
Total liabilities	**$ 212**	**$ 977**	**$ 106**	**$ 1,295**	**$ 152**	**$ 1,087**	**$ 131**	**$ 1,370**

(1) Unrealized gains on designated and undesignated derivative contracts are generally included in other current assets. There are no such amounts included in other non-current assets at March 31, 2012 and December 31, 2011.

(2) Other assets include primarily the fair values of U.S. Treasury securities held as margin deposits and other marketable securities.

(3) Unrealized losses on designated and undesignated derivative contracts are generally included in other current liabilities. There are no such amounts included in other non-current liabilities at March 31, 2012 and December 31, 2011.

Derivatives Exchange traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Bunge s forward commodity purchase and sale contracts are classified as derivatives along with other OTC derivative instruments relating primarily to freight, energy, foreign exchange and interest rates, and are classified within Level 2 or Level 3 as described below. Bunge estimates fair values based on exchange quoted prices, adjusted as appropriate for differences in local markets. These differences are generally valued using inputs from broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these derivative contracts are classified within Level 2. Changes in the fair values of these contracts are recognized in the condensed consolidated financial statements as a component of cost of goods sold, foreign exchange gains (losses), interest income (expense), other income (expense), net or other comprehensive income (loss).

OTC derivative contracts include swaps, options and structured transactions that are valued at fair value generally determined using quantitative models that require the use of multiple market inputs including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets which are not highly active, other observable inputs relevant to the asset or liability, and market inputs corroborated by correlation or other means. These valuation models include inputs such as interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors. Where observable inputs are available

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for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with less availability of pricing information and certain structured transactions can require internally developed model inputs that might not be observable in or corroborated by the market. When unobservable inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

Bunge s policy is to only classify exchange traded or cleared derivative contracts in Level 1, thus transfers of assets and liabilities into and/or out of Level 1 occur infrequently. Transfers into Level 1 would generally only be expected to occur when an exchange-cleared derivative contract historically valued using a valuation model as the result of a lack of observable inputs becomes sufficiently observable, resulting in the valuation price being essentially the exchange traded price. There were no significant transfers into or out of Level 1 during the periods presented.

Bunge may designate certain derivative instruments as either fair value hedges or cash flow hedges and assesses, both at inception of the hedge and on an ongoing basis, whether derivatives that are designated as hedges are highly effective in offsetting changes in the hedged items or anticipated cash flows.

Readily marketable inventories The majority of Bunge s readily marketable commodity inventories are valued at fair value. These agricultural commodity inventories are readily marketable, have quoted market prices and may be sold without significant additional processing. Changes in the fair values of these inventories are recognized in the condensed consolidated statements of income as a component of cost of goods sold.

Readily marketable inventories reported at fair value are valued based on commodity futures exchange quotations, broker or dealer quotations, or market transactions in either listed or OTC markets with appropriate adjustments for differences in local markets where Bunge s inventories are located. In such cases, the inventory is classified within Level 2. Certain inventories may utilize significant unobservable data related to local market adjustments to determine fair value. In such cases, the inventory is classified as Level 3.

If Bunge used different methods or factors to determine fair values, amounts reported as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the condensed consolidated balance sheets and condensed consolidated statements of income could differ. Additionally, if market conditions change subsequent to the reporting date, amounts reported in future periods as unrealized gains and losses on derivative contracts and readily marketable inventories at fair value in the condensed consolidated balance sheets and condensed consolidated statements of income could differ.

Level 3 Valuation Bunge s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually, or when aggregated with other inputs, represent more than 10% of the fair value of the asset or liability. For such identified inputs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Because of differences in the availability of market pricing data over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy or some combination thereof. While FASB guidance requires Bunge to classify these assets and liabilities in the lowest level in the hierarchy for which inputs are significant to the fair value measurement, a portion of that measurement may be determined using inputs from a higher level in the hierarchy.

The significant unobservable inputs resulting in Level 3 classification relate to freight in the interior of Brazil and the lack of market corroborated information in Canada. In both situations, Bunge uses proprietary information such as purchase and sale contracts and contracted prices for freight, premiums and discounts to value its contracts. Movements in the price of these unobservable inputs alone would not have a material effect on Bunge s financials as these contracts do not typically exceed one future crop cycle.

Transfers in and/or out of Level 3 represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period. Bunge s policy regarding the timing of transfers between levels is to record the transfers at the beginning of the reporting period.

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Level 3 Derivatives Level 3 derivative instruments utilize both market observable and unobservable inputs within the fair value measurements. These inputs include commodity prices, price volatility factors, interest rates, volumes and locations. In addition, with the exception of the exchange cleared instruments where Bunge clears trades through an exchange, Bunge is exposed to loss in the event of the non-performance by counterparties on over-the-counter derivative instruments and forward purchase and sale contracts. Adjustments are made to fair values on occasions when non-performance risk is determined to represent a significant input in Bunge s fair value determination. These adjustments are based on Bunge s estimate of the potential loss in the event of counterparty non-performance. Bunge did not have significant allowances related to non-performance by counterparties at March 31, 2012.

Level 3 Readily marketable inventories Readily marketable inventories are considered Level 3 when at least one significant assumption or input is unobservable. These assumptions or unobservable inputs include certain management estimations regarding costs of transportation and other local market or location-related adjustments.

