Bunge LTD
Form 10-Q
May 03, 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 March 31, 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)

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 29, 2013, the number of shares issued of the registrant was:

Common shares, par value $.01 per share: 147,090,570

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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, 2013	Three Months Ended March 31, 2012
Net sales	$ 14,785	$ 12,909
Cost of goods sold	(14,138)	(12,372)
Gross profit	**647**	**537**
Selling, general and administrative expenses	(349)	(393)
Interest income	9	25
Interest expense	(76)	(62)
Foreign exchange gain (loss)	(40)	58
Other income (expense) net	39	(1)
Income from continuing operations before income tax	**230**	**164**
Income tax (expense) benefit	(73)	(40)
Income from continuing operations	157	124
Income (loss) from discontinued operations, net of tax	(9)	(35)
Net income	**148**	**89**
Net (income) loss attributable to noncontrolling interests	32	3
Net income attributable to Bunge	**180**	**92**
Convertible preference share dividends and other obligations	(10)	(8)
Net income available to Bunge common shareholders	**$ 170**	**$ 84**
Earnings per common share basic (Note 17)		
Net income (loss) from continuing operations	$ 1.22	$ 0.81
Net income (loss) from discontinued operations	(0.06)	(0.24)
Net income (loss) to Bunge common shareholders	$ 1.16	$ 0.57

Earnings per common share diluted (Note 17)				
Net income (loss) from continuing operations	$	1.21	$	0.81
Net income (loss) from discontinued operations		(0.06)		(0.24)
Net income (loss) to Bunge common shareholders	$	1.15	$	0.57
Dividends per common share	$	0.27	$	0.25

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 COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	$ 148	$ 89
Other comprehensive income (loss):		
Foreign exchange translation adjustment	80	335
Unrealized gains (losses) on foreign exchange contracts designated as cash flow or net investment hedges, net of tax (expense) benefit of $(1) in 2013 and $(4) in 2012	11	9
Unrealized gains (losses) on investments, net of tax (expense) benefit of $(7) in 2012		13
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of $2 in 2013	(3)	
Pension adjustment, net of tax (expense) benefit of nil in all periods		1
Total other comprehensive income (loss)	88	358
Total comprehensive income (loss)	236	447
Less: comprehensive (income) loss attributable to noncontrolling interests	28	(10)
Total comprehensive income (loss) attributable to Bunge	**$ 264**	**$ 437**

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, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 801	$ 569
Time deposits under trade structured finance program (Note 5)	4,375	3,048
Trade accounts receivable (less allowances of $111 and $125) (Note 13)	2,957	2,471
Inventories (Note 6)	6,074	6,590
Deferred income taxes	219	108
Current assets held for sale (Note 4)	747	660
Other current assets (Note 7)	4,620	3,818
Total current assets	19,793	17,264
Property, plant and equipment, net	6,017	5,888
Goodwill	351	351
Other intangible assets, net	287	295
Investments in affiliates	277	273
Deferred income taxes	1,163	1,213
Non-current assets held for sale (Note 4)	251	250
Other non-current assets (Note 8)	1,760	1,746
Total assets	**$ 29,899**	**$ 27,280**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,582	$ 1,598
Current portion of long-term debt (Note 12)	775	719
Letter of credit obligations under trade structured finance program (Note 5)	4,375	3,048
Trade accounts payable	3,643	3,319
Deferred income taxes	100	86
Current liabilities held for sale (Note 4)	278	297
Other current liabilities (Note 10)	2,813	2,494
Total current liabilities	13,566	11,561
Long-term debt (Note 12)	3,897	3,532
Deferred income taxes	62	84
Non-current liabilities held for sale (Note 4)	21	13
Other non-current liabilities	867	797
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests	32	38

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 $.01; authorized 400,000,000 shares; issued and outstanding:				
2013 147,065,424 shares, 2012 146,348,499 shares		1		1
Additional paid-in capital		4,920		4,909
Retained earnings		6,924		6,792
Accumulated other comprehensive income (loss) (Note 16)		(1,326)		(1,410)
Treasury shares, at cost - 1,933,286 shares		(120)		(120)
Total Bunge shareholders equity		11,089		10,862
Noncontrolling interests		365		393
Total equity		11,454		11,255
Total liabilities and equity	**$**	**29,899**	**$**	**27,280**

