Bunge LTD
Form 10-Q
April 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

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

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

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

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

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

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

As of April 22, 2016 the number of shares issued of the registrant was:

Common shares, par value $.01 per share: 139,378,060

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BUNGE LIMITED

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net sales	$ 8,916	$ 10,806
Cost of goods sold	(8,296)	(10,096)
Gross profit	**620**	**710**
Selling, general and administrative expenses	(314)	(331)
Interest income	10	11
Interest expense	(57)	(53)
Foreign exchange gains (losses)	21	(7)
Other income (expense) net	(5)	1
Income from continuing operations before income tax	**275**	**331**
Income tax (expense) benefit	(34)	(85)
Income (loss) from continuing operations	241	246
Income (loss) from discontinued operations, net of tax	(9)	14
Net income (loss)	**232**	**260**
Net (income) loss attributable to noncontrolling interests	3	3
Net income (loss) attributable to Bunge	**235**	**263**
Convertible preference share dividends and other obligations	(13)	(14)
Net income (loss) available to Bunge common shareholders	**$ 222**	**$ 249**
Earnings per common share basic (Note 16)		
Net income (loss) from continuing operations	$ 1.64	$ 1.61
Net income (loss) from discontinued operations	(0.07)	0.10
Net income (loss) attributable to Bunge common shareholders	$ 1.57	$ 1.71

Earnings per common share diluted (Note 16)				
Net income (loss) from continuing operations	$	1.60	$	1.58
Net income (loss) from discontinued operations		(0.06)		0.09
Net income (loss) attributable to Bunge common shareholders	$	1.54	$	1.67
Dividends per common share	$	0.38	$	0.34

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income (loss)	$ 232	$ 260
Other comprehensive income (loss):		
Foreign exchange translation adjustment	520	(1,339)
Unrealized gains (losses) on designated cash flow and net investment hedges, net of tax (expense) benefit of nil in 2016 and nil in 2015	(184)	42
Reclassification of realized net losses (gains) to net income, net of tax expense (benefit) of nil in 2016 and nil in 2015	7	13
Pension adjustment, net of tax (expense) benefit of nil in 2016 and nil in 2015		3
Total other comprehensive income (loss)	343	(1,281)
Total comprehensive income (loss)	575	(1,021)
Less: comprehensive (income) loss attributable to noncontrolling interests	(6)	10
Total comprehensive income (loss) attributable to Bunge	**$ 569**	**$ (1,011)**

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

		March 31, 2016		December 31, 2015
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**523**	$	411
Time deposits under trade structured finance program (Note 4)		**242**		325
Trade accounts receivable (less allowances of $141 and $125) (Note 12)		**1,958**		1,607
Inventories (Note 5)		**4,807**		4,466
Deferred income taxes		**112**		208
Other current assets (Note 6)		**3,781**		3,899
Total current assets		**11,423**		10,916
Property, plant and equipment, net		**4,884**		4,736
Goodwill		**429**		418
Other intangible assets, net		**339**		326
Investments in affiliates		**330**		329
Deferred income taxes		**557**		417
Other non-current assets (Note 7)		**977**		772
Total assets	**$**	**18,939**	**$**	17,914
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term debt	**$**	**810**	$	648
Current portion of long-term debt (Note 11)		**213**		869
Letter of credit obligations under trade structured finance program (Note 4)		**242**		325
Trade accounts payable		**3,284**		2,675
Deferred income taxes		**92**		60
Other current liabilities (Note 9)		**2,451**		2,763
Total current liabilities		**7,092**		7,340
Long-term debt (Note 11)		**3,845**		2,926
Deferred income taxes		**212**		209
Other non-current liabilities		**786**		750
Commitments and contingencies (Note 14)				
Redeemable noncontrolling interests		**41**		37
Equity (Note 15):				
Convertible perpetual preference shares, par value $.01; authorized, issued and outstanding: 2016 and 2015 6,900,000 shares (liquidation preference $100 per share)		**690**		690
Common shares, par value $.01; authorized 400,000,000 shares; issued and outstanding: 2016 139,703,904 shares, 2015 142,483,467 shares		**1**		1
Additional paid-in capital		**5,108**		5,105
Retained earnings		**7,900**		7,725
Accumulated other comprehensive income (loss) (Note 15)		**(6,026)**		(6,360)
Treasury shares, at cost - 2016 - 12,551,432 and 2015 - 9,586,083 shares, respectively		**(901)**		(720)
Total Bunge shareholders equity		**6,772**		6,441

