

Bunge LTD  
Form 10-Q  
August 05, 2013  
Table of Contents

**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)

Edgar Filing: Bunge LTD - Form 10-Q

**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

Table of Contents

**BUNGE LIMITED**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	
	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2013 and 2012</u>
	2
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2013 and 2012</u>
	3
	<u>Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012</u>
	4
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u>
	5
	<u>Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests for the Six Months Ended June 30, 2013 and 2012</u>
	6
	<u>Notes to the Condensed Consolidated Financial Statements</u>
	7
	<u>Cautionary Statement Regarding Forward-Looking Statements</u>
	31
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	31
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	47
<u>Item 4.</u>	<u>Controls and Procedures</u>
	49
<b><u>PART II INFORMATION</u></b>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	50
<u>Item 1A.</u>	<u>Risk Factors</u>
	50
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	50
<u>Item 3.</u>	<u>Defaults upon Senior Securities</u>
	50
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	50
<u>Item 5.</u>	<u>Other Information</u>
	50
<u>Item 6.</u>	<u>Exhibits</u>
	50
<u>Signatures</u>	S-1



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)
<b>Gross profit</b>	<b>616</b>	<b>643</b>	<b>1,263</b>	<b>1,180</b>
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
<b>Income from continuing operations before income tax</b>	<b>159</b>	<b>334</b>	<b>389</b>	<b>498</b>
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)
<b>Net income</b>	<b>122</b>	<b>266</b>	<b>270</b>	<b>355</b>
Net (income) loss attributable to noncontrolling interests	14	8	46	11
<b>Net income attributable to Bunge</b>	<b>136</b>	<b>274</b>	<b>316</b>	<b>366</b>
Convertible preference share dividends and other obligations	(26)	(9)	(36)	(17)
	<b>\$ 110</b>	<b>\$ 265</b>	<b>\$ 280</b>	<b>\$ 349</b>

Edgar Filing: Bunge LTD - Form 10-Q

**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
----------------------------	----	------	----	------	----	------	----	------

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
<b>Total comprehensive income (loss) attributable to Bunge</b>	<b>\$ (673)</b>	<b>\$ (826)</b>	<b>\$ (413)</b>	<b>\$ (389)</b>

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)**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
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
<b>Total current assets</b>	<b>20,683</b>	<b>17,264</b>
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
<b>Total assets</b>	<b>\$ 30,343</b>	<b>\$ 27,280</b>
<b>LIABILITIES AND EQUITY</b>		
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
<b>Total current liabilities</b>	<b>15,159</b>	<b>11,561</b>
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



Edgar Filing: Bunge LTD - Form 10-Q

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
<b>Total liabilities and equity</b>	<b>\$ 30,343</b>	<b>\$</b>	<b>27,280</b>

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)**

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>OPERATING ACTIVITIES</b>		
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)
<b>INVESTING ACTIVITIES</b>		
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)
<b>FINANCING ACTIVITIES</b>		
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)	

## Edgar Filing: Bunge LTD - Form 10-Q

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	<b>\$ 726</b>	<b>\$ 467</b>

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
<b>Balance, June 30, 2012</b>	<b>\$</b>	<b>6,900,000</b>	<b>\$ 690</b>	<b>146,035,349</b>	<b>\$ 1</b>	<b>\$ 4,868</b>	<b>\$ 7,190</b>	<b>\$ (1,365)</b>	<b>\$ (120)</b>	<b>\$ 608</b>	<b>\$ 11,872</b>

	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)	

Edgar Filing: Bunge LTD - Form 10-Q

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						
<b>Balance, June 30, 2013</b>	<b>\$</b>	<b>33</b>	<b>6,900,000</b>	<b>\$</b>	<b>690</b>	<b>147,201,610</b>	<b>\$</b>	<b>1</b>	<b>\$</b>	<b>4,923</b>	<b>\$</b>	<b>7,007</b>	<b>\$</b>	<b>(2,139)</b>	<b>\$</b>	<b>(120)</b>	<b>\$</b>	<b>345</b>	<b>\$</b>	<b>10,707</b>

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

Table of Contents

**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.

## Edgar Filing: Bunge LTD - Form 10-Q

***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).

Table of Contents**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 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



Edgar Filing: Bunge LTD - Form 10-Q

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

Table of Contents

(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
<b>Assets:</b>		
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
<b>Liabilities:</b>		
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.

## Edgar Filing: Bunge LTD - Form 10-Q

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

Table of Contents

(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
<b>Total</b>	<b>\$ 6,391</b>	<b>\$ 6,590</b>

(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.

- (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
<b>Total</b>	<b>\$ 5,010</b>	<b>\$ 3,818</b>

Table of Contents

(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
<b>Total</b>	<b>\$ 1,575</b>	<b>\$ 1,746</b>

*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.

## Edgar Filing: Bunge LTD - Form 10-Q

*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
<b>Total</b>	<b>\$ 345</b>	<b>\$ 388</b>

---

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

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

Table of Contents

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
<b>For which an allowance has been provided:</b>				
Legal collection process	\$ 162	\$ 159	\$ 178	\$ 165
Renegotiated amounts	53	50	67	59
<b>For which no allowance has been provided:</b>				
Legal collection process	89		91	
Renegotiated amounts	41		52	
<b>Total</b>	<b>\$ 345</b>	<b>\$ 209</b>	<b>\$ 388</b>	<b>\$ 224</b>

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



## Edgar Filing: Bunge LTD - Form 10-Q

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.

Table of Contents

*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
<b>Total</b>	<b>\$ 2,839</b>	<b>\$ 2,494</b>

Table of Contents

**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

## Edgar Filing: Bunge LTD - Form 10-Q

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.

Table of Contents

(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
<b>Assets:</b>								
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
<b>Total assets</b>	<b>\$ 466</b>	<b>\$ 4,866</b>	<b>\$ 1,383</b>	<b>\$ 6,715</b>	<b>\$ 304</b>	<b>\$ 5,875</b>	<b>\$ 702</b>	<b>\$ 6,881</b>
<b>Liabilities:</b>								
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
<b>Total liabilities</b>	<b>\$ 211</b>	<b>\$ 1,124</b>	<b>\$ 74</b>	<b>\$ 1,409</b>	<b>\$ 199</b>	<b>\$ 786</b>	<b>\$ 200</b>	<b>\$ 1,185</b>

(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

## Edgar Filing: Bunge LTD - Form 10-Q

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

Table of Contents

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.



## Edgar Filing: Bunge LTD - Form 10-Q

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.

Table of Contents

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)
<b>Balance, June 30, 2013</b>	<b>\$ 89</b>	<b>\$ 1,220</b>	<b>\$ 1,309</b>

(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	

Edgar Filing: Bunge LTD - Form 10-Q

(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)
<b>Balance, June 30, 2012</b>	<b>\$ 187</b>	<b>\$ 1,820</b>	<b>\$ 2,007</b>

---

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

Table of Contents

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)
<b>Balance, June 30, 2013</b>	<b>\$ 89</b>	<b>\$ 1,220</b>	<b>\$</b>	<b>1,309</b>

(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)
<b>Balance, June 30, 2012</b>	<b>\$ 187</b>	<b>\$ 1,820</b>	<b>\$</b>	<b>2,007</b>

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

Table of Contents

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
<b>Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2013</b>			
Cost of goods sold	\$ 120	\$ 191	\$ 311
<b>Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2012</b>			
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
<b>Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2013</b>			
Cost of goods sold	\$ 147	\$ 927	\$ 1,074
<b>Changes in unrealized gains and (losses) relating to assets and liabilities held at June 30, 2012</b>			
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

## Edgar Filing: Bunge LTD - Form 10-Q

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

Table of Contents

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)	
<b>Foreign Exchange</b>				
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**

## Edgar Filing: Bunge LTD - Form 10-Q

<b>Agricultural Commodities</b>	<b>Net (Short) &amp; Long (1)</b>	<b>Non-exchange Traded</b>		<b>Unit of Measure</b>
		<b>(Short) (2)</b>	<b>Long (2)</b>	
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



Table of Contents

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)	
<b>Ocean Freight</b>			
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)	
<b>Natural Gas (3)</b>			
Futures	1,630,684		MMBtus
Swaps		635,355	MMBtus
Options	(3,572,871)		MMBtus
<b>Energy Other</b>			
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.

Table of Contents

(US\$ in millions)	Location	Gain or (Loss) Recognized in Income on Derivative Instruments Six Months Ended June 30	
		2013	2012
<b>Undesignated Derivative Contracts:</b>			
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)
<b>Total</b>		<b>\$ 160</b>	<b>\$ (693)</b>

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)
<b>Cash Flow Hedge:</b>						
Foreign Exchange (3)	\$ 426	\$ (11)	Cost of goods sold	\$ (1)	Cost of goods sold	\$
<b>Total</b>	<b>\$ 426</b>	<b>\$ (11)</b>		<b>\$ (1)</b>		<b>\$</b>
<b>Net Investment Hedge:</b>						
Foreign Exchange (3)	\$	\$ 37	Foreign exchange gains (losses)	\$	Foreign exchange gains (losses)	\$
<b>Total</b>	<b>\$</b>	<b>\$ 37</b>		<b>\$</b>		<b>\$</b>

(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.

## Edgar Filing: Bunge LTD - Form 10-Q

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.

Table of Contents

(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)
<b>Cash Flow Hedge:</b>						
Foreign Exchange						
(3)	\$ 475	\$ (16)	Cost of goods sold	\$ (2)	Cost of goods sold	\$
<b>Total</b>	<b>\$ 475</b>	<b>\$ (16)</b>		<b>\$ (2)</b>		<b>\$</b>

(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

## Edgar Filing: Bunge LTD - Form 10-Q

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:

Table of Contents

(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**

## Edgar Filing: Bunge LTD - Form 10-Q

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:



Table of Contents

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

*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.



Table of Contents

*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
<b>Total</b>	<b>\$ 158</b>

(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 arrangements. Bunge evaluates the likelihood of customer repayments of the amounts due under these guarantees based upon an expected loss analysis and records the value of such guarantees as an obligation in its condensed consolidated financial statements. Bunge's recorded obligation related to these outstanding guarantees was \$17 million at June 30, 2013.

