Bunge LTD
Form 10-Q
November 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from to

Commission File Number 001-16625

BUNGE LIMITED

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

As of October 30, 2015 the number of shares issued of the registrant was:

Common shares, par value $.01 per share: 142,458,656

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BUNGE LIMITED

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net sales	$ 10,762	$ 13,676	$ 32,350	$ 43,930
Cost of goods sold	(10,017)	(12,957)	(30,360)	(42,004)
Gross profit	**745**	**719**	**1,990**	**1,926**
Selling, general and administrative expenses	(358)	(403)	(1,050)	(1,161)
Interest income	18	19	42	71
Interest expense	(77)	(70)	(187)	(225)
Foreign exchange gains (losses)	(24)	23	(15)	59
Other income (expense) net	2	(2)	(6)	5
Gain on sale of Canadian grain assets	47		47	
Income from continuing operations before income tax	**353**	**286**	**821**	**675**
Income tax (expense) benefit	(140)	(9)	(270)	(150)
Income from continuing operations, net of tax	**213**	**277**	**551**	**525**
Income from discontinued operations, net of tax	21	27	36	37
Net income	**234**	**304**	**587**	**562**
Net loss (income) attributable to noncontrolling interests	5	(10)	1	7
Net income attributable to Bunge	**239**	**294**	**588**	**569**
Convertible preference share dividends and other obligations	(10)	(10)	(38)	(40)
Net income available to Bunge common shareholders	**$ 229**	**$ 284**	**$ 550**	**$ 529**
Earnings per common share basic (Note 16)				
Net income (loss) from continuing operations	$ 1.45	$ 1.77	$ 3.57	$ 3.36
Net income (loss) from discontinued operations	0.14	$ 0.19	$ 0.25	$ 0.25

Net income (loss) attributable to Bunge common shareholders	$	1.59	$	1.96	$	3.82	$	3.61
Earnings per common share diluted (Note 16)								
Net income (loss) from continuing operations	$	1.42	$	1.73	$	3.53	$	3.34
Net income (loss) from discontinued operations		0.14	$	0.17	$	0.24	$	0.24
Net income (loss) attributable to Bunge common shareholders	$	1.56	$	1.90	$	3.77	$	3.58
Dividends declared per common share	$	0.38	$	0.34	$	1.10	$	0.98

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 234	$ 304	$ 587	$ 562
Other comprehensive income (loss):				
Foreign exchange translation adjustment	(1,248)	(1,025)	(2,360)	(667)
Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of nil and nil in 2015, nil and nil in 2014	166	29	146	13
Unrealized gains (losses) on investment, net of tax (expense) benefit of nil and nil in 2015, $1 and $1 in 2014		(2)		(2)
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of nil and nil in 2015, nil and nil in 2014	33	(7)	51	(11)
Pension adjustment, net of tax (expense) benefit of nil and nil in 2015, nil and nil in 2014	1		5	(1)
Total other comprehensive income (loss)	(1,048)	(1,005)	(2,158)	(668)
Total comprehensive income (loss)	(814)	(701)	(1,571)	(106)
Less: comprehensive (income) loss attributable to noncontrolling interest	8	5	5	3
Total comprehensive income (loss) attributable to Bunge	**$ (806)**	**$ (696)**	**$ (1,566)**	**$ (103)**

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 303	$ 362
Time deposits under trade structured finance program (Note 4)	296	1,343
Trade accounts receivable (less allowances of $119 and $121) (Note 12)	1,908	1,840
Inventories (Note 5)	5,013	5,554
Deferred income taxes	120	177
Other current assets (Note 6)	3,866	3,805
Total current assets	11,506	13,081
Property, plant and equipment, net	4,616	5,626
Goodwill	296	349
Other intangible assets, net	228	256
Investments in affiliates	411	294
Deferred income taxes	454	565
Other non-current assets (Note 7)	928	1,261
Total assets	$ 18,439	$ 21,432
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 832	$ 594
Current portion of long-term debt (Note 11)	519	408
Letter of credit obligations under trade structured finance program (Note 4)	296	1,343
Trade accounts payable	3,465	3,248
Deferred income taxes	54	42
Other current liabilities (Note 9)	3,004	3,069
Total current liabilities	8,170	8,704
Long-term debt (Note 11)	2,583	2,855
Deferred income taxes	136	177
Other non-current liabilities	851	969
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	38	37
Equity (Note 15):		
Convertible perpetual preference shares, par value $.01; authorized, issued and outstanding: 2015 and 2014 6,900,000 shares (liquidation preference $100 per share)	690	690
Common shares, par value $.01; authorized 400,000,000 shares; issued and outstanding: 2015 142,453,910 shares, 2014 145,703,198 shares	1	1
Additional paid-in capital	5,102	5,053
Retained earnings	7,585	7,180
Accumulated other comprehensive income (loss) (Note 15)	(6,212)	(4,058)

