

Bunge LTD
Form 10-Q
August 05, 2013
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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 June 30, 2013

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)

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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 No

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 No

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

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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 No

As of July 30, 2013 the number of shares issued of the registrant was:

Common shares, par value \$.01 per share: 147,244,972

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BUNGE LIMITED

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Table of Contents**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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 15,491	\$ 14,499	\$ 30,276	\$ 27,408
Cost of goods sold	(14,875)	(13,856)	(29,013)	(26,228)
Gross profit	616	643	1,263	1,180
Selling, general and administrative expenses	(379)	(374)	(728)	(767)
Interest income	12	16	21	38
Interest expense	(86)	(78)	(162)	(137)
Foreign exchange gain (loss)	(3)	13	(43)	71
Other income (expense) net	(1)	(7)	38	(8)
Gain on sale of investment in affiliate		85		85
Gain on acquisition of controlling interest		36		36
Income from continuing operations before income tax	159	334	389	498
Income tax expense	(38)	(75)	(111)	(115)
Income from continuing operations	121	259	278	383
Income (loss) from discontinued operations, net of tax	1	7	(8)	(28)
Net income	122	266	270	355
Net (income) loss attributable to noncontrolling interests	14	8	46	11
Net income attributable to Bunge	136	274	316	366
Convertible preference share dividends and other obligations	(26)	(9)	(36)	(17)
	\$ 110	\$ 265	\$ 280	\$ 349

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Net income available to Bunge common shareholders

Earnings per common share basic (Note 17)

Net income (loss) from continuing operations	\$	0.74	\$	1.77	\$	1.97	\$	2.58
Net income (loss) from discontinued operations		0.02		0.05		(0.06)		(0.19)
Net income (loss) to Bunge common shareholders	\$	0.76	\$	1.82	\$	1.91	\$	2.39

Earnings per common share diluted (Note 17)

Net income (loss) from continuing operations	\$	0.74	\$	1.73	\$	1.95	\$	2.55
Net income (loss) from discontinued operations		0.01		0.05		(0.05)		(0.18)
Net income (loss) to Bunge common shareholders	\$	0.75	\$	1.78	\$	1.90	\$	2.37

Dividends per common share	\$	0.30	\$	0.27	\$	0.57	\$	0.52
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(U.S. dollars in millions)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 122	\$ 266	\$ 270	\$ 355
Other comprehensive income (loss):				
Foreign exchange translation adjustment	(834)	(1,133)	(758)	(798)
Unrealized gains (losses) on foreign exchange contracts designated as cash flow or net investment hedges, net of tax (expense) benefit of \$9 and \$6 in 2013, \$12 and \$8 in 2012	15	(25)	26	(16)
Unrealized gains (losses) on investments, net of tax (expense) benefit of \$(2) and \$(2) in 2013, \$1 and \$(6) in 2012	4	(2)	4	11
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of \$0 and \$2 in 2013, \$(1) and \$0 in 2012		21	(3)	21
Pension adjustment, net of tax (expense) benefit of \$(1) and \$(1) in 2013, nil in 2012	2		2	1
Total other comprehensive income (loss)	(813)	(1,139)	(729)	(781)
Total comprehensive income (loss)	(691)	(873)	(459)	(426)
Less: comprehensive (income) loss attributable to noncontrolling interests	18	47	46	37
Total comprehensive income (loss) attributable to Bunge	\$ (673)	\$ (826)	\$ (413)	\$ (389)

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(U.S. dollars in millions, except share data)**

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 726	\$ 569
Time deposits under trade structured finance program (Note 5)	4,687	3,048
Trade accounts receivable (less allowances of \$115 and \$125) (Note 13)	3,010	2,471
Inventories (Note 6)	6,391	6,590
Deferred income taxes	88	108
Current assets held for sale (Note 4)	771	660
Other current assets (Note 7)	5,010	3,818
Total current assets	20,683	17,264
Property, plant and equipment, net	5,762	5,888
Goodwill	331	351
Other intangible assets, net	311	295
Investments in affiliates	273	273
Deferred income taxes	1,157	1,213
Non-current assets held for sale (Note 4)	251	250
Other non-current assets (Note 8)	1,575	1,746
Total assets	\$ 30,343	\$ 27,280
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 2,725	\$ 1,598
Current portion of long-term debt (Note 12)	879	719
Letter of credit obligations under trade structured finance program (Note 5)	4,687	3,048
Trade accounts payable	3,482	3,319
Deferred income taxes	91	86
Current liabilities held for sale (Note 4)	456	297
Other current liabilities (Note 10)	2,839	2,494
Total current liabilities	15,159	11,561
Long-term debt (Note 12)	3,513	3,532
Deferred income taxes	61	84
Non-current liabilities held for sale (Note 4)	20	13
Other non-current liabilities	850	797
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests	33	38

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Equity (Note 16):			
Convertible perpetual preference shares, par value \$.01; authorized, issued and outstanding:			
2013 and 2012 6,900,000 shares (liquidation preference \$100 per share)	690		690
Common shares, par value \$.01; authorized 400,000,000 shares; issued and outstanding:			
2013 147,201,610 shares, 2012 146,348,499 shares	1		1
Additional paid-in capital	4,923		4,909
Retained earnings	7,007		6,792
Accumulated other comprehensive income (loss) (Note 16)	(2,139)		(1,410)
Treasury shares, at cost - 1,933,286 shares	(120)		(120)
Total Bunge shareholders' equity	10,362		10,862
Noncontrolling interests	345		393
Total equity	10,707		11,255
Total liabilities and equity	\$ 30,343	\$	27,280

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(U.S. dollars in millions)**