(2) Bunge issued guarantees to certain financial institutions related to debt of certain of its unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2014 through 2017. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under these guarantees. At June 30, 2013, Bunge had no outstanding recorded obligation related to these guarantees.

(3) Bunge issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at conclusion of the lease term. These leases expire in 2016. At June 30, 2013, Bunge's recorded obligation related to these guarantees was \$4 million.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the indebtedness outstanding under certain senior credit facilities and senior notes entered into, or issued by, its 100% owned subsidiaries. At June 30, 2013, Bunge's condensed consolidated balance sheet includes debt with a carrying amount of \$4,723 million related to these guarantees. This debt includes the senior notes issued by two of Bunge's 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other Bunge subsidiary to transfer funds to Bunge

Limited.

**16. EQUITY**

*Share repurchase program* Bunge has established a program for the repurchase of up to \$975 million of Bunge's issued and outstanding common shares. The program runs indefinitely. There were no share repurchases under the program during the six months ended June 30, 2013. Total repurchases under the program from its inception on June 8, 2010 through June 30, 2013 were 8,647,859 shares for \$474 million.

*Accumulated other comprehensive income (loss) attributable to Bunge* The following table summarizes the balances of related after-tax components of accumulated other comprehensive income (loss) attributable to Bunge:

Table of Contents

(US\$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, April 1, 2013	\$ (1,189)	\$ 14	\$ (157)	\$ 6	\$ (1,326)
Other comprehensive income (loss) before reclassification	(834)	15	2	4	(813)
Amount reclassified from accumulated other comprehensive income					
Net-current period other comprehensive income	(834)	15	2	4	(813)
<b>Balance, June 30, 2013</b>	<b>\$ (2,023)</b>	<b>\$ 29</b>	<b>\$ (155)</b>	<b>\$ 10</b>	<b>\$ (2,139)</b>

(US\$ in millions)	Foreign Exchange Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension and Other Postretirement Liability Adjustments	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2012	\$ (1,265)	\$ 3	\$ (157)	\$ 9	\$ (1,410)
Other comprehensive income (loss) before reclassification	(758)	26	2	4	(726)
Amount reclassified from accumulated other comprehensive income				(3)	(3)
Net-current period other comprehensive income	(758)	26	2	1	(729)
<b>Balance, June 30, 2013</b>	<b>\$ (2,023)</b>	<b>\$ 29</b>	<b>\$ (155)</b>	<b>\$ 10</b>	<b>\$ (2,139)</b>

**17. EARNINGS PER COMMON SHARE**

The following table sets forth the computation of basic and diluted earnings per common share.

(US\$ in millions, except for share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Income from continuing operations	\$ 121	\$ 259	\$ 278	\$ 383
Net (income) loss attributable to noncontrolling interests	14	8	46	11
Income from continuing operations attributable to Bunge	135	267	324	394
Other redeemable obligations (1)	(17)		(19)	
Convertible preference share dividends	(9)	(9)	(17)	(17)
Income (loss) from discontinued operations, net of tax	1	7	(8)	(28)
Net income available to Bunge common shareholders	\$ 110	\$ 265	\$ 280	\$ 349
Weighted-average number of common shares outstanding:				
Basic	147,128,500	145,974,965	146,889,234	145,846,544
Effect of dilutive shares:				
stock options and awards	745,341	917,117	1,015,658	963,943
convertible preference shares		7,583,790		7,583,790
Diluted (2)	147,873,841	154,475,872	147,904,892	154,394,277

Edgar Filing: Bunge LTD - Form 10-Q

**Basic earnings per common share:**

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

**Diluted earnings per common share:**

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

Table of Contents

(1) Accretion of redeemable noncontrolling interests of \$(17) million and \$(19) million for the three and six months ended June 30, 2013 relates to a non-fair value variable put arrangement whereby the noncontrolling interest holder may require Bunge to purchase the remaining shares of an oilseed processing operation in Eastern Europe. Accretion for the respective periods includes the effect of losses incurred by the operations for the three and six months ended June 30, 2013.

(2) Approximately 4 million and 4 million outstanding stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted-average number of common shares outstanding for the six months ended June 30, 2013 and 2012, respectively. Approximately 8 million weighted-average common shares that are issuable upon conversion of the convertible preference shares were not dilutive and not included in the weighted-average number of common shares outstanding for the three and six months ended June 30, 2013.

**18. SEGMENT INFORMATION**

Bunge has five reportable segments – agribusiness, sugar and bioenergy, edible oil products, milling products and fertilizer – which are organized based upon similar economic characteristics and are similar in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods. The agribusiness segment is characterized by both inputs and outputs being agricultural commodities and thus high volume and low margin. The sugar and bioenergy segment involves sugarcane growing and milling in Brazil, sugar merchandising in various countries, as well as sugarcane-based ethanol production and corn-based ethanol investments and related activities. The edible oil products segment involves the manufacturing and marketing of products derived from vegetable oils. The milling products segment involves the manufacturing and marketing of products derived primarily from wheat and corn. Following the classification of the Brazilian fertilizer distribution and North American fertilizer businesses as discontinued operations (see Note 4), the activities of the fertilizer segment include its port operations in Brazil and its operations in Argentina. Additionally, Bunge has retained its 50% interest in its fertilizer joint venture in Morocco.

The Discontinued Operations & Unallocated column in the following table contains the reconciliation between the totals for reportable segments and Bunge consolidated totals, which consist primarily of amounts attributable to discontinued operations, corporate items not allocated to the operating segments and inter-segment eliminations. Transfers between the segments are generally valued at market. The revenues generated from these transfers are shown in the following table as Inter-segment revenues segments or inter-segment eliminations.

**(US\$ in millions)**

<b>Three Months Ended June 30, 2013</b>	<b>Agribusiness</b>	<b>Sugar and Bioenergy</b>	<b>Edible Oil Products</b>	<b>Milling Products</b>	<b>Fertilizer</b>	<b>Discontinued Operations &amp; Unallocated (1)</b>	<b>Total</b>
Net sales to external customers	\$ 11,566	\$ 939	\$ 2,376	\$ 509	\$ 101	\$	\$ 15,491
Inter-segment revenues	1,238		39	9	27	(1,313)	
Gross profit	370	34	137	61	14		616
Foreign exchange gains (losses)	(2)	(4)			3		(3)
Noncontrolling interests (1)	4	3			(1)	8	14
Other income (expense) – net	(1)	3		(1)	(2)		(1)
Segment EBIT (2)	170	(3)	34	29	9		239
Discontinued operations (3)						1	1

Edgar Filing: Bunge LTD - Form 10-Q

Depreciation, depletion and amortization	(58)	(53)	(25)	(8)	(5)		(149)
Total assets	20,885	4,088	2,531	872	944	1,023	30,343



Edgar Filing: Bunge LTD - Form 10-Q

Table of Contents

**Three Months Ended**

**June 30, 2012**

Net sales to external customers	\$	10,580	\$	1,079	\$	2,331	\$	421	\$	88	\$	14,499
Inter-segment revenues		1,340				33				16		(1,389)
Gross profit		478		15		91		43		16		643
Foreign exchange gains (losses)		20		(5)		(2)						13
Noncontrolling interest (1)		5		3		1				(1)		8
Other income (expense) net		4		(4)				(1)		(6)		(7)
Gain on sale of investments in affiliates		85										85
Gain on acquisition of controlling interest								36				36
Segment EBIT (2)		386		(28)		2		44				404
Discontinued operations (3)											7	7
Depreciation, depletion and amortization		(56)		(45)		(23)		(6)		(5)		(135)
Total assets		16,777		3,925		2,737		846		2,428		26,713

<b>Six Months Ended June 30, 2013</b>	<b>Agribusiness</b>	<b>Sugar and Bioenergy</b>	<b>Edible Oil Products</b>	<b>Milling Products</b>	<b>Fertilizer</b>	<b>Discontinued Operations &amp; Unallocated (1)</b>	<b>Total</b>
Net sales to external customers	\$ 22,340	\$ 2,052	\$ 4,673	\$ 1,044	\$ 167	\$	\$ 30,276
Inter-segment revenues	2,655		59	9	36	(2,759)	
Gross profit	768	91	253	124	27		1,263
Foreign exchange gains (losses)	(43)	(1)	(1)		2		(43)
Noncontrolling interest (1)	30	4			(2)	14	46
Other income (expense) net	(4)	2	8	5	27		38
Segment EBIT (2)	361	20	72	65	44		562
Discontinued operations (3)						(8)	(8)
Depreciation, depletion and amortization	(118)	(79)	(49)	(15)	(9)		(270)
Total assets	20,885	4,088	2,531	872	944	1,023	30,343

**Six Months Ended**

**June 30, 2012**

Net sales to external customers	\$	19,897	\$	1,960	\$	4,552	\$	848	\$	151	\$	27,408
Inter-segment revenues		2,400				64				34		(2,498)
Gross profit		830		23		204		99		24		1,180
Foreign exchange gains (losses)		74				(3)						71
Noncontrolling interest (1)		3		4		1				(1)		11
Other income (expense) net		11		(7)		2		1		(15)		(8)
Gain on sale of investments in affiliates		85										85
Gain on acquisition of controlling interest								36				36
Segment EBIT (2)		583		(61)		23		71		(12)		604
Discontinued operations (3)											(28)	(28)
Depreciation, depletion and amortization		(105)		(72)		(47)		(13)		(9)		(246)
Total assets		16,777		3,925		2,737		846		2,428		26,713

(1) Includes noncontrolling interests share of interest and tax to reconcile to consolidated noncontrolling interest.

(2) Total segment earnings before interest and taxes (EBIT) is an operating performance measure used by Bunge's management to evaluate segment operating activities. Bunge's management believes total segment EBIT is a useful measure of operating profitability, since the measure allows for an evaluation of the performance of its segments without regard to its financing methods or capital structure. In addition, EBIT is a financial measure that is widely used by analysts and investors in Bunge's industries.

(3) Represents net income (loss) from discontinued operations (see Note 4).