Treasury shares, at cost - 2015 - 9,586,083 and 2014 - 5,714,273 shares		(720)		(420)
Total Bunge shareholders equity		6,446		8,446
Noncontrolling interests		215		244
Total equity		6,661		8,690
Total liabilities and equity	**$**	18,439	**$**	21,432

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(U.S. dollars in millions)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
OPERATING ACTIVITIES		
Net income	$ **587**	$ 562
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:		
Gain on sale of Canadian grain assets	(47)	
Impairment charges	24	4
Foreign exchange loss (gain) on debt	(227)	(61)
Bad debt expense	20	22
Depreciation, depletion and amortization	403	448
Stock-based compensation expense	38	36
Deferred income tax expense (benefit)	(13)	(17)
Other, net	(40)	(86)
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(330)	(424)
Inventories	(114)	590
Secured advances to suppliers	(382)	(4)
Trade accounts payable and accrued liabilities	722	439
Advances on sales	(104)	(109)
Net unrealized gain/loss on derivative contracts	7	(296)
Margin deposits	(32)	86
Other, net	121	(74)
Cash provided by (used for) operating activities	633	1,116
INVESTING ACTIVITIES		
Payments made for capital expenditures	(365)	(515)
Acquisitions of businesses (net of cash acquired)	(54)	(14)
Proceeds from the sale of Canadian grain assets	90	
Proceeds from investments	269	261
Payments for investments	(203)	(140)
Payments for investments in affiliates	(158)	(40)
Other, net	4	(5)
Cash provided by (used for) investing activities	(417)	(453)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	31	(58)
Proceeds from short-term debt with maturities greater than 90 days	562	802
Repayments of short-term debt with maturities greater than 90 days	(303)	(630)
Proceeds from long-term debt	5,781	7,492
Repayments of long-term debt	(5,792)	(8,191)
Proceeds from sale of common shares	24	34
Repurchases of common shares	(300)	(300)
Dividends paid	(178)	(162)
Other, net	(10)	(18)

Cash provided by (used for) financing activities		(185)		(1,031)
Effect of exchange rate changes on cash and cash equivalents		(90)		(17)
Net increase (decrease) in cash and cash equivalents		(59)		(385)
Cash and cash equivalents, beginning of period		362		742
Cash and cash equivalents, end of period	**$**	**303**	**$**	**357**

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

(Unaudited)

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

	Redeemable Non-Controlling Interests	Convertible Preference Shares Shares	Convertible Preference Shares Amount	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity
Balance, January 1, 2015	$ 37	6,900,000	$ 690	145,703,198	$ 1	$ 5,053	$ 7,180	$ (4,058)	$ (420)	$ 244	$ 8,690
Net income (loss)	(9)						588			(1)	587
Accretion of noncontrolling interests	13					(13)					(13)
Other comprehensive income (loss)	(3)							(2,154)		(4)	(2,158)
Dividends on common shares							(158)				(158)
Dividends on preference shares							(25)				(25)
Dividends to noncontrolling interests on subsidiary common stock										(7)	(7)
Return of capital to noncontrolling interests										(17)	(17)
Stock-based compensation expense						38					38
Repurchase of common shares				(3,871,810)					(300)		(300)
Issuance of common shares				622,522		24					24
Balance, September 30, 2015	**$ 38**	**6,900,000**	**$ 690**	**142,453,910**	**$ 1**	**$ 5,102**	**$ 7,585**	**$ (6,212)**	**$ (720)**	**$ 215**	**$ 6,661**