	Six Months Ended June 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 270	\$ 355
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Gain on sale of investment in affiliate		(85)
Gain on acquisition of controlling interest		(36)
Foreign exchange loss (gain) on debt	49	(49)
Bad debt expense	7	29
Depreciation, depletion and amortization	270	264
Stock-based compensation expense	21	31
Deferred income taxes	35	(108)
Other, net	12	
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(632)	(434)
Inventories	(316)	(2,513)
Prepayments and advances to suppliers	(562)	(687)
Trade accounts payable and accrued liabilities	460	186
Net unrealized gain/loss on derivative contracts	55	214
Margin deposits	(7)	(63)
Other, net	(175)	197
Cash provided by (used for) operating activities	(513)	(2,699)
INVESTING ACTIVITIES		
Payments made for capital expenditures	(470)	(473)
Acquisitions of businesses (net of cash acquired)	(11)	(277)
Proceeds from investments	38	40
Payments for investments	(29)	(19)
Proceeds from sale of investment in affiliate		483
Payments for investments in affiliates	(24)	(89)
Other, net	(32)	52
Cash provided by (used for) investing activities	(528)	(283)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	883	1,618
Proceeds from short-term debt with maturities greater than 90 days	569	369
Repayments of short-term debt with maturities greater than 90 days	(377)	(367)
Proceeds from long-term debt	3,026	2,761
Repayments of long-term debt	(2,748)	(1,638)
Proceeds from sale of common shares	12	10
Dividends paid	(96)	(89)
Other, net	(3)	

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Cash provided by (used for) financing activities	1,266	2,664
Effect of exchange rate changes on cash and cash equivalents	(68)	(50)
Net increase (decrease) in cash and cash equivalents	157	(368)
Cash and cash equivalents, beginning of period	569	835
Cash and cash equivalents, end of period	\$ 726	\$ 467

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

Table of Contents**BUNGE LIMITED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS**

(Unaudited)

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

	Redeemable Noncontrolling Interests	Convertible Preference Shares	Amount	Common Shares Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance, January 1, 2012	\$	6,900,000	\$ 690	145,610,029	\$ 1	\$ 4,829	\$ 6,917	\$ (610)	\$ (120)	\$ 368	\$ 12,075
Net income (loss)							366			(11)	355
Other comprehensive income (loss)								(755)		(26)	(781)
Dividends on common shares							(76)				(76)
Dividends on preference shares							(17)				(17)
Dividends to noncontrolling interests on subsidiary common stock										(6)	(6)
Capital contributions from noncontrolling interests										10	10
Noncontrolling interest at acquisition										273	273
Stock-based compensation expense						31					31
Issuance of common shares				425,320		8					8
Balance, June 30, 2012	\$	6,900,000	\$ 690	146,035,349	\$ 1	\$ 4,868	\$ 7,190	\$ (1,365)	\$ (120)	\$ 608	\$ 11,872

	Redeemable Noncontrolling Interests	Convertible Preference Shares	Amount	Common Shares Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity	
Balance, January 1, 2013	\$	38	6,900,000	\$ 690	146,348,499	\$ 1	\$ 4,909	\$ 6,792	\$ (1,410)	\$ (120)	\$ 393	\$ 11,255
Net income (loss)	(24)						316			(46)	270	
Accretion of noncontrolling interests	19					(19)					(19)	
Other comprehensive income (loss)								(729)			(729)	
Dividends on common shares							(84)				(84)	

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Dividends on preference shares							(17)								(17)					
Dividends to noncontrolling interests on subsidiary common stock														(3)	(3)					
Capital contributions from noncontrolling interests															1	1				
Stock-based compensation expense															21	21				
Issuance of common shares						853,111									12	12				
Balance, June 30, 2013	\$	33	6,900,000	\$	690	147,201,610	\$	1	\$	4,923	\$	7,007	\$	(2,139)	\$	(120)	\$	345	\$	10,707

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, and as a result, include the assets, liabilities, revenues and expenses of all entities over which Bunge exercises control. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (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). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with 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, 2012 has been derived from Bunge's audited consolidated financial statements at that date. Operating results for the six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2012, forming part of Bunge's 2012 Annual Report on Form 10-K filed with the SEC on March 1, 2013.

Equity investments in which Bunge has the ability to exercise significant influence but does not control are accounted for by the equity method of accounting. Investments in which Bunge does not exercise significant influence are accounted for by the cost method of accounting. Intercompany accounts and transactions are eliminated. Bunge consolidates VIEs in which it is considered the primary beneficiary and reconsiders such conclusion at each reporting period. An enterprise is determined to be the primary beneficiary if it has a controlling financial interest under GAAP, defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's business and (b) the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE's operations. Performance of that analysis requires the exercise of judgment. Where Bunge has an interest in an entity that has qualified for the deferral of the consolidation rules, it follows consolidation rules prior to January 1, 2010. Bunge's consolidated financial statements include certain private equity and other investment funds (the consolidated funds) related to an asset management business acquired in 2012. The consolidated funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their majority owned and controlled investments. Rather, Bunge reflects these investments at fair value. In addition, certain of these consolidated funds have limited partner investors with investments in the form of equity, which are accounted for as noncontrolling interests and investments in the form of debt for which Bunge has elected the fair value option.

Noncontrolling interests related to Bunge's ownership of less than 100% are reported as noncontrolling interests in subsidiaries in the condensed consolidated balance sheets. The noncontrolling interests in Bunge's earnings, net of tax, are reported as net (income) loss attributable to noncontrolling interests in the condensed consolidated statements of income.

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Discontinued Operations In determining whether a group of assets disposed (or to be disposed) of should be presented as discontinued operations, Bunge makes a determination of whether the group of assets being disposed of comprises a component of the entity; that is, whether it has historical operations and cash flows that can be clearly distinguished (both operationally and for financial reporting purposes). Bunge also determines whether the cash flows associated with the group of assets have been significantly (or will be significantly) eliminated from the ongoing operations of Bunge as a result of the disposal transaction and whether Bunge has no significant continuing involvement in the operations of the group of assets after the disposal transaction. If these determinations can be made affirmatively, the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) are aggregated for separate presentation apart from the continuing operations of the Company for all periods presented in the condensed consolidated financial statements (see Note 4).