Table of Contents

A reconciliation of total segment EBIT to net income attributable to Bunge follows:

(US\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total segment EBIT	\$ 239	\$ 404	\$ 562	\$ 604
Interest income	12	16	21	38
Interest expense	(86)	(78)	(162)	(137)
Income tax (expense) benefit	(38)	(75)	(111)	(115)
Income (loss) from discontinued operations, net of tax	1	7	(8)	(28)
Noncontrolling interests' share of interest and tax	8		14	4
Net income attributable to Bunge	\$ 136	\$ 274	\$ 316	\$ 366

**19. SUBSEQUENT EVENTS**

In July 2013, Bunge acquired for \$62 million, an additional 12.75% interest and a \$22 million loan to its consolidated subsidiary venture, Export Grain Terminal, LLC from a noncontrolling interest holder, increasing Bunge's ownership share from 51% to 63.75%.

Table of Contents

**Cautionary Statement Regarding Forward Looking Statements**

This report contains both historical and forward looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). These forward looking statements are not based on historical facts, but rather reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward looking statements by using words including may, will, should, could, expect, anticipate, believe, plan, intend, and similar expressions. These forward looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. The following important factors, among others, could affect our business and financial performance, industry conditions, including fluctuations in supply, demand and prices for agricultural commodities and other raw materials and products used in our business, fluctuations in energy and freight costs and competitive developments in our industries; the effects of weather conditions and the outbreak of crop and animal disease on our business; global and regional agricultural, economic, financial and commodities market, political, social and health conditions; the outcome of pending regulatory and legal proceedings; our ability to complete, integrate and benefit from acquisitions, dispositions, joint ventures and strategic alliances; our ability to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement and other business optimization initiatives; changes in government policies, laws and regulations affecting our business, including agricultural and trade policies, tax regulations and biofuels legislation; and other factors affecting our business generally.

The forward looking statements included in this report are made only as of the date of this report, and except as otherwise required by federal securities law, we do not have any obligation to publicly update or revise any forward looking statements to reflect subsequent events or circumstances.

You should refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 1, 2013, and Part II Item 1A. Risk Factors in this Quarterly Report on Form 10-Q for a more detailed discussion of these factors.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Second Quarter 2013 Overview*

You should refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Operating Results in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of key factors affecting operating results in each of our business segments.

*Segment Overview*

## Edgar Filing: Bunge LTD - Form 10-Q

*Agribusiness* Agribusiness segment EBIT for the second quarter of 2013 declined to \$170 million compared to \$386 million in the same period of 2012. Strong margins and volumes in our Brazilian operations were the primary driver of results for the quarter, despite logistics challenges of the large export volumes. Tight sunflower and rape seed supplies in Europe and last year's poor grain crops in the Black Sea negatively impacted results in EMEA. Oilseed processing capacity utilization in North America was low for both soybeans and canola, hampered by last year's drought which reduced available raw materials. U.S. grain exports were weak, reflecting the impact of the extreme 2012 summer drought on corn production. Results in Argentina suffered from slow farmer selling and a poor wheat crop. Our agribusiness teams managed global supply lines and market volatility well in a challenging environment. Results for the second quarter of 2012 included an \$85 million gain related to the sale of our noncontrolling interest in Solae.

*Sugar and Bioenergy* Sugar and bioenergy segment EBIT in the second quarter of 2013 improved significantly over the second quarter of 2012 with improved performance in all parts of the segment. Trading and merchandising benefited from a 12% increase in volumes, good margins on export programs and good risk

## Edgar Filing: Bunge LTD - Form 10-Q

### Table of Contents

management. Sugarcane milling benefited from the combination of higher ethanol prices and lower production costs, driven by the combination of higher cane yields, ATR and crush volume, which more than offset the impact of lower sugar prices. Through June 30, 2013, our mills crushed approximately 1.3 million tons more sugarcane than in the same period of last year. The second quarter is typically a weak period for the milling operations as it marks the beginning of the sugarcane harvest in the Center-South of Brazil when the sugar content of the sugarcane is at its lowest level. Consequently, mills produce less sugar and ethanol per unit of sugarcane milled than they will in the second half of the year when the yield increases. Results in U.S. biofuels were higher due to improved margins in our ethanol joint ventures.

*Edible oil products* Edible oil products segment EBIT of \$34 million in the second quarter of 2013 was higher than the \$2 million reported in the second quarter of 2012 as performance improved in all regions due to significant operational improvements and more efficient sales channel strategies, particularly in Brazil and Eastern Europe. Volumes increased 8% during the period, primarily in Asia. The second quarter of 2012 included an impairment of \$5 million in Europe and an inventory valuation adjustment in the U.S.

*Milling products* Results for the second quarter of 2012 include a \$36 million gain related to the acquisition of a controlling interest in a North American wheat milling business. Aside from this gain in the previous year, EBIT in the second quarter of 2013 was significantly higher than last year driven by improved performance in our Brazilian wheat milling business and our U.S. corn dry milling operations. Contributing to these improved results were greater efficiencies in operations, additional customer service offerings and the successful integration of our 2012 Mexico wheat mill acquisition.

*Fertilizer* Fertilizer segment EBIT improved when compared to the second quarter of 2012 driven by higher results in our Brazilian fertilizer port operations and our Morocco joint venture, which more than offset slightly lower results in Argentina.

### **Segment Results**

A summary of certain items in our condensed consolidated statements of income and volumes by reportable segment for the periods indicated is set forth below.

(US\$ in millions, except volumes)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Volumes (in thousands of metric tons):</b>				
Agribusiness	34,356	34,723	65,802	65,373
Sugar and Bioenergy	2,021	1,804	4,324	3,135
Edible oil products	1,765	1,634	3,408	3,184
Milling products	1,031	1,087	2,042	2,133
Fertilizer	194	176	329	300
<b>Net sales:</b>				
Agribusiness	\$ 11,566	\$ 10,580	\$ 22,340	\$ 19,897
Sugar and Bioenergy	939	1,079	2,052	1,960
Edible oil products	2,376	2,331	4,673	4,552
Milling products	509	421	1,044	848

Edgar Filing: Bunge LTD - Form 10-Q

Fertilizer		101		88		167		151
Total	\$	15,491	\$	14,499	\$	30,276	\$	27,408
<b>Cost of goods sold:</b>								
Agribusiness	\$	(11,196)	\$	(10,102)	\$	(21,572)	\$	(19,067)
Sugar and Bioenergy		(905)		(1,064)		(1,961)		(1,937)
Edible oil products		(2,239)		(2,240)		(4,420)		(4,348)
Milling products		(448)		(378)		(920)		(749)
Fertilizer		(87)		(72)		(140)		(127)
Total	\$	(14,875)	\$	(13,856)	\$	(29,013)	\$	(26,228)

Table of Contents

<b>Gross profit:</b>					
Agribusiness	\$	370	\$	478	\$ 830
Sugar and Bioenergy		34		15	23
Edible oil products		137		91	204
Milling products		61		43	99
Fertilizer		14		16	24
Total	\$	616	\$	643	\$ 1,180
<b>Selling, general and administrative expenses:</b>					
Agribusiness	\$	(199)	\$	(205)	\$ (420)
Sugar and Bioenergy		(39)		(37)	(81)
Edible oil products		(104)		(89)	(181)
Milling products		(31)		(34)	(65)
Fertilizer		(6)		(9)	(20)
Total	\$	(379)	\$	(374)	\$ (767)
<b>Foreign exchange gains (losses):</b>					
Agribusiness	\$	(2)	\$	20	\$ 74
Sugar and Bioenergy		(4)		(5)	(1)
Edible oil products				(2)	(1)
Milling products					
Fertilizer		3			2
Total	\$	(3)	\$	13	\$ (43)
<b>Noncontrolling interests:</b>					
Agribusiness	\$	4	\$	5	\$ 30
Sugar and Bioenergy		3		3	4
Edible oil products				1	1
Milling products					
Fertilizer		(1)		(1)	(2)
Total	\$	6	\$	8	\$ 32
<b>Other income (expense) - net:</b>					
Agribusiness	\$	(1)	\$	4	\$ (4)
Sugar and Bioenergy		3		(4)	2
Edible oil products					8
Milling products		(1)		(1)	5
Fertilizer		(2)		(6)	27
Total	\$	(1)	\$	(7)	\$ 38
<b>Gain on sale of agribusiness investment in affiliate</b>					
	\$		\$	85	\$ 85
<b>Gain on acquisition of milling business controlling interest</b>					
	\$		\$	36	\$ 36
<b>Segment earnings before interest and tax:</b>					
Agribusiness	\$	170	\$	386	\$ 583
Sugar and Bioenergy		(3)		(28)	(61)
Edible oil products		34		2	72
Milling products		29		44	65
Fertilizer		9			44
Total (1)	\$	239	\$	404	\$ 562





Table of Contents

<b>Depreciation, depletion and amortization:</b>						
Agribusiness	\$	(58)	\$	(56)	\$ (118)	\$ (105)
Sugar and Bioenergy		(53)		(45)	(79)	(72)
Edible oil products		(25)		(23)	(49)	(47)
Milling products		(8)		(6)	(15)	(13)
Fertilizer		(5)		(5)	(9)	(9)
Total	\$	(149)	\$	(135)	\$ (270)	\$ (246)

(1) Total segment earnings before interest and taxes (EBIT) is an operating performance measure used by Bunge's management to evaluate segment operating activities. Bunge's management believes total segment EBIT is a useful measure of operating profitability, since the measure allows for an evaluation of the performance of its segments without regard to its financing methods or capital structure. In addition, EBIT is a financial measure that is widely used by analysts and investors in Bunge's industries. Total segment EBIT is not a measure of consolidated operating results under U.S. GAAP and should not be considered as an alternative to net income or any other measure of consolidated operating results under U.S. GAAP.

A reconciliation of total segment EBIT to net income attributable to Bunge follows:

(US\$ in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	2012	2013	2012	2012
Total segment EBIT	\$	239	\$	404	\$	604
Interest income		12		16		38
Interest expense		(86)		(78)		(137)
Income tax (expense) benefit		(38)		(75)		(115)
Income (loss) from discontinued operations, net of tax		1		7		(28)
Noncontrolling interests' share of interest and tax		8				4
Net income attributable to Bunge	\$	136	\$	274	\$	366

**Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012**

**Agribusiness Segment** Agribusiness segment net sales increased 9% to \$11.6 billion in the second quarter of 2013 compared to \$10.6 billion in the second quarter of 2012. Price increases, driven by higher average global commodity prices for wheat, corn and soybean meal, accounted for the increase with slightly lower volumes partially offsetting. The volume decrease relates primarily to lower oilseed processing and merchandising volumes in Europe and North America as both regions suffered from reduced raw material supply from the impact of significant weather related reductions on their 2012 harvests.