	Redeemable Non-Controlling Interests	Convertible Preference Shares Shares	Convertible Preference Shares Amount	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-Controlling Interests	Total Equity
Balance, January 1, 2014	$ 37	6,900,000	$ 690	147,796,784	$ 1	$ 4,967	$ 6,891	$ (2,572)	$ (120)	$ 231	$ 10,088
Net income (loss)	(11)						569			(7)	562
Accretion of noncontrolling interest	15					(15)					(15)
Other comprehensive income (loss)	(3)							(672)		4	(668)

Dividends on common shares							(143)				(143)
Dividends on preference shares							(25)				(25)
Dividends to noncontrolling interests on subsidiary common stock										(8)	(8)
Acquisition of noncontrolling interest						(23)				23	
Stock-based compensation expense						36					36
Repurchase of common shares				(3,780,987)					(300)		(300)
Issuance of common shares				1,037,927		35					35
Balance, September 30, 2014	**$ 38**	**6,900,000**	**$ 690**	**145,053,724**	**$ 1**	**$ 5,000**	**$ 7,292**	**$ (3,244)**	**$ (420)**	**$ 243**	**$ 9,562**

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

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BUNGE LIMITED AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Bunge Limited (Bunge), its subsidiaries and variable interest entities (VIEs) in which Bunge is considered to be 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 (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended (Exchange Act). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The condensed consolidated balance sheet at December 31, 2014 has been derived from Bunge s audited consolidated financial statements at that date. Operating results for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014, forming part of Bunge s 2014 Annual Report on Form 10-K filed with the SEC on March 2, 2015.

2. ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements In July 2015, the FASB issued Accounting Standards Update (ASU), *Inventory Simplifying the Measurement of Inventory*, which requires entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The update is effective for fiscal years beginning after December 15, 2016 on a prospective basis, with earlier application permitted. The adoption of this update is not expected to have a material impact on Bunge s results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU (Subtopic 835-30) *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.* The amendments in this update require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as an asset. The update requires retrospective application and is effective for fiscal years beginning after December 15, 2015, early adoption is permitted. Bunge is evaluating the potential impact of this standard on its consolidated financial statements.

In February 2015, the FASB issued ASU (Topic 810) *Consolidation-Amendments to the Consolidation Analysis.* The standard makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The standard is effective for interim and annual reporting periods beginning after December 15, 2015, early adoption is permitted. Bunge expects the adoption of this standard to result in the deconsolidation of investment funds in its asset management business and is evaluating the potential impact of this standard on the consolidation of certain other legal entities.

In May 2014, the FASB amended the Accounting Standards Codification (ASC) and created ASC (Topic 606) *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The initial effective date is for interim and annual periods beginning on or after December 15, 2016, however, in August 2015, FASB issued an ASU effectively deferring the implementation date by one year. In addition, the ASU permits companies to early adopt the guidance as of the original effective date, but not before January 1, 2017. The new requirements may be implemented either retrospectively for all prior periods presented, or retrospectively with a cumulative-effect adjustment at the date of initial application. Bunge is evaluating the potential impact of this standard on its consolidated financial statements.

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3. BUSINESS ACQUISITIONS

On June 1, 2015, Bunge entered into a transaction to acquire the 80% majority interest in a biodiesel entity operating a plant in Spain where Bunge had, prior to this transaction, a 20% interest accounted for under the equity method in its agribusiness segment. The purchase price of the majority interest was $7 million, net of cash acquired. In addition, existing loans and other receivables totaling $3 million owed to Bunge by the entity were extinguished as part of the transaction. The preliminary purchase price of $7 million was allocated primarily to property, plant and equipment and $2 million to goodwill.

On April 15, 2015, Bunge and Saudi Agricultural and Livestock Investment Company (SALIC), formed a Canadian entity, G3 Global Grain Group Limited (G3). See Note 13.

On March 6, 2015, Bunge acquired the assets of Heartland Harvest, Inc. (HHI) for $48 million, including $41 million in cash and cash settlement of an existing third-party loan to HHI of $7 million. The final purchase price allocation resulted in $19 million in property, plant and equipment, $2 million in inventory and $18 million of finite-lived intangible assets. The transaction also resulted in $9 million of goodwill. HHI produces die cut pellets made of a variety of starches which are then expanded through popping, baking or frying in the production of certain lower fat snacks. HHI consists of one facility in the United States.