The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2012 and 2011. Level 3 instruments presented in the tables include readily marketable inventories and derivatives. These instruments were valued using pricing models that, in management s judgment, reflect the assumptions that would be used by a marketplace participant to determine fair value.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Total**
Balance, January 1, 2012	$ (2)	$ 283	$ 281
Total gains and (losses) (realized/unrealized) included in costs of goods sold	75	40	115
Total gains and (losses) (realized/unrealized) included in foreign exchange gains (losses)			
Purchases	2	765	767
Sales		(526)	(526)
Issuances	(1)		(1)
Settlements	17		17
Transfers into Level 3	(14)	180	166
Transfers out of Level 3	(15)	(65)	(80)
Balance, March 31, 2012	**$ 62**	**$ 677**	**$ 739**

(1) Derivatives, net include Level 3 derivative assets and liabilities.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Total**
Balance, January 1, 2011	$ 307	$ 264	$ 571
Total gains and (losses) (realized/unrealized) included in cost of goods sold	(42)	(38)	(80)
	1		1

Total gains and (losses) (realized/unrealized) included in foreign exchange gains (losses)			
Purchases	36	872	908
Sales		(400)	(400)
Issuances	(26)		(26)
Settlements	(51)		(51)
Transfers into Level 3	5	117	122
Transfers out of Level 3	7	(19)	(12)
Balance, March 31, 2011	**$ 237**	**$ 796**	**$ 1,033**

(1) Derivatives, net include Level 3 derivative assets and liabilities.

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The table below summarizes changes in unrealized gains or (losses) recorded in earnings during the three months ended March 31, 2012 and 2011 for Level 3 assets and liabilities that were held at March 31, 2012 and 2011.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Total**
Changes in unrealized gains and (losses) relating to assets and liabilities held at March 31, 2012			
Cost of goods sold	$ 83	$ 568	$ 651
Foreign exchange gains (losses)	$	$	$
Changes in unrealized gains and (losses) relating to assets and liabilities held at March 31, 2011			
Cost of goods sold	$ (38)	$ 695	$ 657
Foreign exchange gains (losses)	$ 1	$	$ 1

(1) Derivatives, net include Level 3 derivative assets and liabilities.

Derivative Instruments

Interest rate derivatives Interest rate swaps used by Bunge as hedging instruments are recorded at fair value in the condensed consolidated balance sheets with changes in fair value recorded contemporaneously in earnings. Certain of these swap agreements may be designated as fair value hedges. The carrying amount of the associated hedged debt is also adjusted through earnings for changes in the fair value arising from changes in benchmark interest rates. Ineffectiveness is recognized to the extent that these two adjustments do not offset. Bunge may enter into interest rate swap agreements for the purpose of managing certain of its interest rate exposures. Bunge may also enter into interest rate basis swap agreements that do not qualify as hedges for accounting purposes. Changes in fair value of such interest rate basis swap agreements are recorded in earnings.

Foreign exchange derivatives Bunge uses a combination of foreign exchange forward, swap and option contracts in certain of its operations to mitigate the risk from exchange rate fluctuations in connection with certain commercial and balance sheet exposures. The foreign exchange forward and option contracts may be designated as cash flow hedges. Bunge may also use net investment hedges to partially offset the translation adjustments arising from the remeasurement of its investment in certain of its foreign subsidiaries.

Bunge assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in the hedged items.

The table below summarizes the notional amounts of open foreign exchange positions.

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(US$ in millions)	Exchange Traded Net (Short) & Long (1)	March 31, 2012 Non-Exchange Traded (Short) (2)	Long (2)	Unit of Measure
Foreign Exchange				
Options	$ (10)	$ (384)	$ 82	Delta
Forwards	95	(3,823)	12,057	Notional
Swaps		(109)	27	Notional

(1) Exchange traded futures and options are presented on a net (short) and long position basis.

(2) Non-exchange traded swaps, options and forwards are presented on a gross (short) and long position basis.

Commodity derivatives Bunge uses derivative instruments to manage its exposure to movements associated with agricultural commodity prices. Bunge generally uses exchange traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on its agricultural commodity inventories and forward purchase and sale contracts, but may also from time to time enter into OTC commodity transactions, including swaps, which are settled in cash at maturity or termination based on exchange-quoted futures prices. Changes in fair values of exchange traded futures contracts representing the unrealized gains and/or losses on these instruments are settled daily generally through Bunge s wholly-owned futures clearing subsidiary. Forward purchase and sale contracts are primarily settled through delivery of agricultural commodities. While Bunge considers these exchange traded futures and forward purchase and sale contracts to be effective economic hedges, Bunge does not designate or account for the majority of its commodity contracts as hedges. Changes in fair values of these contracts and related readily marketable agricultural commodity inventories are included in cost of goods sold in the condensed consolidated statements of income. The forward contracts require performance of both Bunge and the contract counterparty in future periods. Contracts to purchase agricultural commodities generally relate to current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of agricultural commodities generally do not extend beyond one future crop cycle.

The table below summarizes the volumes of open agricultural commodities derivative positions.

	Exchange Traded Net (Short) & Long (1)	March 31, 2012 Non-Exchange Traded (Short) (2)	Long (2)	Unit of Measure
Agricultural Commodities				
Futures	(10,228,083)			Metric Tons
Options	(2,311,199)	(43,922)		Metric Tons
Forwards		(25,694,308)	30,100,817	Metric Tons
Swaps	9,525	(624,784)	8,165	Metric Tons