Noncontrolling interests		**191**		211
Total equity		**6,963**		6,652
Total liabilities and equity	**$**	**18,939**	**$**	17,914

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

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BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(U.S. dollars in millions)

	Three Months Ended March 31, 2016	2015
OPERATING ACTIVITIES		
Net income (loss)	$ **232**	$ 260
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:		
Foreign exchange loss (gain) on debt	**78**	(225)
Bad debt expense	**11**	7
Depreciation, depletion and amortization	**113**	120
Stock-based compensation expense	**13**	13
Deferred income tax expense (benefit)	**32**	16
Other, net	**12**	(18)
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	**(301)**	221
Inventories	**(222)**	471
Secured advances to suppliers	**78**	(226)
Trade accounts payable and accrued liabilities	**442**	38
Net unrealized gain/loss on derivative contracts	**(410)**	(275)
Margin deposits	**100**	10
Other, net	**(101)**	(104)
Cash provided by (used for) operating activities	**77**	308
INVESTING ACTIVITIES		
Payments made for capital expenditures	**(110)**	(117)
Acquisitions of businesses (net of cash acquired)		(48)
Proceeds from investments	**158**	60
Payments for investments	**(251)**	(71)
Settlement of net investment hedges	**1**	
Payments for investments in affiliates	**(11)**	(10)
Other, net	**1**	(2)
Cash provided by (used for) investing activities	**(212)**	(188)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	**152**	67
Proceeds from short-term debt with maturities greater than 90 days	**89**	148
Repayments of short-term debt with maturities greater than 90 days	**(56)**	(143)
Proceeds from long-term debt	**3,094**	1,461
Repayments of long-term debt	**(2,810)**	(1,319)
Proceeds from sale of common shares		10
Repurchases of common shares	**(181)**	(200)
Dividends paid	**(62)**	(58)
Return of capital to noncontrolling interest	**(6)**	
Other, net	**(1)**	(1)
Cash provided by (used for) financing activities	**219**	(35)
Effect of exchange rate changes on cash and cash equivalents	**28**	(67)
Net increase (decrease) in cash and cash equivalents	**112**	18

Cash and cash equivalents, beginning of period	**411**	362
Cash and cash equivalents, end of period	**$ 523**	**$ 380**

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, 2016	$ 37	6,900,000	$ 690	142,483,467	$ 1	$ 5,105	$ 7,725	$ (6,360)	$ (720)	$ 211	$ 6,652
Net income (loss)	(3)						235			(3)	232
Accretion of noncontrolling interests	5					(5)					(5)
Other comprehensive income (loss)	2							334		9	343
Dividends on common shares							(52)				(52)
Dividends on preference shares							(8)				(8)
Noncontrolling decrease from redemption						(2)				(4)	(6)
Deconsolidation of a subsidiary										(22)	(22)
Stock-based compensation expense						13					13
Repurchase of common shares				(2,965,349)					(181)		(181)
Issuance of common shares				185,786		(3)					(3)
Balance, March 31, 2016	**$ 41**	**6,900,000**	**$ 690**	**139,703,904**	**$ 1**	**$ 5,108**	**$ 7,900**	**$ (6,026)**	**$ (901)**	**$ 191**	**$ 6,963**

	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)	(5)						263			(3)	260
Accretion of noncontrolling interest	6					(6)					(6)

Other comprehensive income (loss)	(4)							(1,274)		(7)	(1,281)
Dividends on common shares							(49)				(49)
Dividends on preference shares							(8)				(8)
Stock-based compensation expense						13					13
Repurchase of common shares				(2,460,600)					(200)		(200)
Issuance of common shares				358,474		10					10
Balance, March 31, 2015	**$ 34**	**6,900,000**	**$ 690**	**143,601,072**	**$ 1**	**$ 5,070**	**$ 7,386**	**$ (5,332)**	**$ (620)**	**$ 234**	**$ 7,429**

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, 2015 has been derived from Bunge s audited consolidated financial statements at that date. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015, forming part of Bunge s 2015 Annual Report on Form 10-K filed with the SEC on February 25, 2016.

Reclassifications Certain prior year amounts have been reclassified to conform to current year presentation.

2. ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements In March 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-09, *Compensation Stock Compensation, Improvements to Employee Share-Based Payment Accounting (Topic 718)*. This update identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Bunge is evaluating the expected impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments with the exception of those leases with a term of 12 months or less. The new provisions will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted.