4. TRADE STRUCTURED FINANCE PROGRAM

Bunge engages in various trade structured finance activities to leverage the value of its trade flows across its operating regions. These activities include a program under which a Bunge entity generally obtains U.S. dollar-denominated letters of credit (LCs) (each based on an underlying commodity trade flow) from financial institutions, 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 as of September 30, 2015 and December 31, 2014. The net return from activities under this program, including fair value changes, is included as a reduction of cost of goods sold in the condensed consolidated statements of income.

At September 30, 2015 and December 31, 2014, time deposits and LCs, including foreign exchange contracts totaled $296 million and $1,343 million, respectively. In addition, at September 30, 2015 and December 31, 2014, the fair values of the time deposits (Level 2 measurements) totaled approximately $296 million and $1,343 million, respectively, and the fair values of the LCs, including foreign exchange contracts (Level 2 measurements) totaled approximately $296 million and $1,353 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 nil and gains of $10 million at September 30, 2015 and December 31, 2014, respectively. Additionally, as of September 30, 2015 and December 31, 2014, time deposits, LCs, and foreign exchange contracts of nil and $1,496 million, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, *Offsetting*, had been met.

At September 30, 2015 and December 31, 2014, time deposits had weighted-average interest rates of 7.62% and 8.77%, respectively. During the nine months ended September 30, 2015 and 2014, total proceeds from issuances of LCs under the program were $1,125 million and $4,240 million, respectively. These cash inflows are offset by the related cash outflows resulting from placement of the time deposits and repayment of the LCs. All cash flows related to the program are included in operating activities in the condensed consolidated statements of cash flows.

5. INVENTORIES

Inventories by segment are presented below. Readily marketable inventories (RMI) are agricultural commodity inventories, which are non-perishable with a high shelf life and exceptionally liquid due to their homogenous nature and widely available markets with international pricing mechanisms. RMI are carried at fair value. All other inventories are carried at lower of cost or market.

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(US$ in millions)	September 30, 2015	December 31, 2014
Agribusiness (1)	**$ 4,041**	$ 4,273
Edible Oil Products (2)	**330**	411
Milling Products	**151**	198
Sugar and Bioenergy (3)	**385**	602
Fertilizer	**106**	70
Total	**$ 5,013**	$ 5,554

(1) Includes RMI of $3,914 million and $4,125 million at September 30, 2015 and December 31, 2014, respectively. Of these amounts $2,989 million and $2,937 million can be attributable to merchandising activities at September 30, 2015 and December 31, 2014, respectively.

(2) Includes RMI of bulk soybean and canola oil in the aggregate amount of $96 million and $127 million at September 30, 2015 and December 31, 2014, respectively.

(3) Includes sugar RMI, which can be attributable to Bunge s trading and merchandising business of $128 million and $157 million at September 30, 2015 and December 31, 2014, respectively.

6. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US$ in millions)	September 30, 2015	December 31, 2014
Prepaid commodity purchase contracts (1)	**$ 355**	$ 153
Secured advances to suppliers, net (2)	**441**	520
Unrealized gains on derivative contracts, at fair value	**1,676**	1,569
Recoverable taxes, net	**236**	349
Margin deposits	**352**	323
Marketable securities, at fair value	**132**	108
Deferred purchase price receivable, at fair value (3)	**84**	78
Prepaid expenses	**173**	183
Other	**417**	522
Total	**$ 3,866**	$ 3,805

(1) Prepaid commodity purchase contracts represent advance payments against fixed price contracts for future delivery of specified quantities of 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 $1 million and $2 million at September 30, 2015 and December 31, 2014, respectively.

Interest earned on secured advances to suppliers of $7 million and $8 million for the three months ended September 30, 2015 and 2014, respectively, and $27 million and $27 million for the nine months ended September 30, 2015 and 2014, respectively, is included in net sales in the condensed consolidated statements of income.

(3) Deferred purchase price receivable represents additional credit support for the investment conduits in Bunge s accounts receivables sales program (see Note 12).