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, 2013	Three Months Ended March 31, 2012
OPERATING ACTIVITIES		
Net income	$ 148	$ 89
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Foreign exchange loss (gain) on debt	77	(15)
Bad debt expense	6	16
Depreciation, depletion and amortization	121	120
Stock-based compensation expense	4	19
Deferred income taxes	(56)	(34)
Other, net	(4)	
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(583)	(439)
Inventories	415	(549)
Prepayments and advances to suppliers	(171)	(57)
Trade accounts payable and accrued liabilities	302	653
Net unrealized gain/loss on derivative contracts	165	(3)
Margin deposits	(66)	(95)
Other, net	(255)	(7)
Cash provided by (used for) operating activities	103	(302)
INVESTING ACTIVITIES		
Payments made for capital expenditures	(224)	(224)
Acquisitions of businesses (net of cash acquired)	(11)	(98)
Proceeds from investments	13	18
Payments for investments	(6)	(9)
Payment for investments in affiliates	(14)	(49)
Other, net	(40)	41
Cash provided by (used for) investing activities	(282)	(321)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	(64)	69
Proceeds from short-term debt with maturities greater than 90 days	115	194
Repayments of short-term debt with maturities greater than 90 days	(78)	(225)
Proceeds from long-term debt	1,452	1,488
Repayments of long-term debt	(972)	(457)
Proceeds from sale of common shares	9	8
Dividends paid	(48)	(47)
Other, net		3
Cash provided by (used for) financing activities	414	1,033
Effect of exchange rate changes on cash and cash equivalents	(3)	5
Net increase (decrease) in cash and cash equivalents	232	415

Cash and cash equivalents, beginning of period		569		835
Cash and cash equivalents, end of period	**$**	**801**	**$**	**1,250**

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 AND REDEEMABLE NONCONTROLLING INTERESTS

(Unaudited)

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

	Redeemable Noncontrolling Interests	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non Controlling Interests	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 (loss)							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 interests on subsidiary common stock										(3)	(3)
Capital contributions from noncontrolling interests										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**

	Redeemable Noncontrolling Interests	Convertible Preference Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non Controlling Interests	Total Equity
		Shares	**Amount**	**Shares**	**Amount**						
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)	(8)						180			(32)	148
Accretion of noncontrolling interests	2					(2)					(2)
Other comprehensive income (loss)								84		4	88
Dividends on common shares							(40)				(40)
Dividends on preference shares							(8)				(8)
Dividends to noncontrolling interests on subsidiary common stock										(1)	(1)
Capital contributions from noncontrolling interests										1	1
Stock-based compensation expense						4					4

Issuance of common shares						716,925				9						9
Balance, March 31, 2013	**$**	**32**	**6,900,000**	**$**	**690**	**147,065,424**	**$**	**1**	**$**	**4,920**	**$**	**6,924**	**$**	**(1,326) $**	**(120) $**	**365**	**$**	**11,454**

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 three months ended March 31, 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. These rules require an analysis to (a) determine whether an entity in which Bunge has a variable interest is a VIE and (b) whether Bunge s involvement, through the holding of equity interests directly or indirectly in the entity or contractually through other variable interests, would be expected to absorb a majority of the variability of the entity. This latter evaluation resulted in the consolidation of certain private equity and other investment funds (the consolidated funds) related to an asset management business acquisition completed 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 ownership 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.

Certain prior year amounts have been reclassified to conform to the current year presentation (see Note 18).

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

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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 in the condensed consolidated financial statements (see Note 4).

2. NEW ACCOUNTING PRONOUNCEMENTS

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 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 March 31, 2013	2012
Net sales	**$ 456**	$ 537
Cost of goods sold	**(431)**	(553)
Gross profit	**25**	(16)
Selling, general and administrative expenses	**(19)**	(26)
Interest income	**4**	1
Interest expense	**(3)**	
Foreign exchange gain (loss)	**3**	8
Other income (expenses) net	**1**	(28)
Income (loss) from discontinued operations before income tax	**11**	(61)
Income tax (expense) benefit	**(20)**	26
Income (loss) from discontinued operations, net of tax	**$ (9)**	$ (35)

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

(US$ in millions)		March 31, 2013		December 31, 2012
Assets:				
Cash and cash equivalents	**$**	**2**	$	2
Trade accounts receivable (less allowance of $2 and $2)		**265**		189
Inventories		**445**		402
Other current assets		**35**		67
Current assets held for sale	**$**	**747**	$	660
Property, plant and equipment, net	**$**	**227**	$	218
Deferred income taxes		**24**		40
Other non-current assets				(8)
Non-current assets held for sale	**$**	**251**	$	250
Liabilities:				
Trade accounts payable	**$**	**181**	$	157
Other current liabilities		**97**		140
Current liabilities held for sale	**$**	**278**	$	297
Deferred income taxes	**$**	**8**	$	
Other non-current liabilities		**13**		13
Non-current liabilities held for sale	**$**	**21**	$	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) (each based on an underlying commodity trade flow) from financial institutions, 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.

At March 31, 2013 and December 31, 2012, time deposits (with weighted-average interest rates of 8.11% and 8.95%, respectively) and LCs (including foreign exchange contracts) totaled $4,375 million and $3,048 million, respectively. In addition, at March 31, 2013 and December 31, 2012, the fair values of the time deposits (Level 2 measurements) totaled approximately $4,375 million and $3,048 million, respectively, and the fair values of the LCs (Level 2 measurements) totaled approximately $4,295 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 $80 million and $24 million, respectively.

During the quarters ended March 31, 2013 and 2012, total proceeds from issuances of LCs were $2,417 million and $1,314 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.