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Adoption of New Accounting Pronouncements In December 2011 and January 2013, Financial Accounting Standards Board (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. Bunge's derivative assets and liabilities are presented on a gross basis in its condensed consolidated balance sheets. The adoption of this amendment on January 1, 2013 did not have a significant impact on Bunge's condensed consolidated financial statements.

In February 2013, FASB amended the guidance in ASC Topic 220, *Comprehensive Income*. This amendment requires an entity to disclose on a prospective basis the impact on income statement line items for significant items reclassified from other comprehensive income to net income during the period. The adoption of this amendment expanded Bunge's disclosures in its condensed consolidated financial statements.

3. BUSINESS ACQUISITIONS

In January 2013, Bunge acquired two biodiesel facilities adjacent to existing Bunge facilities from its European biodiesel joint venture for \$11 million in cash, net of cash acquired. The preliminary purchase price allocation resulted in \$4 million of inventory, \$17 million of other current assets, \$10 million of property, plant and equipment, \$19 million of other current liabilities and \$1 million of long-term deferred taxes. There were no changes to the joint venture ownership or governance structure as a result of this transaction.

4. DISCONTINUED OPERATIONS

On December 6, 2012, Bunge entered into a definitive agreement with Yara International ASA (Yara) under which Yara will acquire Bunge's Brazilian fertilizer distribution business, including blending facilities, brands and warehouses, for \$750 million in cash. Upon completion of the transaction, which is expected in the third quarter of 2013, Bunge will not have significant ongoing cash flows related to the Brazilian fertilizer business or any significant ongoing participation in the operations of this business. Assets and liabilities subject to the purchase and sale agreement have been classified as held for sale in Bunge's condensed consolidated balance sheets. The operating results of the Brazilian fertilizer distribution businesses are reported as income from discontinued operations, net of tax, in the condensed consolidated statements of income and have been excluded from segment results for all periods presented (see Note 18).

The following table summarizes the results from discontinued operations.

(US\$ in millions)	Three Months Ended June 30,	
	2013	2012
Net sales	\$ 607	\$ 592
Cost of goods sold	(567)	(575)
Gross profit	40	17

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Selling, general and administrative expenses	(31)	(22)
Interest income	9	5
Interest expense	(13)	(4)
Foreign exchange gain (loss)	(2)	5
Other income (expenses) net	(8)	(1)
Income (loss) from discontinued operations before income tax	(5)	
Income tax (expense) benefit	6	7
Income (loss) from discontinued operations, net of tax	\$ 1	\$ 7

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(US\$ in millions)	Six Months Ended June 30,	
	2013	2012
Net sales	\$ 1,063	\$ 1,128
Cost of goods sold	(998)	(1,127)
Gross profit	65	1
Selling, general and administrative expenses	(50)	(48)
Interest income	13	9
Interest expense	(16)	(7)
Foreign exchange gain (loss)	1	13
Other income (expenses) net	(6)	(29)
Income (loss) from discontinued operations before income tax	7	(61)
Income tax (expense) benefit	(15)	33
Income (loss) from discontinued operations, net of tax	\$ (8)	\$ (28)

Assets and liabilities held for sale associated with discontinued operations as of June 30, 2013 and December 31, 2012 are as follows:

(US\$ in millions)	June 30, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	\$ 2	\$ 2
Trade accounts receivable (less allowance of \$3 and \$2)	170	189
Inventories	567	402
Other current assets	32	67
Current assets held for sale	\$ 771	\$ 660
Property, plant and equipment, net	\$ 222	\$ 218
Deferred income taxes		40
Other non-current assets	29	(8)
Non-current assets held for sale	\$ 251	\$ 250
Liabilities:		
Trade accounts payable	\$ 241	\$ 157
Other current liabilities	215	140
Current liabilities held for sale	\$ 456	\$ 297
Deferred income taxes	\$ 7	\$
Other non-current liabilities	13	13
Non-current liabilities held for sale	\$ 20	\$ 13

5. TRADE STRUCTURED FINANCE PROGRAM

Bunge engages in various trade structured finance activities to leverage the value of its trade flows across its operating regions. These activities include a program under which a Bunge entity generally obtains U.S. dollar-denominated letters of credit (LCs) based on an underlying commodity trade flow from financial institutions, as well as foreign exchange forward contracts and time deposits denominated in the local currency of the financial institution counterparties, all of which are subject to legally enforceable set-off agreements. The LCs and foreign exchange contracts are presented within the line item Letter of credit obligations under trade structured finance program on the condensed consolidated balance sheets. The net return from activities under this Program, including fair value changes, is included as a reduction of cost of goods sold in the accompanying condensed consolidated statements of income.

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At June 30, 2013 and December 31, 2012, time deposits (with weighted-average interest rates of 8.73% and 8.95%, respectively) and LCs (including foreign exchange contracts) totaled \$4,687 million and \$3,048 million, respectively. In addition, at June 30, 2013 and December 31, 2012, the fair values of the time deposits (Level 2 measurements) totaled approximately \$4,687 million and \$3,048 million, respectively, and the fair values of the LCs

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(Level 2 measurements) totaled approximately \$4,994 million and \$3,024 million, respectively. The fair values approximated the carrying amount of the related financial instruments due to their short-term nature. The fair values of the foreign exchange forward contracts (Level 2 measurements) were a loss of \$307 million and a gain of \$24 million, respectively.

During the six months ended June 30, 2013 and 2012, total proceeds from issuances of LCs were \$4,951 million and \$2,282 million, respectively. These cash inflows are offset by the related cash outflows resulting from placement of the time deposits and repayment of the LCs.