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7. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US$ in millions)		September 30, 2015		December 31, 2014
Recoverable taxes, net (1)	**$**	**261**	$	337
Judicial deposits (1)		**121**		159
Other long-term receivables		**23**		40
Income taxes receivable (1)		**180**		188
Long-term investments		**125**		263
Affiliate loans receivable, net		**12**		18
Long-term receivables from farmers in Brazil, net (1)		**90**		102
Other		**116**		154
Total	**$**	**928**	$	1,261

(1) These non-current assets arise primarily from Bunge s Brazilian operations and their realization could take in excess of five years.

*Recoverable taxes, net-*Recoverable taxes are reported net of valuation allowances of $22 million and $31 million at September 30, 2015 and December 31, 2014, respectively.

*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, which is the benchmark rate of the Brazilian central bank.

*Income taxes receivable-*Income taxes receivable 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.

*Long-term investments-*Long-term investments represent primarily investments held by certain managed investment funds, which are included in Bunge s consolidated financial statements. The consolidated funds are, for U.S. GAAP purposes, investment companies and therefore are not required to consolidate their majority owned and controlled investments. Bunge reflects these investments at fair value. The fair value of these investments (a Level 3 measurement) is $76 million and $208 million at September 30, 2015 and December 31, 2014, respectively. The decline of these investments is a result of the discontinuance of Bunge s asset management activities.

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

*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)	**September 30, 2015**	**December 31, 2014**
Legal collection process (1)	**$ 115**	$ 179
Renegotiated amounts (2)	**71**	76
Total	**$ 186**	$ 255

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

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

The average recorded investment in long-term receivables from farmers in Brazil for the nine months ended September 30, 2015 and the year ended December 31, 2014 was $217 million and $289 million, respectively. The table below summarizes Bunge s recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

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(US$ in millions)	September 30, 2015 Recorded Investment	September 30, 2015 Allowance	December 31, 2014 Recorded Investment	December 31, 2014 Allowance
For which an allowance has been provided:				
Legal collection process	**$ 104**	**$ 66**	$ 164	$ 103
Renegotiated amounts	**40**	**30**	65	50
For which no allowance has been provided:				
Legal collection process	**11**		15	
Renegotiated amounts	**31**		11	
Total	**$ 186**	**$ 96**	$ 255	$ 153

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Beginning balance	**$ 127**	$ 176	**$ 153**	$ 196
Bad debt provisions	**1**	3	**6**	5
Recoveries	**(4)**	(6)	**(18)**	(21)
Write-offs	**(1)**		**(1)**	(21)
Transfers (1)			**5**	4
Foreign exchange translation	**(27)**	(17)	**(49)**	(7)
Ending balance	**$ 96**	$ 156	**$ 96**	$ 156

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

8. 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 nine months ended September 30, 2015 and 2014, income tax expense related to continuing operations was $270 million and $150 million, respectively. The related effective tax rates were 33% and 22%. The higher effective tax rate for the nine months ended September 30, 2015, resulted mainly from geographical earnings mix that included profits in higher tax jurisdictions and the establishment of valuation allowances. Income tax expense in 2014 included $53 million of discrete tax benefits, primarily resulting from a deferred tax asset recorded for operating losses of a subsidiary effectively taxable in Brazil.

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 difficult to predict the final outcome or timing of resolution of any particular matter, management believes that the consolidated financial statements reflect the largest amount of tax benefit that is more likely than not to be realized.

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Bunge had received from the Brazilian tax authorities proposed adjustments (reduced by existing net operating loss carryforwards) totaling an aggregate amount of 1,177 million and 1,135 million Brazilian *reais* ($296 million and $427 million) as of September 30, 2015 and December 31, 2014, respectively, plus applicable interest and penalties, related to multiple examinations of income tax returns for certain subsidiaries for years up to 2010. 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 Bunge will prevail on the majority of the proposed adjustments. As of September 30, 2015 and December 31, 2014, Bunge had recognized uncertain tax positions related to these tax assessments of 59 million and 38 million Brazilian *reais* ($15 million and $14 million, respectively). In 2014, the Brazilian tax authorities commenced an audit of Bunge s largest Brazilian subsidiary for the tax years 2010, 2011 and 2012.