Cost of goods sold increased 11% primarily as a result of the rise in global commodity prices mentioned above, as well as increased unitary production costs driven by low oilseed processing capacity utilization in North America and EMEA as a result of lower raw material availability.

Gross profit of \$370 million in the second quarter of 2013 decreased 23% compared to the second quarter of 2012. Strong soybean processing margins from a record Brazilian crop and improvements in North America processing margins caused by continued tight global supplies were

## Edgar Filing: Bunge LTD - Form 10-Q

more than offset by lower oilseed processing results in Europe, where margin pressures from supply shortages and slow farmer selling reduced results, and in Argentina which was impacted by slow farmer selling and a poor wheat crop.

SG&A expenses were \$199 million in the second quarter of 2013 compared to \$205 million in the second quarter of 2012. The reduction in the second quarter of 2013 included bad debt recoveries, mainly in Brazil, and the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* on the translation of local currency costs into U.S. dollars. These benefits were partially offset by the addition of SG&A costs in our Romanian joint venture which started in the third quarter of 2012 and the European biodiesel facilities acquired in the first quarter of 2013.

Foreign exchange losses were \$2 million in the second quarter of 2013 compared to gains of \$20 million in the same period of 2012. Losses in 2013 were driven by the impact of the weakening of global currencies,

Table of Contents

particularly the Brazilian *real* and Argentine *peso*, relative to the U.S. dollar on the net monetary positions in Brazil and Argentina.

Other income (expenses)-net was an expense of \$1 million in the second quarter of 2013 and includes losses of \$7 million related to our South American and European biodiesel joint ventures which were largely offset by income of \$6 million in the investment funds acquired in 2012. Other income (expenses)-net was income of \$4 million in the same quarter of 2012.

Gain on sale of investment in affiliate of \$85 million in the second quarter of 2012 related to the gain on the sale of our noncontrolling interest in Solae, a North American soy ingredients joint venture.

Noncontrolling interests represent (income) loss attributed to the noncontrolling interest holders in joint venture operations that are consolidated in our financial statements. The \$4 million of losses in the second quarter of 2013 compares to \$5 million of losses in the second quarter of 2012. The losses in the second quarter of 2013 primarily relate to the losses in our Eastern European and Canadian oilseed processing joint ventures which were partially offset by the income in the investment funds acquired in 2012 referred to above. The losses in the second quarter of 2012 related primarily to the start up of our Pacific Northwest terminal operations in that year.

Segment EBIT decreased by \$216 million to \$170 million in the second quarter of 2013 from \$386 million in the second quarter of 2012 as a result of the 23% lower gross profit and the second quarter 2012 gain of \$85 million on the sale of our noncontrolling interest in Solae.

*Sugar and Bioenergy Segment* Sugar and Bioenergy segment net sales decreased \$140 million compared to the second quarter of 2012. The decline in sales was driven by a 22% decline in average sugar selling prices, which was partially offset by volume increases of 12% with higher volumes in our trading and merchandising business and our industrial business. Average ethanol prices in Brazil increased slightly in the second quarter of 2013 partially offsetting the impact of the global sugar price declines.

Cost of goods sold decreased 15% in the second quarter of 2013 compared to the same period of 2012 driven by the impact of the decline in average sugar commodity prices on our trading and merchandising business. Cost of goods sold in 2013 also benefited from the favorable impact of the industrial volume improvement on unitary costs and the devaluation of the Brazilian *real* on local currency costs translated to U.S. dollars when compared to the same period of 2012.

Gross profit increased by \$19 million to \$34 million in the second quarter of 2013 from \$15 million in the comparable period of 2012 primarily as a result of good volumes/ margins and risk management performance in our trading and merchandising business. Margins in our industrial business improved slightly driven by higher Brazilian ethanol prices and lower industrial costs.

SG&A expenses of \$39 million in the second quarter of 2013 were largely consistent with expenses of \$37 million in the second quarter of 2012.

## Edgar Filing: Bunge LTD - Form 10-Q

Foreign exchange losses in the second quarters of 2013 and 2012 were \$4 million and \$5 million, respectively, and related primarily to the Brazilian *real*.

Other income (expenses)-net was a gain of \$3 million in the second quarter of 2013 compared to a loss of \$(4) million in the same quarter of 2012 primarily due to improved results in our North American bioenergy equity investments.

Noncontrolling interests were \$3 million in the second quarters of both 2013 and 2012 and represent the noncontrolling interests' shares of period loss from our non-wholly owned Brazilian sugarcane mills.

Segment EBIT increased by \$25 million to a loss of \$3 million in the second quarter of 2013 from a loss of \$28 million in the second quarter of 2012 due to improved gross profit and net results in all parts of the segment.

*Edible Oil Products Segment* Edible oil products segment net sales increased by approximately 2% in the second quarter of 2013 compared to the second quarter of 2012, resulting from an 8% increase in volumes, primarily in Asia and Europe. Volume increases were partially offset by a 6% decline in average selling prices.

Table of Contents

Cost of goods sold in the second quarter of 2013 was in line with the same period of 2012 as the increase in volumes in 2013 was largely offset by lower raw material costs. 2012 results included an impairment of \$5 million in Europe and an inventory valuation adjustment in the U.S.

Gross profit increased to \$137 million in the second quarter of 2013 compared to \$91 million in the second quarter of 2012. The increase was driven by higher margins, with improved pricing policy management in Brazil and higher value product mix in Argentina and North America, particularly Canada. 2012 results included an impairment of \$5 million in Europe and an inventory valuation adjustment in the U.S.

SG&A expenses increased 17%, primarily as a result of increased advertising and other expenditures in Brazil which more than offset the favorable impact of the weakening of the Brazilian *real* relative to the U.S. dollar during the second quarter of 2013.

Foreign exchange results in the second quarters of 2013 and 2012 were nil and losses of \$2 million, respectively.

Segment EBIT increased to \$34 million in the second quarter of 2013 compared to \$2 million in the second quarter of 2012, as a result of higher gross profit which was partially offset by higher SG&A costs.

*Milling Products Segment* Milling products segment net sales increased 21%. This increase was entirely attributable to a 27% increase in average selling prices driven by global commodity price increases compared to the second quarter of 2012. This was partially offset by a 5% decline in volumes, primarily in Brazilian wheat milling and resulting from a focus on higher margin products and on customer service.

Cost of goods sold increased by 19% primarily as a result of increased raw material costs from higher commodity prices when compared to the second quarter of 2012.

Gross profit was \$61 million compared with \$43 million in the second quarter of 2012, primarily due to improved margins in our Brazilian wheat milling operations and improved margins in corn milling with strong milling production yields.

SG&A expenses decreased 9% during the second quarter of 2013 compared to the second quarter of 2012, primarily due to the favorable impact of the weakening of the Brazilian *real* relative to the U.S. dollar during the second quarter of 2013.

Gain on acquisition of controlling interest of \$36 million in the second quarter of 2012 relates to the adjustment to fair value of the previously held noncontrolling interest in a North American wheat milling operation upon assuming control of that operation in the second quarter of 2012.

## Edgar Filing: Bunge LTD - Form 10-Q

Other income (expenses)-net was a loss of \$1 million in the second quarter of 2013 compared to a loss of \$1 million in the comparable period of 2012.

Segment EBIT in the second quarter of 2013 was \$29 million compared to \$44 million in the second quarter of 2012. The second quarter of 2012 included a \$36 million gain on acquisition of controlling interest. The remaining improvement over last year related to the focused improvements in gross profit noted above and the benefit on SG&A costs of the weakening of the Brazilian *real*.

*Fertilizer Segment* Fertilizer segment net sales increased 15% to \$101 million in the second quarter of 2013 when compared to \$88 million in the second quarter of 2012 primarily due to a 9% increase in volumes in Argentina and a 4% increase in average fertilizer selling prices.

Cost of goods sold increased 21% primarily due to the volume increase in Argentina.

Gross profit decreased to \$14 million in the second quarter of 2013 from \$16 million in the comparable period of 2012. The decrease in gross profit was primarily driven by lower margins, primarily in Argentina in the second quarter of 2013 which more than offset the impact of higher volumes and improved margins in our Brazilian port operations.

## Edgar Filing: Bunge LTD - Form 10-Q

### Table of Contents

SG&A decreased to \$6 million in the second quarter of 2013 from \$9 million in the comparable period of 2012, generally due to a combination of the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* on local currency costs and the impact of cost savings initiatives.

Foreign exchange gains were \$3 million in the second quarter of 2013 compared to nil in the second quarter of 2012.

Other income (expenses)-net was a loss of \$2 million in the second quarter of 2013 compared to a loss of \$6 million in the second quarter of 2012. The reduction in losses reflects primarily improved results in our Moroccan phosphate joint venture.

Segment EBIT was \$9 million compared to nil in the same period of 2012 driven by improved performances in our Brazilian port operations and our Moroccan phosphate joint venture.

*Interest* A summary of consolidated interest income and expense for the periods indicated follows:

(US\$ in millions)	Three Months Ended			
	June 30,		2012	
	2013		2012	
Interest income	\$	12	\$	16
Interest expense		(86)		(78)

Interest income decreased when compared to the same period of 2012 as a result of lower average interest bearing cash balances. Interest expense increased when compared to the same period last year primarily due to higher average local borrowings and borrowing rates.

*Income Tax Expense* In the quarter ended June 30, 2013, income tax expense was \$38 million compared to income tax expense of \$75 million in the quarter ended June 30, 2012, which included \$31 million of discrete expense related to the gain on the sale of our noncontrolling interest in Solae. The effective tax rate in the second quarter of 2013 increased to 24% compared to 22% in the second quarter of 2012 primarily due to higher earnings in high tax jurisdictions, primarily Brazil.

*Discontinued Operations* Discontinued operations results were income of \$1 million, net of tax, in the second quarter of 2013 and \$7 million in the comparable period of 2012.