6. 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)	June 30, 2013	December 31, 2012
Agribusiness (1)	\$ 5,016	\$ 5,240
Sugar and Bioenergy (2)	540	488
Edible Oil Products (3)	524	617
Milling Products (4)	227	184
Fertilizer (4) (5)	84	61
Total	\$ 6,391	\$ 6,590

(1) Includes readily marketable agricultural commodity inventories at fair value of \$4,630 million and \$4,892 million at June 30, 2013 and December 31, 2012, respectively. Of these amounts \$3,697 million and \$3,442 million can be attributable to merchandising activities at June 30, 2013 and December 31, 2012, respectively. All other agribusiness segment inventories are carried at lower of cost or market.

(2) Includes readily marketable sugar inventories of \$226 million and \$199 million at June 30, 2013 and December 31, 2012, respectively. Of these, \$152 million and \$144 million, respectively, are carried at fair value, in Bunge's trading and merchandising business. Sugar and ethanol inventories in Bunge's 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 \$52 million and \$215 million at June 30, 2013 and December 31, 2012, respectively.

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

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(5) Fertilizer inventories exclude amounts classified as held for sale (see Note 4).

7. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US\$ in millions)	June 30, 2013	December 31, 2012
Prepaid commodity purchase contracts (1)	\$ 764	\$ 299
Secured advances to suppliers, net (2)	410	390
Unrealized gains on derivative contracts at fair value	1,430	1,230
Recoverable taxes, net	478	465
Margin deposits (3)	369	363
Marketable securities	173	105
Deferred purchase price receivable (4)	123	134
Prepaid expenses	313	314
Other	950	518
Total	\$ 5,010	\$ 3,818

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(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 and sugarcane, 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 \$5 million and \$12 million at June 30, 2013 and December 31, 2012, respectively.

Interest earned on secured advances to suppliers of \$6 million and \$5 million for the three months ended June 30, 2013 and 2012, respectively, and \$15 million and \$13 million for the six months ended June 30, 2013 and 2012, 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.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US\$ in millions)	June 30, 2013	December 31, 2012
Recoverable taxes, net	\$ 280	\$ 309
Long-term receivables from farmers in Brazil, net	136	164
Judicial deposits	166	169
Other long-term receivables	42	60
Income taxes receivable	340	431
Long-term investments	388	414
Affiliate loans receivable, net	75	59
Other	148	140
Total	\$ 1,575	\$ 1,746

Recoverable taxes, net Recoverable taxes are reported net of valuation allowances of \$62 million and \$47 million at June 30, 2013 and December 31, 2012, respectively.

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Long-term receivables from farmers in Brazil, net 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)	June 30, 2013	December 31, 2012
Legal collection process (1)	\$ 251	\$ 269
Renegotiated amounts (2)	94	119
Total	\$ 345	\$ 388

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

(2) All renegotiated amounts are current on repayment terms.

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The average recorded investment in long-term receivables from farmers in Brazil for the six months ended June 30, 2013 and the year ended December 31, 2012 was \$393 million and \$444 million, respectively. The table below summarizes Bunge's recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

(US\$ in millions)	June 30, 2013		December 31, 2012	
	Recorded Investment	Allowance	Recorded Investment	Allowance
For which an allowance has been provided:				
Legal collection process	\$ 162	\$ 159	\$ 178	\$ 165
Renegotiated amounts	53	50	67	59
For which no allowance has been provided:				
Legal collection process	89		91	
Renegotiated amounts	41		52	
Total	\$ 345	\$ 209	\$ 388	\$ 224

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

(US\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Beginning balance	\$ 224	\$ 215	\$ 224	\$ 199
Bad debt provisions	12	11	13	26
Recoveries	(8)	(5)	(11)	(9)
Write-offs	(1)	(1)	(1)	(1)
Transfers (1)	2		2	
Foreign exchange translation	(20)	(22)	(18)	(17)
Ending balance	\$ 209	\$ 198	\$ 209	\$ 198

(1) Represents reclassifications from allowance for doubtful accounts-current for secured advances to suppliers.

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 (the benchmark rate of the Brazilian central bank).

Income taxes receivable Income taxes receivable at June 30, 2013 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 (the benchmark rate of the Brazilian central bank).

Long-term investments Long-term investments represent investments held by managed investment funds and other investments including available for sale securities included in Bunge's condensed consolidated financial statements. The consolidated funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their majority owned and controlled investments. Bunge reflects these

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investments at fair value. The fair value of these investments (a Level 3 measurement) is \$321 million and \$349 million at June 30, 2013 and December 31, 2012, respectively.

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

9. INCOME TAXES

Income tax expense is provided on an interim basis based on 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 on the geographic distribution of Bunge's worldwide earnings or losses and tax regulations in each jurisdiction. 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.

For the six months ended June 30, 2013 and 2012, income tax expense related to continuing operations was \$111 million and \$115 million, respectively. The effective tax rates were 29% and 23%, respectively. Included in these rates were approximately \$37 million and \$31 million, respectively, of discrete items.

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, management believes that the condensed consolidated financial statements reflect the largest amount of tax benefit that will be more likely than not realized. During the six months ended June 30, 2013, Bunge increased its liability for uncertain tax positions by \$47 million and recorded an income tax expense primarily as a result of recently published litigation precedents in Brazil. Of this amount, \$30 million is included in income from continuing operations and \$17 million is included in discontinued operations, net of tax. Also during the six months ended June 30, 2013, Bunge recorded income tax expense of \$7 million related to other discrete tax items including \$4 million related to the finalization of a tax audit in Europe.

During 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, apart from the above mentioned liability for uncertain tax positions related to the recently published litigation precedents, not recorded any additional uncertain tax liability.

In 2010, the Brazilian tax authorities 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 claim 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, apart from the above mentioned liability for uncertain tax positions related to the recently published litigation precedents, not recorded any additional uncertain tax liability.

10. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US\$ in millions)	June 30, 2013	December 31, 2012
Accrued liabilities	\$ 1,022	\$ 1,069
Unrealized losses on derivative contracts at fair value	1,409	1,185
Advances on sales	407	223
Other	1	17
Total	\$ 2,839	\$ 2,494

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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 other long-term investments and 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 the 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 topic 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.

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

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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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(US\$ in millions)	Fair Value Measurements at Reporting Date							
	June 30, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Readily marketable inventories (Note 6)	\$	\$ 3,614	\$ 1,220	\$ 4,834	\$	\$ 4,815	\$ 436	\$ 5,251
Unrealized gain on designated derivative contracts (1)								
Interest rate								
Foreign exchange		1		1		1		1
Unrealized gain on undesignated derivative contracts (1)								
Interest rate								
Foreign exchange		448		448		194		194
Commodities	182	605	157	944	61	697	264	1,022
Freight	16		1	17			1	1
Energy	15		5	20	9	2	1	12
Deferred purchase price receivable (Note 13)		123		123		134		134
Other (2)	253	75		328	234	32		266
Total assets	\$ 466	\$ 4,866	\$ 1,383	\$ 6,715	\$ 304	\$ 5,875	\$ 702	\$ 6,881
Liabilities:								
Unrealized loss on designated derivative contracts (3)								
Interest rate	\$	\$	\$	\$	\$	\$	\$	\$
Foreign exchange		14		14				
Unrealized loss on undesignated derivative contracts (3)								
Interest rate		1		1				
Foreign exchange	1	529		530	1	119		120
Commodities	164	580	52	796	153	667	180	1,000
Freight	16		2	18	3			3
Energy	30		20	50	42		20	62
Total liabilities	\$ 211	\$ 1,124	\$ 74	\$ 1,409	\$ 199	\$ 786	\$ 200	\$ 1,185

(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 June 30, 2013 and December 31, 2012.

(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 June 30, 2013 and December 31, 2012.

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

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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

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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 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 classification of these assets and liabilities in the lowest hierarchy level for which inputs are significant to the fair value measurement, a portion of that measurement may be determined using inputs from a higher hierarchy level.

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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 financial statements 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.

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Bunge's policy regarding the timing of transfers between levels is to record the transfers at the beginning of the reporting period.

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, interest rates, volumes and locations. In addition, with the exception of the exchange cleared instruments, 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 adjustments related to non-performance by counterparties at June 30, 2013.

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 assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2013 and 2012. Level 3 instruments presented below include readily marketable inventories and derivatives. These instruments were valued using pricing models that management believes reflect assumptions that would be used by a marketplace participant.

(US\$ in millions)	Level 3 Instruments Fair Value Measurements Three Months Ended June 30, 2013		
	Derivatives, Net (1)	Readily Marketable Inventories	Total
Balance, April 1, 2013	\$ (31)	\$ 1,187	\$ 1,156
Total gains and (losses) (realized/unrealized) included in cost of goods sold	123	3	126
Purchases		261	261
Sales		(239)	(239)
Issuances	(1)		(1)
Settlements	(109)		(109)
Transfers into Level 3	101	160	261
Transfers out of Level 3	6	(152)	(146)
Balance, June 30, 2013	\$ 89	\$ 1,220	\$ 1,309

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

Derivatives,	Level 3 Instruments Fair Value Measurements Three Months Ended June 30, 2012	
	Readily Marketable	

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(US\$ in millions)	Net (1)	Inventories	Total
Balance, April 1, 2012	\$ 62	\$ 677	\$ 739
Total gains and (losses) (realized/unrealized) included in cost of goods sold	172	190	362
Purchases	1	511	512
Sales	1	(351)	(350)
Issuances	(1)		(1)
Settlements	(101)		(101)
Transfers into Level 3	55	802	857
Transfers out of Level 3	(2)	(9)	(11)
Balance, June 30, 2012	\$ 187	\$ 1,820	\$ 2,007

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

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The tables below present reconciliations for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2013 and 2012. Level 3 instruments presented in the tables include readily marketable inventories and derivatives. These instruments were valued using pricing models that management believes reflect the assumptions that would be used by a marketplace participant.

(US\$ in millions)	Level 3 Instruments Fair Value Measurements Six Months Ended June 30, 2013			Total
	Derivatives, Net (1)	Readily Marketable Inventories		
Balance, January 1, 2013	\$ 66	\$ 436	\$	502
Total gains and (losses) (realized/unrealized) included in cost of goods sold	99	(82)		17
Purchases		1,213		1,213
Sales	1	(505)		(504)
Issuances	(1)			(1)
Settlements	(182)	1		(181)
Transfers into Level 3	99	309		408
Transfers out of Level 3	7	(152)		(145)
Balance, June 30, 2013	\$ 89	\$ 1,220	\$	1,309

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

(US\$ in millions)	Level 3 Instruments Fair Value Measurements Six Months Ended June 30, 2012			Total
	Derivatives, Net (1)	Readily Marketable Inventories		
Balance, January 1, 2012	\$ (2)	\$ 283	\$	281
Total gains and (losses) (realized/unrealized) included in cost of goods sold	246	230		476
Purchases	3	1,276		1,279
Sales	1	(876)		(875)
Issuances	(3)			(3)
Settlements	(83)			(83)
Transfers into Level 3	41	981		1,022
Transfers out of Level 3	(16)	(74)		(90)
Balance, June 30, 2012	\$ 187	\$ 1,820	\$	2,007

(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 June 30, 2013 and 2012 for Level 3 assets and liabilities that were held at June 30, 2013 and 2012.