In addition, as of September 30, 2015 and December 31, 2014, Bunge s Argentine subsidiary had received income tax assessments relating to fiscal years 2006 and 2007 with a claim of approximately 436 million Argentine *pesos* (approximately $46 million and $51 million, respectively), plus applicable interest on the outstanding amount due of approximately 1,024 million and 907 million Argentine *pesos* as of September 30, 2015 and December 31, 2014, (approximately $109 million and $106 million, respectively). Management, in consultation with external legal advisors, has received and responded to the proposed adjustments and believes that it is more likely than not that Bunge will prevail on the proposed adjustments. Fiscal years 2008 and 2009 are currently being audited by the tax authorities (see also Note 14).

9. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US$ in millions)		September 30, 2015		December 31, 2014
Accrued liabilities	**$**	**700**	$	769
Unrealized losses on derivative contracts at fair value		**1,705**		1,629
Advances on sales		**257**		392
Other		**342**		279
Total	**$**	**3,004**	$	3,069

10. 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 12 for deferred purchase price (DPP) receivable related to sales of trade receivables. See Note 7 for long-term receivables from farmers in Brazil, net and other long-term investments and Note 11 for long-term debt. Bunge s financial instruments also include derivative instruments and marketable securities, which are stated at fair value.

The majority of Bunge s exchange traded agricultural commodity futures are settled daily generally through its clearing subsidiary and, therefore, such futures are not included in the table below. Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3.

The following table sets forth, by level, Bunge s assets and liabilities that were accounted for at fair value on a recurring basis.

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	Fair Value Measurements at Reporting Date							
	September 30, 2015				December 31, 2014			
(US$ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Readily marketable inventories (Note 5)	$	$ 3,527	$ 611	$ 4,138	$	$ 4,154	$ 255	$ 4,409
Trade accounts receivable(1)		1		1		23		23
Unrealized gain on designated derivative contracts(2):								
Foreign exchange		132		132		10		10
Unrealized gain on undesignated derivative contracts (2):								
Foreign exchange		274		274	5	361		366
Commodities	328	516	365	1,209	486	538	68	1,092
Freight	54		1	55	62	2		64
Energy	5		1	6	35		2	37
Deferred purchase price receivable (Note 12)		84		84		78		78
Other (3)	97	55		152	55	218		273
Total assets	$ 484	$ 4,589	$ 978	$ 6,051	$ 643	$ 5,384	$ 325	$ 6,352
Liabilities:								
Trade accounts payable(1)	$	$ 410	$ 166	$ 576	$	$ 359	$ 33	$ 392
Unrealized loss on designated derivative contracts (4):								
Foreign exchange		43		43		17		17
Unrealized loss on undesignated derivative contracts (4):								
Foreign exchange		892		892	12	525		537
Commodities	274	384	46	704	426	432	59	917
Freight	48		1	49	64		3	67
Energy	14		3	17	80	1	10	91
Total liabilities	$ 336	$ 1,729	$ 216	$ 2,281	$ 582	$ 1,334	$ 105	$ 2,021

(1) Trade accounts receivable and payable are generally accounted for at carrying cost, with the exception of $1 million and $576 million, at September 30, 2015 and $23 million and $392 million at December 31, 2014, respectively, related to certain delivered inventory for which the receivable and payable, respectively, fluctuate based on changes in commodity prices. These receivables and payables are hybrid financial instruments for which Bunge has elected the fair value option.

(2) 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 September 30, 2015 and December 31, 2014, respectively.

(3) Other includes the fair values of marketable securities and investments in other current assets and other non-current assets.

(4) 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 September 30, 2015 and December 31, 2014, respectively.

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 over-the-counter (OTC) derivative instruments relating primarily to freight, energy, foreign exchange and interest rates, and are classified within Level 2 or Level 3 as described below. Bunge estimates fair values based on exchange quoted prices, adjusted as appropriate for differences in local markets. These differences are generally valued using inputs from broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these derivative contracts are classified within Level 2.

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

Exchange traded or cleared derivative contracts are classified 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.

Readily marketable inventories 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 consolidated balance sheets and 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 consolidated balance sheets and consolidated statements of income could differ.

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

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 OTC 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 September 30, 2015 and December 31, 2014.

Level 3 RMI and other The significant unobservable inputs resulting in Level 3 classification for RMI, physically settled forward purchase and sale contracts, and trade accounts receivable and payable, net, relate to certain management estimations regarding costs of transportation and other local market or location-related adjustments, primarily freight related adjustments 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.