Bunge is evaluating the expected impact of this standard on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Other: Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*, which amends the guidance relating to the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new standard is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is not permitted except for certain provisions. Bunge is evaluating the expected impact of this standard on its consolidated financial statements.

In May 2014, the FASB amended ASC (Topic 605) *Revenue Recognition* 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, the 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

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a cumulative-effect adjustment at the date of initial application. Subsequent to the issuance of the original guidance in Topic 606, the FASB issued in March and April 2016, respectively, ASU 2016-08 *Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing* and ASU 2016-10 *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, to improve the guidance in that Topic. Bunge is evaluating the expected impact of the standard on its consolidated financial statements.

***Recently Adopted Accounting Pronouncements* -** In April 2015, the FASB issued ASU 2015-03 *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (Subtopic 835-30). 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. Bunge adopted this ASU upon its effective date of January 1, 2016 and the adoption did not have a material impact on Bunge s consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02 (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 and requires companies to reevaluate all legal entities under revised consolidation guidance. The revised consolidation rules provide guidance for evaluating: i) limited partnerships and similar entities for consolidation, ii) how decision maker or service provider fees affect the consolidation analysis, iii) how interests held by related parties affect the consolidation analysis and iv) the consolidation analysis required for certain investment funds. The standard is effective for interim and annual reporting periods beginning after December 15, 2015.

Bunge adopted ASU 2015-02 upon its effective date of January 1, 2016 using a modified retrospective approach. As a result of the initial application of ASU 2015-02, Bunge deconsolidated a Brazilian grain terminal and the remaining of its previously consolidated private equity and other investment funds. There was no cumulative effect to retained earnings as a result of the deconsolidation of these entities since there was no difference between the net amounts subtracted from Bunge s financial statements and the retained interest in those entities.

3. BUSINESS ACQUISITIONS

On January 29, 2016, SALIC Canada Limited (SALIC) received the final regulatory approval for its conversion of two non-interest bearing convertible promissory notes issued to SALIC by G3 of $106 million into 148,323,000 common shares. This conversion was completed on February 1, 2016 increasing SALIC s ownership percentage in G3 from 49% to 65% and reducing Bunge Canada s ownership in G3 from 51% to 35%. On the same day, Bunge Canada and SALIC transferred all of their common shares in the capital of G3 to G3 Global Holdings Limited Partnership in exchange for additional Class A limited partnership units in G3 Global Holdings Limited Partnership. As a result, as of February 1, 2016, G3 Global Holdings Limited Partnership became the holder of all of the issued and outstanding common shares in G3.

On March 30, 2016, Bunge Canada, under the G3 Global Holdings Shareholders Agreement, exercised a contractual put right and sold 10% of its common shares to SALIC in exchange for $37 million of cash so that Bunge Canada now holds 25% ownership of G3 Global Holdings Limited Partnership and SALIC holds 75% ownership.

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 programs under which Bunge generally obtains U.S. dollar-denominated letters of credit (LCs) (each based on an underlying commodity trade flow) from financial institutions, and time deposits denominated in either the local currency of the financial institution counterparties or in U.S. dollar, as well as foreign exchange forward contracts, 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 March 31, 2016 and December 31, 2015. 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.

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The table below summarizes the assets and liabilities included in the condensed consolidated balance sheets and the associated fair value amounts at March 31, 2016 and December 31, 2015, related to the program.   The fair values approximated the carrying amount of the related financial instruments due to their short-term nature.

(US$ in millions)	March 31, 2016	December 31, 2015
Assets:		
Carrying value of time deposits	**$ 242**	$ 325
Fair value (Level 2 measurement) of time deposits	**$ 242**	$ 325
Liabilities:		
Carrying value of letters of credit obligations and foreign exchange contracts	**$ 242**	$ 325
Fair value (Level 2 measurement) of letters of credit obligations	**$ 242**	$ 323
Fair value (Level 2 measurement) of foreign exchange forward contracts-(gains) losses		2
Total fair value (Level 2 measurement) of letters of credit obligations and foreign exchange contracts	**$ 242**	$ 325

As of March 31, 2016 and December 31, 2015, time deposits, LCs, and foreign exchange contracts of $3,580 million and $3,394 million, respectively, were presented net on the condensed consolidated balance sheets as the criteria of ASC 210-20, *Offsetting*, had been met. At March 31, 2016 and December 31, 2015, time deposits, including those presented on a net basis, carried weighted-average interest rates of 2.29% and 2.21%, respectively. During the three months ended March 31, 2016 and 2015, total net proceeds from issuances of LCs were $1,396 million and $1,922 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 programs 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 carried at fair value, 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. All other inventories are carried at lower of cost or market.