(US\$ in millions)	Derivatives, Net (1)	Level 3 Instruments Fair Value Measurements Three Months Ended Readily Marketable Inventories	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2013			
Cost of goods sold	\$ 120	\$ 191	\$ 311
Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2012			
Cost of goods sold	\$ 145	\$ 600	\$ 745

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

The table below summarizes changes in unrealized gains or (losses) recorded in earnings during the six months ended June 30, 2013 and 2012 for Level 3 assets and liabilities that were held at June 30, 2013 and 2012.

(US\$ in millions)	Derivatives, Net (1)	Level 3 Instruments Fair Value Measurements Six Months Ended Readily Marketable Inventories	Total
Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2013			
Cost of goods sold	\$ 147	\$ 927	\$ 1,074
Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2012			
Cost of goods sold	\$ 193	\$ 1,473	\$ 1,666

(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

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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

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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.

(US\$ in millions)	June 30, 2013			Unit of Measure
	Exchange Traded Net (Short) & Long (1)	Non-exchange Traded (Short) (2)	Long (2)	
Foreign Exchange				
Options	\$ 4	\$ (191)	\$ 70	Delta
Forwards	(107)	(15,928)	20,528	Notional
Swaps		(48)	174	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 **June 30, 2013**

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Agricultural Commodities	Net (Short) & Long (1)	Non-exchange Traded		Unit of Measure
		(Short) (2)	Long (2)	
Futures	(8,069,066)			Metric Tons
Options	(54,804)	(142,958)		Metric Tons
Forwards		(30,112,730)	25,457,612	Metric Tons
Swaps	(105,000)	(1,460,811)	957,399	Metric Tons

(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.

Ocean freight derivatives Bunge uses derivative instruments referred to as freight forward agreements, or FFAs, and FFA options, to hedge portions of its current and anticipated ocean freight costs. Changes in the fair value of the ocean freight derivatives that are qualified, designated and highly effective as a fair value hedge, along

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with the gain or loss on the hedged firm commitments to purchase time on ocean freight vessels that is attributable to the hedged risk, are recorded in earnings. Changes in the fair values of ocean freight derivatives that are not designated as hedges are also recorded in earnings.

The table below summarizes the open ocean freight positions.

	June 30, 2013		Unit of Measure
	Exchange Cleared Net (Short) & Long (1)	Non-exchange Cleared (Short) (2) Long (2)	
Ocean Freight			
FFA	(5,900)		Hire Days
FFA Options	(775)		Hire Days

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

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

Energy derivatives Bunge uses derivative instruments for various purposes including to manage its exposure to volatility in energy costs. Bunge's operations use substantial amounts of energy, including natural gas, coal and fuel oil, including bunker fuel.

The table below summarizes the open energy positions.

	June 30, 2013		Unit of Measure (3)
	Exchange Traded Net (Short) & Long (1)	Non-exchange Traded (Short) (2) Long (2)	
Natural Gas (3)			
Futures	1,630,684		MMBtus
Swaps		635,355	MMBtus
Options	(3,572,871)		MMBtus
Energy Other			
Futures	2,891,880		Metric Tons
Forwards		(320,210) 47,852,211	Metric Tons
Swaps	38,000		Metric Tons
Options	116,164		Metric Tons

(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.

- (3) Million British Thermal Units (MMBtus) are the standard unit of measurement used to denote an amount of natural gas.

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income

The table below summarizes the effect of derivative instruments that are undesignated on the condensed consolidated statements of income for the six months ended June 30, 2013 and 2012. There was no effect on the condensed consolidated statements of income of either period from derivatives designated as fair value hedges.

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(US\$ in millions)	Location	Gain or (Loss) Recognized in Income on Derivative Instruments Six Months Ended June 30	
		2013	2012
Undesignated Derivative Contracts:			
Foreign Exchange	Foreign exchange gains (losses)	\$ (104)	\$ (72)
Foreign Exchange	Income (loss) from discontinued operations, net of tax	(8)	
Foreign Exchange	Cost of goods sold	69	(26)
Commodities	Cost of goods sold	248	(578)
Freight	Cost of goods sold	(48)	(9)
Energy	Cost of goods sold	3	(8)
Total		\$ 160	\$ (693)

The table below summarizes the effect of derivative instruments that are designated and qualify as cash flow and net investment hedges on the condensed consolidated statement of income for the six months ended June 30, 2013.

(US\$ in millions)	Notional Amount	Gain or (Loss) Recognized in Accumulated OCI (1)	Six Months Ended June 30, 2013		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
			Location	Amount	Location	Amount (2)
Cash Flow Hedge:						
Foreign Exchange (3)	\$ 426	\$ (11)	Cost of goods sold	\$ (1)	Cost of goods sold	\$
Total	\$ 426	\$ (11)		\$ (1)		\$
Net Investment Hedge:						
Foreign Exchange (3)	\$	\$ 37	Foreign exchange gains (losses)	\$	Foreign exchange gains (losses)	\$
Total	\$	\$ 37		\$		\$

(1) The gain or (loss) recognized relates to the effective portion of the hedging relationship. At June 30, 2013, Bunge expects to reclassify into income in the next 12 months \$(11) million after-tax loss related to its foreign exchange cash flow hedges. At June 30, 2013, Bunge expects to reclassify into income in the next 12 months \$37 million after-tax gain related to its foreign exchange net investment hedges.

(2) There was no gain or loss recognized in income relating to the ineffective portion of the hedging relationships or relating to amounts excluded from the assessment of hedge effectiveness.

(3) The foreign exchange contracts mature at various dates in 2013 and 2014.

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The table below summarizes the effect of derivative instruments that are designated and qualify as cash flow hedges on the condensed consolidated statement of income for the six months ended June 30, 2012.