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The tables below present reconciliations for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2015 and 2014. These instruments were valued using pricing models that management believes reflect the assumptions that would be used by a marketplace participant.

	Level 3 Instruments Fair Value Measurements Three Months Ended September 30, 2015			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable/ Payable, Net(2)**	**Total**
Balance, July 1, 2015	$ 192	$ 910	$ (357)	$ 745
Total gains and (losses), realized/unrealized included in cost of goods sold	217	109	(18)	308
Purchases		170	(5)	165
Sales		(647)		(647)
Issuances				
Settlements	(91)		261	170
Transfers into Level 3	(1)	167		166
Transfers out of Level 3		(98)	(47)	(145)
Balance, September 30, 2015	**$ 317**	**$ 611**	**$ (166)**	**$ 762**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

	Level 3 Instruments Fair Value Measurements Three Months Ended September 30, 2014			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable/ Payable, Net (2)**	**Total**
Balance, July 1, 2014	$ (13)	$ 873	$ (120)	$ 740
Total gains and (losses), realized/unrealized included in cost of goods sold	(12)	(39)	1	(50)
Purchases	(8)	254	(4)	242
Sales	4	(943)		(939)
Issuances	20		(7)	13
Settlements	(47)		84	37
Transfers into Level 3	27	171	(3)	195
Transfers out of Level 3	5	(6)	(11)	(12)
Balance, September 30, 2014	**$ (24)**	**$ 310**	**$ (60)**	**$ 226**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

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(US$ in millions)	Level 3 Instruments Fair Value Measurements Nine Months Ended September 30, 2015 Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net(2)	Total
Balance, January 1, 2015	$ (2)	$ 255	$ (33)	$ 220
Total gains and (losses) realized/unrealized included in cost of goods sold	460	167	(17)	610
Purchases	1	1,197	(5)	1,193
Sales		(1,442)		(1,442)
Issuances			(328)	(328)
Settlements	(139)		466	327
Transfers into Level 3		683	(203)	480
Transfers out of Level 3	(3)	(249)	(46)	(298)
Balance, September 30, 2015	**$ 317**	**$ 611**	**$ (166)**	**$ 762**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

(US$ in millions)	Level 3 Instruments Fair Value Measurements Nine Months Ended September 30, 2014 Derivatives, Net (1)	Readily Marketable Inventories	Trade Accounts Receivable/ Payable, Net (2)	Total
Balance, January 1, 2014	$ 20	$ 298	$ (75)	$ 243
Total gains and (losses) realized/unrealized included in cost of goods sold	65	8	2	75
Purchases	5	1,804	(5)	1,804
Sales		(2,176)	8	(2,168)
Issuances	19		(400)	(381)
Settlements	(189)		492	303
Transfers into Level 3	21	534	(11)	544
Transfers out of Level 3	35	(158)	(71)	(194)
Balance, September 30, 2014	**$ (24)**	**$ 310**	**$ (60)**	**$ 226**

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

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The tables below summarize changes in unrealized gains or (losses) recorded in earnings during the three and nine months ended September 30, 2015 and 2014 for Level 3 assets and liabilities that were held at September 30, 2015 and 2014:

	Level 3 Instruments Fair Value Measurements Three Months Ended			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable and Payable, Net(2)**	**Total**
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2015				
Cost of goods sold	$ (35)	$ 24	$ (20)	$ (31)
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2014				
Cost of goods sold	$ (7)	$ (19)	$ 1	$ (25)

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

	Level 3 Instruments Fair Value Measurements Nine Months Ended			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable and Payable, Net(2)**	**Total**
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2015				
Cost of goods sold	$ 18	$ 15	$ (2)	$ 31
Changes in unrealized gains and (losses) relating to assets and liabilities held at September 30, 2014				
Cost of goods sold	$ 48	$ (43)	$ 4	$ 9

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

(2) Trade Accounts Receivable and Trade Accounts Payable, net, include Level 3 inventory related receivables and payables.

Derivative Instruments

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

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

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

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

	September 30, 2015			
	Exchange Traded	Non-exchange Traded		
(US$ in millions)	Net (Short) & Long (1)	(Short) (2)	Long (2)	Unit of Measure
Foreign Exchange				
Options	$	$ (210)	$ 238	Delta
Forwards				