*Net Income Attributable to Bunge* For the quarter ended June 30, 2013, net income attributable to Bunge declined to \$136 million from \$274 million in the quarter ended June 30, 2012. This decrease primarily resulted from lower EBIT in the agribusiness segment. Agribusiness and milling segment EBIT for the second quarter of 2012 included a pretax gain of \$85 million on the sale of our noncontrolling interest in Solae and a pretax gain of \$36 million related to the acquisition of a controlling interest in a North American wheat milling business.



*Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012*

*Agribusiness Segment* Agribusiness segment net sales increased 12% to \$22.3 billion in the six months ended June 30, 2013 compared to \$19.9 billion in the six months ended June 30, 2012. Price increases, driven by higher average global commodity prices for wheat, corn and soybean meal, accounted for approximately 95% of the increase with slight increase in volumes accounting for approximately 6% of the increase in sales. The volume increase in the six months ended June 30, 2013 primarily relates to increased merchandising activities in Asia which were largely offset by lower grain origination and merchandising volumes in Eastern Europe and oilseed processing volumes in the U.S. as a result of weather related supply shortages.

Cost of goods sold increased 13% primarily as a result of the rise in global commodity prices and the lower capacity utilization in 2013 caused by tight global supplies. These increases were partially offset by the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* relative to the U.S. dollar on the valuation of U.S. dollar-denominated inventories.

Table of Contents

Gross profit decreased in the six months ended June 30, 2013 by 7% compared to the six months ended June 30, 2012 driven by lower grain origination and merchandising margins in nearly all regions as well as lower softseed processing results in Canada and Europe, where margins were pressured from weather-related supply.

SG&A expenses were \$390 million in the six months ended June 30, 2013 compared to \$420 million in the six months ended June 30, 2012, primarily as a result of bad debt recoveries, mainly in Brazil, and the favorable impact of the devaluation of the Brazilian *real* when compared to the U.S. dollar on local currency costs.

Foreign exchange losses were \$43 million in the six months ended June 30, 2013 compared to gains of \$74 million in 2012 related primarily to the weakening of global currencies, particularly the Brazilian *real* and Argentine *peso*, relative to the U.S. dollar during the six months ended June 30, 2013.

Other income (expenses)-net was an expense of \$4 million in the six months ended June 30, 2013 and includes a loss of \$17 million in the investment funds acquired in 2012, largely offset by a \$16 million gain from the sale of certain legal claims in Brazil. Other income (expenses)-net was income of \$11 million in the comparable period of 2012.

Gain on sale of investment in affiliate of \$85 million in the second quarter of 2012 related to the gain on the sale of our noncontrolling interest in Solae, a North American soy ingredients joint venture.

Noncontrolling interests represent period (income)/loss attributed to the noncontrolling interests and was \$30 million of losses in the six months ended June 30, 2013 compared to \$3 million of losses in the six months ended June 30, 2012. The losses in the six months ended June 30, 2013 primarily reflected \$17 million of losses in the investment funds acquired in 2012 as well as losses in our European and North American oilseed processing joint ventures.

Segment EBIT decreased by \$222 million to \$361 million in the six months ended June 30, 2013 from \$583 million in the six months ended June 30, 2012 as lower grain trading and merchandising gross profit across all regions was not fully offset by improved oilseed processing results and the \$16 million gain on sale of certain legal claims in Brazil. The six months ended June 30, 2012 included a gain of \$85 million related to the sale of our noncontrolling interest in Solae.

*Sugar and Bioenergy Segment* Sugar and Bioenergy segment net sales increased \$92 million compared to the six months ended June 30, 2012. The increased sales were driven by a 38% increase in volumes, primarily in our trading and merchandising business, where sales volumes nearly doubled. Volumes increased slightly in our industrial and U.S. biofuels businesses. The impact of these volume increases was reduced by a decline of approximately 22% in average sugar selling prices. Average ethanol prices in Brazil increased by approximately 4%.

Cost of goods sold increased 1% in the six months ended June 30, 2013 compared to the same period of 2012 driven by higher volumes in our trading and merchandising business which were largely offset by the decline in average sugar prices and the impact of lower cost inventories in our industrial business that were carried over from the 2012 harvest. Cost of goods sold in 2013 also benefited from the favorable impact of the

## Edgar Filing: Bunge LTD - Form 10-Q

devaluation of the Brazilian *real* on local currency costs translated to U.S. dollars.

Gross profit increased to \$91 million in the six months ended June 30, 2013 from \$23 million in the comparable period of 2012 primarily as a result of strong volumes, good margins and good risk management performance in our trading and merchandising business. Improved margins in our industrial business driven by higher Brazilian ethanol prices and the sale of lower cost inventories carried over from the end of 2012 in our industrial operations, also contributed to the increase in gross profit.

SG&A expenses decreased to \$76 million in the six months ended June 30, 2013 from \$81 million in the comparable period of 2012 primarily due to the favorable impact of the devaluation of the Brazilian *real* on translated local currency costs.

Foreign exchange in the first six months of 2013 and 2012 were \$1 million of losses and nil, respectively, and related to movements of the Brazilian *real*.

## Edgar Filing: Bunge LTD - Form 10-Q

### Table of Contents

Other income (expenses)-net was a gain of \$2 million in the six months ended June 30, 2013 compared to a loss of \$7 million in the same six months of 2012 primarily due to improved results in our North American bioenergy investments.

Noncontrolling interests were \$4 million in the six months ended June 30, 2013 and 2012 and represent the noncontrolling interests' shares of period losses from our non-wholly owned Brazilian sugarcane mills.

Segment EBIT increased by \$81 million to income of \$20 million in the six months ended June 30, 2013 from a loss of \$61 million in the six months ended June 30, 2012 due to higher gross profit driven by improved results in all parts of the segment.

*Edible Oil Products Segment* Edible oil products segment net sales increased by approximately 3% in the six months ended June 30, 2013 compared to the six months ended June 30, 2012, resulting from a 7% increase in volumes, primarily in Asia and Europe. Volume increases were largely offset by lower average selling prices.

Cost of goods sold in the six months ended June 30, 2013 increased 2% from the same period of 2012 primarily from increased volumes. The six months ended June 30, 2012 included a \$5 million impairment in Europe and an inventory valuation adjustment in the U.S.

Gross profit increased 24% compared to the six months ended June 30, 2012. The increase was driven by higher margins in Brazil, driven by tight soybean processing supplies in the domestic market from harvest delays in the six months ended June 30, 2013, and in Asia from our Amrit acquisition in India. The six months ended June 30, 2012 included a \$5 million impairment in Europe and an inventory valuation adjustment in the U.S.

SG&A expenses increased 4%, primarily as a result of increased advertising and other expenditures in Brazil. These were partially offset by the favorable impact of the weakening of the Brazilian *real* relative to the U.S. dollar during the six months ended June 30, 2013.

Foreign exchange results in the first six months of 2013 and 2012 were losses of \$1 million and \$3 million, respectively.

Other income (expenses)-net was income of \$8 million in the six months ended June 30, 2013 compared to income of \$2 million in the comparable period of 2012. The six months ended June 30, 2013 included a \$9 million gain on the sale of certain legal claims in Brazil.

Segment EBIT increased \$49 million to \$72 million in the six months ended June 30, 2013 from \$23 million in the six months ended June 30, 2012 as a result of higher gross profit and the gain on the sale of certain legal claims.

## Edgar Filing: Bunge LTD - Form 10-Q

*Milling Products Segment* Milling products segment net sales increased 23%. This increase was due to an increase in average commodity prices of 29% compared to the six months ended June 30, 2012. This was partially offset by a 4% decline in volumes, primarily in Brazilian wheat milling and U.S. corn milling. These volume declines were partially offset by increased volumes in Mexico as a result of our acquisition of a wheat milling operation in the second quarter of 2012.

Cost of goods sold increased by 23% primarily as a result of increased raw material costs from higher commodity prices when compared to the six months ended June 30, 2012.

Gross profit was \$124 million compared with \$99 million in the six months ended June 30, 2012, primarily due to our Brazilian wheat milling operations largely recovering from difficulties associated with a 2012 ERP implementation and from our consolidation of our 2012 acquisition of a controlling interest in a wheat milling business in Mexico where we formerly had a Noncontrolling interest.

SG&A expenses were \$64 million in the six months ended June 30, 2013 compared to \$65 million in the six months ended June 30, 2012. Additional costs resulting from inclusion of our wheat milling business in Mexico were more than offset by the favorable impact of the weakening of the Brazilian *real* relative to the U.S. dollar.

Table of Contents

Other income (expenses)-net was income of \$5 million in the six months ended June 30, 2013 compared to income of \$1 million in the comparable period of 2012. The six months ended June 30, 2013 included a \$6 million gain on the sale of certain legal claims in Brazil.

Gain on acquisition of controlling interest of \$36 million in the second quarter of 2012 relates to the adjustment to fair value of the previously held noncontrolling interest in a North American wheat milling operation upon assuming control of that operation in the second quarter of 2012.

Segment EBIT in the six months ended June 30, 2013 was \$65 million compared to \$71 million. The result for the six months ended June 30, 2013 was driven by higher gross profit and a \$6 million gain on the sale of certain legal claims. The six months ended June 30, 2012 included a gain on acquisition of controlling interest of \$36 million.

*Fertilizer Segment* Fertilizer segment net sales increased 11% to \$167 million in the six months ended June 30, 2013 when compared to \$151 million in the six months ended June 30, 2012 primarily due to a 9% increase in volumes in Argentina. Average fertilizer selling prices also increased slightly during the six months ended June 30, 2012.

Cost of goods sold increased 10%, primarily as a result of the volume increases discussed above.

Gross profit increased to \$27 million in the six months ended June 30, 2013 from \$24 million in the comparable period of 2012. The increase in gross profit was primarily driven by additional volume in the first quarter of 2013 which was partially offset by lower margins in the second quarter of 2013.

SG&A decreased to \$10 million in the six months ended June 30, 2013 from \$20 million in the comparable period of 2012, generally due to a combination of factors, including the favorable impact of the devaluation of the Brazilian *real* and Argentine *peso* on local currency costs and the impact of cost savings initiatives.

Foreign exchange gains were \$2 million in the six months ended June 30, 2013 compared to nil in the six months ended June 30, 2012.

Other income (expenses)-net was income of \$27 million in the six months ended June 30, 2013 compared to a loss of \$15 million in the six months ended June 30, 2012. The improved results were primarily due to a \$32 million gain on the sale of certain legal claims in Brazil and improved results in our Moroccan phosphate joint venture.