(US$ in millions)	March 31, 2016	December 31, 2015
Agribusiness (1)	**$ 3,914**	$ 3,533
Edible Oil Products (2)	**347**	356
Milling Products	**177**	164
Sugar and Bioenergy (3)	**305**	350
Fertilizer	**64**	63
Total	**$ 4,807**	$ 4,466

(1) Includes RMI of $3,769 million and $3,393 million at March 31, 2016 and December 31, 2015, respectively. Of these amounts $2,877 million and $2,513 million can be attributable to merchandising activities at March 31, 2016 and December 31, 2015, respectively.

(2) Includes RMI of bulk soybean and canola oil in the aggregate amount of $108 million and $110 million at March 31, 2016 and December 31, 2015, respectively.

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(3) Includes sugar RMI, which can be attributable to Bunge s trading and merchandising business of $80 million and $163 million at March 31, 2016 and December 31, 2015, respectively.

6. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US$ in millions)	March 31, 2016	December 31, 2015
Prepaid commodity purchase contracts (1)	**$ 236**	$ 287
Secured advances to suppliers, net (2)	**552**	521
Unrealized gains on derivative contracts, at fair value	**1,473**	1,456
Recoverable taxes, net	**289**	364
Margin deposits	**368**	467
Marketable securities, at fair value and other short-term investments	**344**	234
Deferred purchase price receivable, at fair value (3)	**80**	79
Prepaid expenses	**149**	132
Other	**290**	359
Total	**$ 3,781**	$ 3,899

(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 $2 million at March 31, 2016 and December 31, 2015.

Interest earned on secured advances to suppliers of $11 million for each of the three months ended March 31, 2016 and 2015 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).

Marketable Securities and Other Short-Term Investments - The Company invests in foreign government securities, corporate debt securities, deposits, and other securities. The following is a summary of amounts recorded on the condensed consolidated balance sheets for marketable securities and other short-term investments.

(US$ in millions)	March 31, 2016	December 31, 2015
Foreign government securities	**$ 85**	$ 61
Corporate debt securities	**112**	92
Certificate of deposits/time deposits	**147**	55
Other		26
Total marketable securities and other short-term investments	**$ 344**	$ 234

As of March 31, 2016, total marketable securities and other short-term investments includes $159 million of assets classified as held-to-maturity and $185 million as trading. As of December 31, 2015, total marketable securities and other short-term investments includes $76 million of assets classified as held-to-maturity and $158 million as trading. Held-to-maturity foreign government and corporate debt securities and certificate of deposits/time deposits are expected to be converted to cash within a twelve month period and are therefore classified as current. Due to the short term nature of these investments, carrying value approximates fair value. For the three months ended March 31, 2016 and 2015, we recognized a net gain of $8 million and $7 million, respectively, related to trading securities.

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7. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(US$ in millions)		March 31, 2016		December 31, 2015
Recoverable taxes, net (1)	**$**	**214**	$	133
Judicial deposits (1)		**131**		119
Other long-term receivables		**28**		23
Income taxes receivable (1)		**279**		195
Long-term investments		**53**		49
Affiliate loans receivable, net		**21**		15
Long-term receivables from farmers in Brazil, net (1)		**128**		117
Other		**123**		121
Total	**$**	**977**	$	772

(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 $20 million at March 31, 2016 and December 31, 2015, 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.

*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.

(US$ in millions)	March 31, 2016	December 31, 2015
Legal collection process (1)	**$ 136**	$ 119
Renegotiated amounts (2)	**59**	58
Other long-term receivables	**41**	40
Total	**$ 236**	$ 217

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

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

The average recorded investment in long-term receivables from farmers in Brazil for the three months ended March 31, 2016 and the year ended December 31, 2015 was $221 million and $214 million, respectively. The table below summarizes Bunge s recorded investment in long-term receivables from farmers in Brazil and the related allowance amounts.