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(US$ in millions)		March 31, 2013		December 31, 2012
Agribusiness (1)	$	**4,842**	$	5,240
Sugar and Bioenergy (2)		**371**		488
Edible Oil Products (3)		**561**		617
Milling Products (4)		**231**		184
Fertilizer (4) (5)		**69**		61
Total	**$**	**6,074**	$	6,590

(1) Includes readily marketable agricultural commodity inventories at fair value of $4,453 million and $4,892 million at March 31, 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 $37 million and $199 million at March 31, 2013 and December 31, 2012, respectively. Of these, $26 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 $106 million and $215 million at March 31, 2013 and December 31, 2012, respectively.

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

(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)		March 31, 2013		December 31, 2012
Prepaid commodity purchase contracts (1)	**$**	**436**	$	299
Secured advances to suppliers, net (2)		**434**		390
Unrealized gains on derivative contracts at fair value		**1,336**		1,230
Recoverable taxes, net		**416**		465
Margin deposits (3)		**429**		363

Marketable securities	**167**	105
Deferred purchase price receivable (4)	**137**	134
Prepaid expenses	**321**	314
Other	**944**	518
Total	**$ 4,620**	$ 3,818

(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 $13 million and $12 million at March 31, 2013 and December 31, 2012, respectively.

Interest earned on secured advances to suppliers of $9 million and $8 million for the three months ended March 31, 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.

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8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US$ in millions)		March 31, 2013		December 31, 2012
Recoverable taxes, net	**$**	**344**	$	309
Long-term receivables from farmers in Brazil, net		**166**		164
Judicial deposits		**179**		169
Other long-term receivables		**41**		60
Income taxes receivable		**426**		431
Long-term investments		**385**		414
Affiliate loans receivable, net		**76**		59
Other		**143**		140
Total	**$**	**1,760**	$	1,746

Recoverable taxes, net Recoverable taxes are reported net of valuation allowances of $76 million and $47 million at March 31, 2013 and December 31, 2012, respectively.

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)		March 31, 2013		December 31, 2012
Legal collection process (1)	**$**	**266**	$	269
Renegotiated amounts (2)		**124**		119
Total	**$**	**390**	$	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.

The average recorded investment in long-term receivables from farmers in Brazil for the three months ended March 31, 2013 and the year ended December 31, 2012 was $398 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.

	March 31, 2013		December 31, 2012	
(US$ in millions)	**Recorded Investment**	**Allowance**	**Recorded Investment**	**Allowance**
For which an allowance has been provided:				
Legal collection process	**$ 177**	**$ 163**	$ 178	$ 165
Renegotiated amounts	**70**	**61**	67	59
For which no allowance has been provided:				
Legal collection process	**89**		91	
Renegotiated amounts	**54**		52	
Total	**$ 390**	**$ 224**	$ 388	$ 224

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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 March 31, 2013	2012
Beginning balance	**$ 224**	$ 199
Bad debt provisions	**1**	15
Recoveries	**(3)**	(4)
Foreign exchange translation	**2**	5
Ending balance	**$ 224**	$ 215

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 March 31, 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 certain managed investment funds, which are 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 investments at fair value. The fair value of these investments (a Level 3 measurement) is $321 million and $349 million at March 31, 2013 and December 31, 2012, respectively.

Affiliate loans receivable, net Affiliate loans receivable, net is 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 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 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.

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For the three months ended March 31, 2013 and 2012, income tax expense related to continuing operations was $73 million and $40 million, respectively. The related effective tax rates were 32% and 25%, respectively. Included in these effective tax rates were approximately $31 million and $5 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 with the various tax authorities, 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 three months ended March 31, 2013, Bunge increased its liability for uncertain tax positions by $44 million and recorded income tax expense as a result of recently published litigation precedents in Brazil. Of this amount, $27 million is included in income taxes related to income from continuing operations and $17 million is included in discontinued operations, net of tax. Also during the three months ended March 31, 2013, Bunge recorded income tax expense of $4 million related to the finalization of a tax audit in Europe.

During 2011, the Brazilian IRS 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 IRS 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, 2013		December 31, 2012
Accrued liabilities	**$**	**1,024**	$	1,069
Unrealized losses on derivative contracts at fair value		**1,447**		1,185
Advances on sales		**326**		223
Other		**16**		17
Total	**$**	**2,813**	$	2,494

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 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, 2013				December 31, 2012			
(US$ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Readily marketable inventories (Note 6)	$	$ 3,398	$ 1,187	$ 4,585	$	$ 4,815	$ 436	$ 5,251
Unrealized gain on designated derivative contracts (1)								
Interest rate								
Foreign exchange		17		17		1		1
Unrealized gain on undesignated derivative contracts (1)								
Interest rate								
Foreign exchange		229		229		194		194
Commodities	376	545	103	1,024	61	697	264	1,022
Freight	10	5		15			1	1
Energy	36	2	13	51	9	2	1	12
Deferred purchase price receivable (Note 13)		137		137		134		134
Other (2)	248	75		323	234			