Segment EBIT was \$44 million compared to a loss of \$12 million in the same period of 2012 driven by the \$32 million gain on the sale of certain legal claims in Brazil and improved results in our Moroccan joint venture.

## Edgar Filing: Bunge LTD - Form 10-Q

*Interest* A summary of consolidated interest income and expense for the periods indicated follows:

(US\$ in millions)	Six Months Ended			
	June 30,		2012	
	2013		2012	
Interest income	\$	21	\$	38
Interest expense		(162)		(137)

Interest income decreased when compared to the same period of 2012 as a result of lower average interest bearing cash balances. Interest expense increased when compared to the same period last year primarily due to higher average local borrowings and borrowing rates.

*Income Tax Expense* In the six months ended June 30, 2013, income tax expense was \$111 million compared to income tax expense of \$115 million in the six months ended June 30, 2012. The effective tax rate in the six months ended June 30, 2013 increased to 29% compared to 23% in the six months ended June 30, 2012 primarily due to discrete income tax charges of \$37 million in the six months ended June 30, 2013. These discrete charges are primarily comprised of \$30 million related to an uncertain tax position in Brazil and \$4 million related to the finalization of a tax audit in Europe.

Table of Contents

*Discontinued Operations* Discontinued operations results in the six months ended June 30, 2013 were a loss of \$8 million, net of tax, compared to loss of \$28 million, net of tax, in the six months ended June 30, 2012. Improved results in 2013 were driven by higher margins that were partially offset by the impact of lower volumes and by a \$17 million provision related to an uncertain tax position in Brazil. Results in the six months ended June 30, 2012 included a \$27 million provision for a legacy environmental claim in Brazil.

*Net Income Attributable to Bunge* In the six months ended June 30, 2013, net income attributable to Bunge decreased to \$316 million from \$366 million in the six months ended June 30, 2012. This decrease primarily resulted from lower EBIT in the agribusiness segment. Improved results from our discontinued operations in fertilizer in Brazil also contributed to the higher net income attributable to Bunge. The six months ended June 30, 2012 included a pretax gain of \$85 million on the sale of our noncontrolling interest in Solae and a pretax gain of \$36 million related to the acquisition of a controlling interest in a North American wheat milling operation.

**Liquidity and Capital Resources**

*Liquidity*

Our primary financial objective is to maintain sufficient liquidity, balance sheet strength and financial flexibility in order to fund the requirements of our business efficiently. We generally finance our ongoing operations with cash flows generated from operations, issuance of commercial paper, borrowings under various revolving credit facilities and term loans, as well as proceeds from the issuance of senior notes. Acquisitions and long-lived assets are generally financed with a combination of equity and long-term debt.

Our current ratio, which is a widely used measure of liquidity and is defined as current assets divided by current liabilities, was 1.36 and 1.50 at June 30, 2013 and December 31, 2012, respectively.

*Cash and Cash Equivalents* Cash and cash equivalents were \$726 million and \$569 million at June 30, 2013 and December 31, 2012, respectively. Cash balances are managed in accordance with our investment policy, the objectives of which are to preserve capital, maximize liquidity and provide appropriate returns. Under our policy, cash balances have been primarily invested in bank time deposits with highly-rated financial institutions and U.S. government securities.

*Readily Marketable Inventories* Readily marketable inventories are agricultural commodity inventories such as soybeans, soybean meal, soybean oil, corn, wheat and sugar that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Readily marketable inventories in our agribusiness segment are reported at fair value and were \$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. The sugar and bioenergy segment included 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 were inventories carried at fair value at June 30, 2013 and December 31, 2012, respectively, in our trading and merchandising business. Sugar inventories in our industrial production business are readily marketable, but are carried at lower of cost or market. Readily marketable inventories at fair value in the aggregate amount of \$52 million and \$215 million at June 30, 2013 and December 31, 2012, respectively, were included in our edible oil products segment inventories.



## Edgar Filing: Bunge LTD - Form 10-Q

We recorded interest expense on debt financing readily marketable inventories of \$27 million and \$50 million in the six months ended June 30, 2013 and 2012, respectively.

*Financing Arrangements and Outstanding Indebtedness* We conduct most of our financing activities through a centralized financing structure that enables us and our subsidiaries to borrow more efficiently. This structure includes a master trust facility, the primary assets of which consist of intercompany loans made to Bunge Limited and its subsidiaries. Certain of Bunge Limited's 100% owned finance subsidiaries, Bunge Limited Finance Corp., Bunge Finance Europe B.V., and Bunge Asset Funding Corp., fund the master trust with short and long-term debt obtained from third parties, including through our commercial paper program and certain credit facilities, as well as the issuance of senior notes. Borrowings by these finance subsidiaries carry full, unconditional guarantees by Bunge Limited.

Table of Contents

*Revolving credit facilities* At June 30, 2013, we had approximately \$4,003 million of aggregate committed borrowing capacity under our commercial paper program and revolving credit facilities, of which \$2,812 million was unused and available. The following table summarizes these facilities as of the periods presented:

Commercial Paper Program and Revolving Credit Facilities	Maturities	Total Availability		Borrowings Outstanding	
		June 30, 2013	June 30, 2013	June 30, 2013	December 31, 2012
(US\$ in millions)					
Commercial paper	2016	\$	50	\$	550
Long-term revolving credit facilities (1)	2014-2018		2,762		641
<b>Total</b>		\$	<b>2,812</b>	\$	<b>1,191</b>

(1) Borrowings under the revolving credit facilities that have maturities greater than one year from the date of the condensed consolidated balance sheets are classified as long-term debt, consistent with the long-term maturity of the underlying facilities. However, individual borrowings under the revolving credit facilities are generally short-term in nature, bear interest at variable rates and can be repaid or renewed as each such individual borrowing matures.

On May 30, 2013, we 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 our 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. There was \$368 million outstanding under this credit agreement at June 30, 2013.

On June 24, 2013, we 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%. There was \$200 million outstanding under this credit agreement at June 30, 2013.

Our commercial paper program is supported by committed back-up bank credit lines (the Liquidity Facility) equal to the amount of the commercial paper program provided by lending institutions that are required to be rated at least A-1 by Standard & Poor's and P-1 by Moody's Investor Services. The cost of borrowing under the Liquidity Facility would typically be higher than the cost of borrowing under our commercial paper program. In January 2013, we increased the commitments under the Liquidity Facility by \$74 million to \$600 million and therefore simultaneously increased the size of our commercial paper program to \$600 million. At June 30, 2013, there was \$550 million outstanding under the commercial paper program and no borrowings outstanding under the Liquidity Facility. Our commercial paper program is our only revolving credit facility that requires lenders to maintain minimum credit ratings.

We had \$73 million outstanding at June 30, 2013 under our \$1,085 million revolving credit facility that matures on November 17, 2016. Borrowings under this credit facility bear interest at LIBOR plus an applicable margin ranging from 1.125% to 1.75%, based on the credit ratings of our long-term senior unsecured debt. Amounts under the credit facility that remain undrawn are subject to commitment fees payable

## Edgar Filing: Bunge LTD - Form 10-Q

each quarter based on the average undrawn portion of the credit facility at rates ranging from 0.125% to 0.275% per annum, based generally on the credit ratings of our long-term senior unsecured debt.

We had no borrowings outstanding at June 30, 2013 under our \$1,750 million revolving credit facility that matures on April 19, 2014. Borrowings under this credit facility bear interest at LIBOR plus an applicable margin ranging from 1.30% to 2.75% per annum, based on the credit ratings of our long-term senior unsecured debt. Amounts under the credit facility that remain undrawn are subject to a commitment fee payable quarterly on the average undrawn portion of the credit facility at 35% of the applicable margin.

## Edgar Filing: Bunge LTD - Form 10-Q

### Table of Contents

In addition to the committed facilities discussed above, from time-to-time, we enter into bilateral short-term credit lines as necessary based on our financing requirements. At June 30, 2013 and December 31, 2012, \$1,150 million and \$1,000 million, respectively, were outstanding under these bilateral short-term credit lines.

*Short and long-term debt* Our short and long-term debt increased by \$1,268 million at June 30, 2013 from December 31, 2012, primarily due to higher working capital financing requirements. For the six months ended June 30, 2013, our average short and long-term debt outstanding was \$6,641 million compared to \$5,237 million for the six months ended June 30, 2012. Our long-term debt balance was \$4,392 million at June 30, 2013 compared to \$4,251 million at December 31, 2012. The following table summarizes our short-term debt activity at June 30, 2013:

(US\$ in millions)	Outstanding Balance at Quarter End	Weighted Average Interest Rate at Quarter End	Highest Balance Outstanding During Quarter (1)	Average Balance During Quarter (1)	Weighted Average Interest Rate During Quarter
Bank borrowings	\$ 2,175	5.16%	\$ 2,351	\$ 2,063	5.38%
Commercial paper	550	0.37%	550	276	0.37%
<b>Total</b>	<b>\$ 2,725</b>	<b>4.19%</b>	<b>\$ 2,901</b>	<b>\$ 2,339</b>	<b>4.79%</b>

(1) Based on monthly balances.

The following table summarizes our short and long-term indebtedness:

(US\$ in millions)	June 30, 2013	December 31, 2012
<b>Short-term debt:</b>		
Short-term debt (1)	\$ 2,725	\$ 1,598
Current portion of long-term debt	879	719
<b>Total short-term debt</b>	<b>3,604</b>	<b>2,317</b>
<b>Long-term debt (2)</b>		
Revolving credit facilities	641	
Term loan due 2013 fixed interest rate of 3.32% (Tranche A)	300	300
Term loan due 2013 variable interest rate of LIBOR plus 1.38% (Tranche B)		100
5.875% Senior Notes due 2013		300
5.35% Senior Notes due 2014	500	500
5.10% Senior Notes due 2015	382	382
4.10% Senior Notes due 2016	500	500
3.20% Senior Notes due 2017	600	600
5.90% Senior Notes due 2017	250	250
8.50% Senior Notes due 2019	600	600
BNDES loans, variable interest rate indexed to TJLP plus 3.20% payable through 2016 (3)(4)	33	42
Other	325	323
<b>Subtotal</b>	<b>4,131</b>	<b>3,897</b>
Less: Current portion of long-term debt	(879)	(719)
<b>Total long-term debt excluding investment fund debt</b>	<b>3,252</b>	<b>3,178</b>

## Edgar Filing: Bunge LTD - Form 10-Q

Consolidated non-recourse investment fund debt (5)		261		354
<b>Total debt</b>	<b>\$</b>	<b>7,117</b>	<b>\$</b>	<b>5,849</b>

---

(1) Includes \$618 million of local currency borrowings in certain Eastern European, South American and Asian countries at a weighted-average interest rate of 14.02% as of June 30, 2013 and \$378 million at a weighted-average interest rate of 18.78% as of December 31, 2012.