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(US\$ in millions)	Notional Amount	Gain or (Loss) Recognized in Accumulated OCI (1)	Six Months Ended June 30, 2012		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
			Location	Gain or (Loss) Reclassified from Accumulated OCI into Income (1) Amount	Location	Amount (2)
Cash Flow Hedge:						
Foreign Exchange						
(3)	\$ 475	\$ (16)	Cost of goods sold	\$ (2)	Cost of goods sold	\$
Total	\$ 475	\$ (16)		\$ (2)		\$

(1) The gain or (loss) recognized relates to the effective portion of the hedging relationship. At June 30, 2012, Bunge expected to reclassify into income in the next 12 months approximately \$(18) million after-tax losses related to its foreign exchange cash flow hedges.

(2) There was no gain or loss recognized in income relating to the ineffective portion of the hedging relationships or to amounts excluded from the assessment of hedge effectiveness.

(3) The foreign exchange contracts mature at various dates in 2012 and 2013.

12. DEBT

On May 30, 2013, Bunge entered into an unsecured U.S. \$665 million five-year syndicated revolving credit agreement with CoBank, ACB, as administrative agent and certain lenders party thereto. Under the terms of the agreement, the Lenders will initially make available up to \$368 million of loans, which will increase to \$665 million in December 2013 concurrent with the scheduled repayment in full of Bunge's obligations under an existing term loan facility under which \$300 million of principal amount remains outstanding. Borrowings under the revolving credit agreement will bear interest at LIBOR plus a margin, which will vary between 1.050% and 1.675% per annum, based on the credit ratings of our long-term senior unsecured debt. Amounts under the revolving credit agreement that remain undrawn are subject to a commitment fee at rates ranging from 0.125% to 0.275% per annum based likewise on the ratings of our long-term senior unsecured debt.

On June 24, 2013, Bunge entered into an unsecured \$200 million three-year revolving credit agreement with a certain lender. Borrowings under the credit agreement bear interest at LIBOR plus a margin ranging from 0.90% to 1.55%, based on the credit ratings of our long-term senior unsecured debt. Amounts under the credit agreement that remain undrawn are subject to a commitment fee at a rate of 0.25%.

Bunge's commercial paper program is supported by an identical amount of committed back-up bank credit lines (the Liquidity Facility) provided by banks that are rated at least A-1 by Standard & Poor's Financial Services and P-1 by Moody's Investors Service. In January 2013, Bunge agreed with the Liquidity Facility banks for the amount of aggregate commitments under the Liquidity Facility to be increased from \$526 million to \$600 million, and simultaneously increased the size of its commercial paper program to \$600 million. The Liquidity Facility, which

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matures in November 2016, permits Bunge, at its option, to set up direct borrowings or issue commercial paper. The cost of borrowing under the Liquidity Facility would typically be higher than the cost of borrowing under Bunge's commercial paper program. As of June 30, 2013, there was \$550 million outstanding under the commercial paper program and no borrowings outstanding under the Liquidity Facility. At December 31, 2012, there was no outstanding commercial paper or borrowings under the Liquidity Facility.

The fair value of Bunge's long-term debt is based on interest rates currently available on comparable maturities to companies with credit standing similar to that of Bunge. The carrying amounts and fair value of long-term debt are as follows:

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(US\$ in millions)	Carrying Value	June 30, 2013		Carrying Value	December 31, 2012	
		Fair Value (Level 2)	Fair Value (Level 3)		Fair Value (Level 2)	Fair Value (Level 3)
Long-term debt, including current portion	\$ 4,392	\$ 4,382	\$ 240	\$ 4,251	\$ 4,322	\$ 259

13. TRADE RECEIVABLES SECURITIZATION PROGRAM

Bunge accounts for its trade receivables securitization program (the Program) under the provisions of ASC Topic 860, *Transfers and Servicing*. The securitization program terminates on June 1, 2016. However, each committed purchaser's commitment to fund trade receivables sold under the securitization program will terminate on May 28, 2014 unless extended for additional 364-day periods in accordance with the terms of the receivables transfer agreement.

As of June 30, 2013 and December 31, 2012, \$739 million and \$772 million, respectively, of receivables sold under the Program were derecognized from Bunge's condensed consolidated balance sheets. Proceeds received in cash related to transfers of receivables under the program totaled \$6,082 million and \$6,454 million for the six months ended June 30, 2013 and 2012, respectively. In addition, cash collections from customers on receivables previously sold were \$6,239 million and \$6,643 million, respectively. As this is a revolving facility, cash collections from customers are reinvested to fund new receivable sales. Gross receivables sold under the program for the six months ended June 30, 2013 and 2012 were \$6,235 million and \$6,656 million, respectively. These sales resulted in discounts of \$4 million for each of the six months ended June 30, 2013 and 2012, which were included in SG&A in the condensed consolidated statements of income. Servicing fees under the program were not significant in any period.

Bunge's risk of loss following the sale of the accounts receivable is limited to the deferred purchase price receivable, which was \$123 million and \$134 million at June 30, 2013 and December 31, 2012, respectively, and is included in other current assets in the condensed consolidated balance sheets (see Note 7). The deferred purchase price will be repaid in cash as receivables are collected, generally within 30 days. Delinquencies and credit losses on accounts receivable sold under the program during the six months ended June 30, 2013 and 2012 were insignificant. Bunge has reflected all cash flows under the securitization program as operating cash flows in the condensed consolidated statements of cash flows for the six months ended June 30, 2013 and 2012, including changes in the fair value of the deferred purchase price of less than \$1 million for each of those periods.

14. RELATED PARTY TRANSACTIONS

Bunge purchased commodities and commodity products and fertilizer products from certain of its investees, totaling \$156 million and \$200 million for the three months ended June 30, 2013 and 2012, respectively, and \$285 million and \$350 million for the six months ended June 30, 2013 and 2012, respectively. Bunge also sold commodities and commodity products to certain of its investees, totaling \$174 million and \$155 million for the three months ended June 30, 2013 and 2012, respectively, and \$355 million and \$264 million for the six months ended June 30, 2013 and 2012, respectively.