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(US$ in millions)	March 31, 2016 Recorded Investment	March 31, 2016 Allowance	December 31, 2015 Recorded Investment	December 31, 2015 Allowance
For which an allowance has been provided:				
Legal collection process	**$ 85**	**$ 75**	$ 78	$ 69
Renegotiated amounts	**39**	**33**	37	31
For which no allowance has been provided:				
Legal collection process	**51**		41	
Renegotiated amounts	**20**		21	
Other long-term receivables	**41**		40	
Total	**$ 236**	**$ 108**	$ 217	$ 100

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

(US$ in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Beginning balance	**$ 100**	$ 153
Bad debt provisions		1
Recoveries		(2)
Transfers (1)		4
Foreign exchange translation	**8**	(26)
Ending balance	**$ 108**	$ 130

(1) Represents reclassifications from allowance 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 three months ended March 31, 2016 and 2015, income tax expense related to continuing operations was $34 million and $85 million, respectively, resulting in effective tax rates of 12% and 26%. The lower rate in 2016 was primarily due to certain discrete items including an income tax benefit of $60 million recorded for a change in estimate resulting from a tax election for North America partially offset by an income tax charge of $32 million recorded for an uncertain tax position related to Asia. Excluding the effect of the two discrete items noted above and certain other discrete items our effective tax rate for the three months ended March 31, 2016 was 27%.

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 condensed consolidated financial statements reflect the largest amount of tax benefit that is more likely than not to be realized.

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9. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US$ in millionsss)	March 31, 2016	December 31, 2015
Accrued liabilities	**$ 638**	$ 688
Unrealized losses on derivative contracts at fair value	**1,221**	1,471
Advances on sales	**315**	371
Other	**277**	233
Total	**$ 2,451**	$ 2,763

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 receivable (DPP) 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.

	Fair Value Measurements at Reporting Date							
	March 31, 2016				December 31, 2015			
(US$ in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Readily marketable inventories (Note 5)	$	$ 3,227	$ 730	$ 3,957	$	$ 3,421	$ 245	$ 3,666
Trade accounts receivable(1)		10		10		6		6
Unrealized gain on designated derivative contracts(2):								
Interest rate		11		11				
Foreign exchange	1	16		17		30		30

Unrealized gain on undesignated derivative contracts (2):								
Foreign exchange	10	441		451	9	176		185
Commodities	231	601	89	921	252	696	220	1,168
Freight	62			62	65			65
Energy	11			11	7		1	8
Deferred purchase price receivable (Note 12)		80		80		79		79
Other (3)	42	371		413	68	176		244
Total assets	$ 357	$ 4,757	$ 819	$ 5,933	$ 401	$ 4,584	$ 466	$ 5,451
Liabilities:								
Trade accounts payable(1)	$	$ 348	$ 291	$ 639	$	$ 399	$ 44	$ 443
Unrealized loss on designated derivative contracts (4):								
Interest rate						3		3
Foreign exchange		184		184		15		15
Unrealized loss on undesignated derivative contracts (4):								
Interest rate		1		1				
Foreign exchange		201		201	1	605		606
Commodities	306	381	70	757	402	304	52	758
Freight	57		1	58	56			56
Energy	15	3	2	20	31		2	33
Total liabilities	$ 378	$ 1,118	$ 364	$ 1,860	$ 490	$ 1,326	$ 98	$ 1,914

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(1) Trade accounts receivable and payable are generally stated at historical amounts, net of write-offs and allowances, with the exception of $10 million and $639 million, at March 31, 2016 and $6 million and $443 million at December 31, 2015, 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 March 31, 2016 and December 31, 2015, 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 March 31, 2016 and December 31, 2015, 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.

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.

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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 RMI 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 RMI 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 RMI 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 March 31, 2016 and December 31, 2015.

Level 3 Readily marketable inventories 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.

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 March 31, 2016 and 2015. 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 March 31, 2016			
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Trade Accounts Receivable/ Payable, Net(2)**	**Total**
Balance, January 1, 2016	$ 167	$ 245	$ (44)	$ 368
Total gains and (losses), realized/unrealized included in cost of goods sold	(85)	11	5	(69)
Purchases		537	(195)	342
Sales		(248)		(248)
Issuances				
Settlements	(66)			(66)
Transfers into Level 3		192	(57)	135
Transfers out of Level 3		(7)		(7)
Balance, March 31, 2016	**$ 16**	**$ 730**	**$ (291)**	**$ 455**

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(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 Three Months Ended March 31, 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	92	20		112
Purchases		482	(1)	481
Sales		(310)		(310)
Issuances			(285)	(285)
Settlements	(18)			(18)
Transfers into Level 3	1	316	(171)	146
Transfers out of Level 3	6	(88)	1	(81)
Balance, March 31, 2015	**$ 79**	**$ 675**	**$ (489)**	**$ 265**

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(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.