(2) Includes secured debt of \$157 million and \$130 million at June 30, 2013 and December 31, 2012, respectively.

Table of Contents

(3) Industrial development loans provided by BNDES, an agency of the Brazilian government.

(4) TJLP is a long-term interest rate published by the BNDES on a quarterly basis; TJLP was 5.00% per annum as of June 30, 2013 and December 31, 2012.

(5) As of June 30, 2013, consolidated investment fund debt totalled \$332 million of which \$71 million was classified as current portion of long-term debt. Consolidated investment fund debt matures at various dates through 2017 with no recourse to Bunge.

*Credit Ratings* Bunge's debt ratings and outlook by major credit rating agencies at June 30, 2013 were as follows:

	Short-term Debt	Long-term Debt	Outlook
Standard & Poor's	A-1	BBB-	Positive
Moody's	P-1	Baa2	Negative
Fitch	Not Rated	BBB	Stable

Our debt agreements do not have any credit rating downgrade triggers that would accelerate the maturity of our debt. However, credit rating downgrades would increase our borrowing costs under our credit facilities and, depending on their severity, could impede our ability to obtain credit facilities or access the capital markets in the future on favorable terms. A significant increase in our borrowing costs could impair our ability to compete effectively in our business relative to competitors with higher credit ratings.

Our credit facilities and certain senior notes require us to comply with specified financial covenants including minimum net worth, minimum current ratio, a maximum debt to capitalization ratio and limitations on secured indebtedness. We were in compliance with these covenants as of June 30, 2013.

**Equity**

Total equity was \$10,707 million at June 30, 2013, as set forth in the following table:

(US\$ in millions)	June 30, 2013	December 31, 2012
Equity:		
Convertible perpetual preference shares	\$ 690	\$ 690
Common shares	1	1
Additional paid-in capital	4,923	4,909

Edgar Filing: Bunge LTD - Form 10-Q

Retained earnings	7,007	6,792
Accumulated other comprehensive income	(2,139)	(1,410)
Treasury shares, at cost - 1,933,286	(120)	(120)
<b>Total Bunge shareholders equity</b>	<b>10,362</b>	<b>10,862</b>
Noncontrolling interest	345	393
<b>Total equity</b>	<b>\$ 10,707</b>	<b>\$ 11,255</b>

Total Bunge shareholders equity decreased to \$10,362 million at June 30, 2013 from \$10,862 million at December 31, 2012. The decrease in shareholders equity was due primarily to cumulative translation losses in other comprehensive income which were partially offset by net income attributable to Bunge for the six months ended June 30, 2013 of \$316 million.

Noncontrolling interest decreased to \$345 million at June 30, 2013 from \$393 million at December 31, 2012 due primarily to losses in the investment funds which are consolidated in our financial statements.

As of June 30, 2013, we had 6,900,000 4.875% cumulative convertible perpetual preference shares outstanding with an aggregate liquidation preference of \$690 million. Each convertible perpetual preference share has an initial liquidation preference of \$100, which will be adjusted for any accumulated and unpaid dividends. The convertible perpetual preference shares carry an annual dividend of \$4.875 per share payable quarterly. As a result

Table of Contents

of adjustments made to the initial conversion price because cash dividends paid on Bunge Limited's common shares exceeded certain specified thresholds, each convertible perpetual preference share is convertible, at the holder's option, at any time into 1.1059 Bunge Limited common shares, based on the conversion price of \$90.4265 per share, subject to certain additional anti-dilution adjustments (which represents 7,630,710 Bunge Limited common shares at June 30, 2013). At any time on or after December 1, 2012, if the closing price of our common shares equals or exceeds 130% of the conversion price for 20 trading days during any consecutive 30 trading days (including the last trading day of such period), we may elect to cause the convertible perpetual preference shares to be automatically converted into Bunge Limited common shares at the then prevailing conversion price. The convertible perpetual preference shares are not redeemable by us at any time.

*Cash Flows*

Our cash flow from operations varies depending on, among other items, the market prices and timing of the purchase and sale of our inventories. Generally, during periods when commodity prices are rising, our agribusiness operations require increased use of cash to support working capital to acquire inventories and fund daily settlement requirements on exchange traded futures that we use to minimize price risk related to our inventories.

For the six months ended June 30, 2013, our cash and cash equivalents increased by \$157 million, reflecting the net effect of cash flows from operating, investing and financing activities. This compares to a decrease of \$368 million in cash and cash equivalents for the six months ended June 30, 2012.

Cash used for operating activities was \$513 million in the six months ended June 30, 2013 compared to cash used of \$2,699 million for the six months ended June 30, 2012. The cash flow used from operating activities in the six months ended June 30, 2013 was principally due to higher working capital requirements partially offset by net income adjusted for non-cash items. The second quarter of our calendar year generally shows a seasonal increase in working capital requirements with the crop harvests in Brazil. The increase in net operating assets and liabilities for the first six months of 2013 represented a smaller increase than last year as commodity prices generally fell during the current year period. The net cash outflows for operating activities for the six months ended June 30, 2012 were principally due to an increase in commodity prices during that period.

Cash used for investing activities was \$528 million in the six months ended June 30, 2013 compared to cash used of \$283 million in the six months ended June 30, 2012. During the first six months of 2013, we acquired two biodiesel facilities in Europe from our joint venture which are adjacent to our plants for \$11 million (net of cash acquired). Payments made for capital expenditures of \$470 million in the six months ended June 30, 2013 primarily included investments in property, plant and equipment related to the expansion of our sugar business in Brazil, investments in edible oil refining and packaging facilities in the U.S. and Canada, construction of a refining facility in India, port concession rights in the Ukraine, construction of a port terminal in Brazil and the continued implementation of an ERP system in Brazil. During the six months ended June 30, 2012, we acquired an edible oils and fats business in India for \$94 million net of cash acquired consisting of \$77 million in cash and debt acquired of \$17 million. In addition, we acquired an asset management company for \$9 million net of cash acquired, a controlling interest in a North American wheat milling business for \$102 million net of cash acquired, intellectual property assets for \$22 million and sugarcane milling related biological assets and equipment for \$61 million. We also entered into joint ventures and acquired other investments totalling \$89 million. Cash used during the six months ended June 30, 2012 was net of \$448 million proceeds received from the sale of our interest in Solae, a soy ingredients joint venture. We also received a special cash dividend of \$35 million from Solae in connection with the sale of our investment. Payments made for capital expenditures of \$473 million in the six months ended June 30, 2012 primarily included investments in property, plant and equipment related to the expansion of our sugar business in Brazil, investments in an edible oil refining and packaging facility in the U.S. and construction of a refining facility in India.



## Edgar Filing: Bunge LTD - Form 10-Q

Our financing activities generated cash of \$1,266 million in the six months ended June 30, 2013, compared to \$2,664 million in the six months ended June 30, 2012. In the six months ended June 30, 2013, we had a net increase of \$1,353 million in borrowings to meet working capital requirements. In the six months ended June 30, 2012, we had a net increase of \$2,743 million in borrowings due to higher working capital requirements, largely related to higher commodity prices. Dividends paid in the six months ended June 30, 2013 and 2012 were \$96 million and \$89 million, respectively.

*Trade Receivable Securitization Program* Our trade receivable securitization program entered into in June 2011 provides us with an additional source of liquidity. The program provides funding for up to \$700 million

Table of Contents

against receivables sold into the program. 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.

**Off-Balance Sheet Arrangements**

*Guarantees* We have issued or were 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
<b>Total</b>	<b>\$ 158</b>

(1) We have issued guarantees to third parties in Brazil related to amounts owed to these third parties by certain of our 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 we would be required to perform under the guarantees, we have obtained collateral from the customers. At June 30, 2013, we had approximately \$16 million of tangible property that had been pledged as collateral against certain of these refinancing arrangements. We evaluate the likelihood of customer repayments of the amounts due under these guarantees based upon an expected loss analysis and record the fair value of such guarantees as an obligation in our condensed consolidated financial statements. Our recorded obligation related to these outstanding guarantees was \$17 million at June 30, 2013.

(2) We issued guarantees to certain financial institutions related to debt of certain of our unconsolidated joint ventures. The terms of the guarantees are equal to the terms of the related financings which have maturity dates in 2014 through 2017. There are no recourse provisions or collateral that would enable us to recover any amounts paid under these guarantees. At June 30, 2013, we had no outstanding obligation related to these guarantees.

(3) We issued guarantees to certain financial institutions which are party to certain operating lease arrangements for railcars and barges. These guarantees provide for a minimum residual value to be received by the lessor at the conclusion of the lease term. These leases expire in 2016. At June 30, 2013, our recorded obligation related to these guarantees was \$4 million.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the indebtedness outstanding under certain senior credit facilities and senior notes entered into or issued by its 100% owned subsidiaries. At June 30, 2013, debt with a carrying amount of \$4,723 million related to these guarantees is included in our condensed consolidated balance sheet. This debt includes the senior notes issued by two of our 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other of our subsidiaries to transfer funds to Bunge Limited.

## **Dividends**

We paid a regular quarterly cash dividend of \$0.27 per share on June 3, 2013 and March 4, 2013 to common shareholders of record on May 20, 2013 and February 15, 2013, respectively. In addition, we paid a quarterly dividend of \$1.21875 per share on our cumulative convertible perpetual preference shares on June 1, 2013 and March 1, 2013 to shareholders of record on May 15, 2013 and February 15, 2013, respectively. On May 23, 2013, we announced that our Board of Directors had approved an increase in the company's regular quarterly cash dividend, from \$0.27 to \$0.30 per common share. The new dividend will be payable on September 3, 2013 to common shareholders of record on August 20, 2013. We also announced on May 23, 2013 that we will pay a quarterly cash dividend of \$1.21875 per share on our cumulative convertible perpetual preference shares on September 1, 2013 to shareholders of record on August 15, 2013.