15. COMMITMENTS AND CONTINGENCIES

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Bunge is party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil and tax claims in Argentina, arising in the normal course of business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. Bunge records liabilities related to its general claims and lawsuits when the exposure item becomes probable and can be reasonably estimated. The range of possible losses for such matters cannot be reasonably estimated and could differ materially from amounts already accrued by the Company. After taking into account the recorded liabilities for these matters, management believes that the ultimate resolution of such matters will not have a material effect on Bunge's financial condition, results of operations or liquidity. Included in other non-current liabilities at June 30, 2013 and December 31, 2012 are the following amounts related to these matters:

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(US\$ in millions)	June 30, 2013	December 31, 2012
Tax claims	\$ 67	\$ 70
Labor claims	68	75
Civil and other claims	108	109
Total	\$ 243	\$ 254

Tax claims The tax claims relate principally to claims against Bunge's Brazilian subsidiaries, primarily value-added tax claims (ICMS, IPI, PIS and COFINS). The determination of the manner in which various Brazilian federal, state and municipal taxes apply to the operations of Bunge is subject to varying interpretations arising from the complex nature of Brazilian tax law. Bunge monitors the Brazilian federal and state governments' responses to recent Brazilian Supreme Court decisions invalidating certain ICMS incentives and benefits granted by various states on constitutional grounds. While Bunge was not a recipient of any of the incentives and benefits that were the subject of the Supreme Court decisions, it has received certain similar tax incentives and benefits. Bunge has not received any tax assessment related to the validity of ICMS incentives or benefits it has received and, based on its assessment of the matter under the provisions of GAAP, no liability has been recorded in the condensed consolidated financial statements.

The Argentine tax authorities have been conducting a review of income and other taxes paid by exporters and processors of cereals and other agricultural commodities in the country. In that regard, in October 2010, the Argentine tax authorities carried out inspections at several of Bunge's locations in Argentina relating to allegations of income tax evasion covering the periods from 2007 to 2009. In December 2012, Bunge's Argentine subsidiary received an income tax assessment relating to fiscal years 2006 and 2007 with a claim of approximately 436 million *pesos* (approximately \$81 million as of June 30, 2013), plus accrued interest on the outstanding amount due (including previously accrued interest) of approximately 670 million *pesos* (approximately \$124 million as of June 30, 2013). Bunge's Argentine subsidiary has appealed this assessment before the National Tax Court. Fiscal years 2008 and 2009 are currently being audited by the tax authorities. It is likely that the tax authorities will also audit fiscal years 2010-2012, although no notice has been rendered to Bunge's Argentine subsidiary. Additionally, in April 2011, the Argentine tax authorities conducted inspections of Bunge's locations and those of several other grain exporters with respect to allegations of evasion of liability for value-added taxes and an inquest proceeding has been initiated in the first quarter of 2012 to determine whether there is any potential criminal culpability relating to these matters. Also during 2011, Bunge paid \$112 million of accrued export tax obligations in Argentina under protest while reserving all of its rights in respect of such payment. In the first quarter of 2012, the Argentine tax authorities assessed interest on these paid export taxes, which as of June 30, 2013, would total approximately \$140 million. Additionally, in April 2012, the Argentine government suspended Bunge's Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded Bunge's subsidiary from this registry in connection with the income tax allegations. These actions primarily result in additional administrative requirements and increased logistical costs on domestic grain shipments within Argentina. While the suspension and exclusion have not had a material adverse effect on Bunge's business in Argentina, Bunge is challenging the exclusion from the grain registry in the Argentine courts. Management believes that these tax-related allegations and claims are without merit and intends to vigorously defend against them. However, management is, at this time, unable to predict their outcome.

In December, 2012, the Brazilian tax authorities concluded an examination of the PIS COFINS tax returns of one of Bunge's Brazilian subsidiaries for the years 2004-2007 and proposed adjustments totaling approximately \$140 million plus applicable interest and penalties. Management, in consultation with external legal advisors, has reviewed and responded to the proposed adjustments. In conjunction with this review, management has established appropriate reserves for potential exposures.

Bunge is subject to many types of taxes around the world that include taxes at a federal, state and municipal level in a given jurisdiction and include not only taxes on income, but also property taxes, excise taxes and value-added taxes, among others. On July 9, 2013, Brazil adopted certain changes to the provisions of its PIS and COFINS tax laws. PIS and COFINS are taxes similar to value-added taxes levied at the federal level in Brazil. The changes relate to the inclusion of more of Bunge's product mix in a basic basket of goods subject to a zero rate of tax when sold. In the short-term, it is expected that this will result in an increase in the accumulation of tax credits by Bunge's Brazilian subsidiaries. Bunge is analyzing the impact of this change on its business operations and recoverable tax credit balances in Brazil.

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Labor claims The labor claims relate principally to claims against Bunge's Brazilian subsidiaries. The labor claims primarily relate to dismissals, severance, health and safety, salary adjustments and supplementary retirement benefits.

Civil and other The civil and other claims relate to various disputes with third parties, including suppliers and customers.

Guarantees Bunge has issued or was a party to the following guarantees at June 30, 2013:

(US\$ in millions)	Maximum Potential Future Payments
Customer financing (1)	\$ 39
Unconsolidated affiliates financing (2)	50
Residual value guarantee (3)	69
Total	\$ 158

(1) Bunge has issued guarantees to third parties in Brazil related to amounts owed to these third parties by certain of Bunge's customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which are generally one year or less, with the exception of guarantees issued under certain Brazilian government programs, primarily from 2006 and 2007, where terms are up to five years. In the event that the customers default on their payments to the third parties and Bunge would be required to perform under the guarantees, Bunge has obtained collateral from the customers. At June 30, 2013, Bunge had approximately \$16 million of tangible property that had been pledged to Bunge as collateral against certain of these financing a