The tables below summarize changes in unrealized gains or (losses) recorded in earnings during the three months ended March 31, 2016 and 2015 for Level 3 assets and liabilities that were held at March 31, 2016 and 2015:

(US$ in millions)	Level 3 Instruments Fair Value Measurements Three Months Ended 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 March 31, 2016				
Cost of goods sold	$ (79)	$ (24)	$ 1	$ (102)

Changes in unrealized gains and (losses) relating to assets and liabilities held at March 31, 2015				
Cost of goods sold	$ 21	$ (20)	$	$ 1

(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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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. During 2015, Bunge entered into interest rate swap agreements for the purpose of managing certain of its interest rate exposures. The interest rate swaps used by Bunge as hedging instruments have been recorded at fair value in the condensed consolidated balance sheets with changes in fair value recorded contemporaneously in earnings. These swap agreements have been designated as fair value hedges. Additionally, the carrying amount of the associated hedged debt is 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.

In February 2016, Bunge entered into one year interest rate swap agreements, having a total notional of $500 million that requires Bunge to pay interest at a fixed rate and receive interest at a variable rate. The interest rate swaps do not qualify for hedge accounting, and therefore Bunge has not designated these swaps as hedge instruments for accounting purposes. The interest rate swaps have been recorded at fair value in the consolidated condensed balance sheets with changes in fair value recorded contemporaneously in earnings.

As of March 31, 2016, Bunge had fixed-to-variable interest rate swap agreements having a total notional amount of $500 million that requires Bunge to pay interest at a variable rate and receive interest at 3.5%. These interest rate swap agreements are designated as fair value hedges of $500 million of its 3.5% 2020 Senior Notes.

	March 31, 2016	
(US$ in millions)	**Notional Amount of Hedged Obligation**	**Notional Amount Derivative (3)**
Interest rate swap agreements	$ 500	$ 500
Weighted average rate payable - 3 month LIBOR plus 1.91% (1)		
Weighted average rate receivable - 3.5% (2)		

(1) Interest is payable in arrears semi-annually based on three-month U.S. dollar LIBOR plus 1.91%.

(2) Interest is receivable in arrears based on a fixed interest rate of 3.5%.

(3) The interest rate swap agreements mature in 2020.

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

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

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

	March 31, 2016			
(US$ in millions)	**Exchange Traded Net (Short) & Long (1)**	**Non-exchange Traded (Short) (2)**	**Non-exchange Traded Long (2)**	**Unit of Measure**
Foreign Exchange				
Options	$	$ (222)	$ 234	Delta
Forwards		(7,791)	3,534	Notional
Futures	284			Notional
Swaps		(697)	91	Notional

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

(2) Non-exchange traded derivatives are presented on a gross (short) and long position basis.

Commodity derivatives - Bunge uses commodity 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. 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. The forward contracts require performance of both Bunge and the contract counterparty in

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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.

	March 31, 2016			
	Exchange Traded Net (Short) & Long (1)	Non-exchange Traded (Short) (2)	Non-exchange Traded Long (2)	Unit of Measure
Agricultural Commodities				
Futures	(818,387)			Metric Tons
Options	(20,920)	(8,899)		Metric Tons
Forwards		(29,644,774)	23,948,974	Metric Tons
Swaps		(5,564,218)	1,755,394	Metric Tons

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

(2) Non-exchange traded derivatives are presented on a gross (short) and long position basis.

Ocean freight derivatives Bunge uses derivative instruments referred to as freight forward agreements (FFAs) and FFA options to hedge portions of its current and anticipated ocean freight costs. Changes in the fair values of ocean freight derivatives that are not designated as hedges are recorded in earnings. There were no designated hedges at March 31, 2016 and December 31, 2015, respectively.

The table below summarizes the open ocean freight positions.

	March 31, 2016			
	Exchange Cleared Net (Short) & Long (1)	Non-exchange Cleared (Short) (2)	Non-exchange Cleared Long (2)	Unit of Measure
Ocean Freight				
FFA	3,040			Hire Days
FFA Options	(282)			Hire Days

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

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

Energy derivatives Bunge uses energy 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.

	March 31, 2016			
	Exchange Traded Net (Short) & Long (1)	Non-exchange Cleared (Short) (2)	Long (2)	Unit of Measure (3)
Natural Gas (3)				
Futures	11,981,693			MMBtus
Swaps			6,874,101	MMBtus
Options				MMBtus
Energy Other				
Futures	(15,012)			Metric Tons
Forwards			7,108,552	Metric Tons
Swaps	244,100			Metric Tons
Options				