## **Critical Accounting Policies**

Critical accounting policies are defined as those policies that are both important to the portrayal of our financial condition and results of operations and require management to exercise significant judgment. For a

Table of Contents

complete discussion of our accounting policies, see our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission. There were no material changes to Bunge's critical accounting policies during the six months ended June 30, 2013.

**Adoption of New Accounting Pronouncements** In December 2011 and January 2013, 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.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Risk Management***

As a result of our global operating and financing activities, we are exposed to changes in, among other things, agricultural commodity prices, transportation costs, foreign currency exchange rates, interest rates and energy costs which may affect our results of operations and financial position. We actively monitor and manage these various market risks associated with our business activities. Our risk management decisions take place in various locations but exposure limits are centrally set and monitored. We have a corporate risk management group which analyzes and monitors various risk exposures globally. Additionally, our Board of Directors' finance and risk policy committee oversees and reviews our overall risk management policies and limits.

We use derivative instruments for the purpose of managing the exposures associated with commodity prices, transportation costs, foreign currency exchange rates, interest rates and energy costs and for positioning our overall portfolio relative to expected market movements in accordance with established policies and procedures. We enter into derivative instruments primarily with major financial institutions, commodity exchanges in the case of commodity futures and options, or approved exchange clearing shipping companies in the case of ocean freight. While these derivative instruments are subject to fluctuations in value, for hedged exposures those fluctuations are generally offset by the changes in fair value of the underlying exposures. The derivative instruments that we use for hedging purposes are intended to reduce the volatility on our results of operations, however, they can occasionally result in earnings volatility, which may be material. See Note 11 of the notes to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for a more detailed discussion of our derivative instruments.

***Credit and Counterparty Risk***

## Edgar Filing: Bunge LTD - Form 10-Q

Through our normal business activities, we are subject to significant credit and counterparty risks that arise through normal commercial sales and purchases, including forward commitments to buy or sell, and through various other over-the-counter (OTC) derivative instruments that we utilize to manage risks inherent in our business activities. We define credit and counterparty risk as a potential financial loss due to the failure of a counterparty to honor its obligations. The exposure is measured based upon several factors, including unpaid accounts receivable from counterparties and unrealized gains from OTC derivative instruments (including forward purchase and sale contracts). Credit and counterparty risk also includes sovereign credit risk. We actively monitor credit and counterparty risk through credit analysis by local credit staffs and review by various local and corporate committees which monitor counterparty performance. We record provisions for counterparty losses from time to time as a result of our credit and counterparty analysis.

During periods of tight conditions in global credit markets, downturns in regional or global economic conditions, and/or significant price volatility, credit and counterparty risks are heightened. This increased risk is monitored through, among other things, increased communication with key counterparties, management reviews and specific focus on counterparties or groups of counterparties that we may determine as high risk. In addition, we have limited new credit extensions in certain cases and reduced our use of non-exchange cleared derivative instruments.

Table of Contents**Commodities Risk**

We operate in many areas of the food industry, from agricultural raw materials to the production and sale of branded food ingredients. As a result, we purchase and produce various materials, many of which are agricultural commodities, including soybeans, soybean oil, soybean meal, softseeds (including sunflower seed, rapeseed and canola) and related oil and meal derived from them, wheat and corn. In addition, we grow and purchase sugarcane to produce sugar, ethanol and electricity. Agricultural commodities are subject to price fluctuations due to a number of unpredictable factors that may create price risk. As described above, we are also subject to the risk of counterparty non-performance under forward purchase or sale contracts. From time-to-time, we have experienced instances of counterparty non-performance, including as a result of significant declines in counterparty profitability under these contracts due to significant movements in commodity prices between the time the contracts were executed and the contractual forward delivery period.

We enter into various derivative contracts with the primary objective of managing our exposure to adverse price movements in the agricultural commodities used and produced in our business operations. We have established policies that limit the amount of unhedged fixed price agricultural commodity positions permissible for our operating companies, which are generally a combination of volume and value-at-risk (VaR) limits. We measure and review our net commodities position on a daily basis.

Our daily net agricultural commodity position consists of inventory, forward purchase and sale contracts, over-the-counter and exchange traded derivative instruments, including those used to hedge portions of our production requirements. The fair value of that position is a summation of the fair values calculated for each agricultural commodity by valuing all of our commodity positions at quoted market prices for the period where available or utilizing a close proxy. VaR is calculated on the net position and monitored at the 95% and 99% confidence intervals. In addition, scenario analysis and stress testing are performed. For example, one measure of market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices. The results of this analysis, which may differ from actual results, are as follows:

(US\$ in millions)	Six Months Ended June 30, 2013		Year Ended December 31, 2012	
	Fair Value	Market Risk	Fair Value	Market Risk
Highest long position	\$ 154	\$ (15)	\$ 2,500	\$ (250)
Highest short position	(1,849)	(185)	(129)	(13)

**Ocean Freight Risk**

Ocean freight represents a significant portion of our operating costs. The market price for ocean freight varies depending on the supply and demand for ocean vessels, global economic conditions and other factors. We enter into time charter agreements for time on ocean freight vessels based on forecasted requirements for the purpose of transporting agricultural commodities. Our time charter agreements generally have terms ranging from two months to approximately seven years. We use financial derivatives, generally freight forward agreements, to hedge portions of our ocean freight costs. The ocean freight derivatives are included in other current assets and other current liabilities on the condensed consolidated balance sheets at fair value.

**Energy Risk**

We purchase various energy commodities such as bunker fuel, electricity and natural gas that are used to operate our manufacturing facilities and ocean freight vessels. The energy commodities are subject to price risk. We use financial derivatives, including exchange traded and OTC swaps and options for various purposes, including to manage our exposure to volatility in energy costs. These energy derivatives are included in other current assets and other current liabilities on the condensed consolidated balance sheets at fair value.

***Currency Risk***

Our global operations require active participation in foreign exchange markets. Our primary foreign currency exposures are the Brazilian *real*, the *Euro* and other European currencies, the Argentine *peso* and the

Table of Contents

Chinese *yuan/renminbi*. To reduce the risk arising from foreign exchange rate fluctuations, we enter into derivative instruments, such as forward contracts and swaps, and foreign currency options. The changes in market value of such contracts have a high correlation to the price changes in the related currency exposures. The potential loss in fair value for such net currency position resulting from a hypothetical 10% adverse change in foreign currency exchange rates as of June 30, 2013 was not material.

When determining our exposure, we exclude intercompany loans that are deemed to be permanently invested. The repayments of permanently invested intercompany loans are not planned or anticipated in the foreseeable future and therefore are treated as analogous to equity for accounting purposes. As a result, the foreign exchange gains and losses on these borrowings are excluded from the determination of net income and recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheets. Included in other comprehensive income (loss) is foreign exchange income of \$166 million for the six months ended June 30, 2013 and foreign exchange losses of \$295 million for the year ended December 31, 2012 related to permanently invested intercompany loans.

***Interest Rate Risk***

We have debt in fixed and floating rate instruments. We are exposed to market risk due to changes in interest rates. We may enter into interest rate swap agreements to manage our interest rate exposure related to our debt portfolio.

The aggregate fair value of our short and long-term debt including non-recourse investment fund debt, based on market yields at June 30, 2013, was \$7,347 million with a carrying value of \$7,117 million. There was no significant change in our interest rate risk at June 30, 2013.

**ITEM 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures* As of June 30, 2013 we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

*Internal Control Over Financial Reporting* In connection with the restructuring and consolidation of Bunge's operations in Brazil and related commercial, organizational and personnel changes, management has been and continues to review and, in some cases, implement new or enhanced systems and procedures that have led, or are expected to lead, to changes in internal control over financial reporting in Bunge's Brazilian operations.

Except as described above, there has been no change in our internal control over financial reporting during the second fiscal quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.





Table of Contents

**PART II.**  
**INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are involved in litigation that we consider to be ordinary and incidental to our business. While the outcome of pending legal actions cannot be predicted with certainty, we believe the outcome of these proceedings, net of established reserves, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

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 our locations in Argentina relating to allegations of income tax evasion covering the periods from 2007 to 2009. In December 2012, Our 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). Our 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 our Argentine subsidiary. Additionally, in April 2011, the Argentine tax authorities conducted inspections of our 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, we paid \$112 million of accrued export tax obligations in Argentina under protest while reserving all of our 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 our Argentine subsidiary from a registry of grain traders and, in October 2012, the government excluded our 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 our business in Argentina, we are 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.

**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2012 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

(a) The exhibits in the accompanying Exhibit Index on page E-1 are filed or furnished as part of this Quarterly Report.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BUNGE LIMITED

Date: August 5, 2013

By:

/s/ Andrew J. Burke  
Andrew J. Burke  
Chief Financial Officer and Global Operational  
Excellence Officer

/s/ Karen D. Roebuck  
Karen D. Roebuck  
Controller and Principal Accounting Officer

S-1

---

Table of Contents

**EXHIBIT INDEX**

- 10.1 Third Amendment to Receivables Transfer Agreement, dated April 23, 2013, among Bunge Securitization B.V., as Seller, Bunge Finance B.V., as Master Servicer, the persons from time to time party thereto as Conduit Purchasers, the persons from time to time party thereto as Committed Purchasers, the persons from time to time party thereto as Purchaser Agents, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Administrative and Purchaser Agent, and Bunge Limited, as Performance Undertaking Provider
- 10.2 Fourth Amendment to Receivables Transfer Agreement, dated May 28, 2013, among Bunge Securitization B.V., as Seller, Bunge Finance B.V., as Master Servicer, the persons from time to time party thereto as Conduit Purchasers, the persons from time to time party thereto as Committed Purchasers, the persons from time to time party thereto as Purchaser Agents, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Administrative and Purchaser Agent, and Bunge Limited, as Performance Undertaking Provider
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 101 The following financial information from Bunge Limited's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests, and (vi) the Notes to the Condensed Consolidated Financial Statements\*

---

\* Users of this interactive data file are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.