Bunge LTD
Form 10-Q
November 10, 2008

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, 2008

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 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 November 3, 2008 the number of common shares issued and outstanding of the registrant was:

Common shares, par value $.01: 121,626,890

BUNGE LIMITED

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(United States Dollars in Millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
		(As Restated)		(As Restated)
	2008	2007	2008	2007
Net sales	$14,797	$9,729	$41,631	$25,370
Cost of goods sold	(13,588)	(8,822)	(38,104)	(23,631)
Gross profit	**1,209**	**907**	**3,527**	**1,739**
Selling, general and administrative expenses	(382)	(353)	(1,244)	(925)
Interest income	57	44	159	112
Interest expense	(97)	(102)	(285)	(251)
Foreign exchange gains (losses)	(471)	56	(206)	178
Other income (expense) net	(1)	(5)	(13)	(2)
Income from operations before income tax	**315**	**547**	**1,938**	**851**
Income tax expense	(5)	(145)	(459)	(221)
Income from operations after income tax	**310**	**402**	**1,479**	**630**
Minority interest	(90)	(57)	(232)	(104)
Equity in earnings of affiliates	14	6	27	7
Net income	**234**	**351**	**1,274**	**533**
Convertible preference share dividends	(19)	(8)	(58)	(25)
Net income available to common shareholders	**$215**	**$343**	**$1,216**	**$508**
Earnings per common share basic (Note 15)	**$1.77**	**$2.84**	**$10.01**	**$4.21**
Earnings per common share diluted (Note 15)	**$1.70**	**$2.70**	**$9.26**	**$4.12**
Dividends per common share	$0.19	$0.17	$0.53	$0.49

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

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(United States Dollars in Millions, except share data)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$1,494	$981
Trade accounts receivable (less allowance of $129 and $97)	3,536	2,541
Inventories (Note 3)	6,995	5,924
Deferred income taxes	430	219
Other current assets (Note 5)	4,827	4,853
Total current assets	17,282	14,518
Property, plant and equipment, net	4,298	4,216
Goodwill (Note 6)	366	354
Other intangible assets, net	115	139
Investments in affiliates	779	706
Deferred income taxes	771	903
Other non-current assets	1,029	1,155
Total assets	$24,640	$21,991
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term debt	$765	$590
Current portion of long-term debt	567	522
Trade accounts payable	5,634	4,061
Deferred income taxes	225	166
Other current liabilities (Note 8)	3,873	3,495
Total current liabilities	11,064	8,834
Long-term debt	2,961	3,435
Deferred income taxes	164	149
Other non-current liabilities	981	876
Commitments and contingencies (Note 13)		
Minority interest in subsidiaries	760	752
Shareholders equity:		
Mandatory convertible preference shares, par value $.01; authorized, issued and outstanding: 2008 862,455, 2007 862,500 (liquidation preference $1,000 per share)	863	863
Convertible perpetual preference shares, par value $.01; authorized issued and outstanding: 2008 and 2007 6,900,000 (liquidation preference $100 per share)	690	690
Common shares, par value $.01; authorized 400,000,000 shares; issued and outstanding: 2008 121,625,471, 2007 121,225,963 shares	1	1
Additional paid-in capital	2,845	2,760
Retained earnings	4,097	2,962

Accumulated other comprehensive income	214	669
Total shareholders equity	8,710	7,945
Total liabilities and shareholders equity	$24,640	$21,991

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

BUNGE LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(United States Dollars in Millions)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, (As Restated) 2007
OPERATING ACTIVITIES		
Net income	$1,274	$533
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Foreign exchange (gain) loss on debt	90	(167)
Impairment of assets	6	10
Bad debt expense	68	39
Depreciation, depletion and amortization	344	271
Stock based compensation expense	56	31
Recoverable taxes provision	(19)	
Deferred income taxes	(22)	(64)
Minority interest	232	104
Equity in earnings of affiliates	(27)	(7)
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Trade accounts receivable	(1,255)	(557)
Inventories	(1,453)	(1,571)
Prepaid commodity purchase contracts	268	(103)
Secured advances to suppliers	(5)	124
Trade accounts payable	1,997	908
Advances on sales	171	(79)
Unrealized net (gain) loss on derivative contracts	(322)	(199)
Margin deposits	44	(189)
Accrued liabilities	190	126
Other net	90	148
Cash provided by (used for) operating activities	1,727	(642)
INVESTING ACTIVITIES		
Payments made for capital expenditures	(594)	(382)
Investments in affiliates	(68)	(36)
Acquisitions of businesses (net of cash acquired)	(61)	(31)
Related party loans	30	1
Proceeds from disposal of property, plant and equipment	36	18
Proceeds from investment	2	
Cash used for investing activities	(655)	(430)
FINANCING ACTIVITIES		
Net change in short-term debt with maturities of 90 days or less	(586)	687
Proceeds from short-term debt with maturities greater than 90 days	1,209	679
Repayments of short-term debt with maturities greater than 90 days	(405)	(348)
Proceeds from long-term debt	1,757	1,576
Repayment of long-term debt	(2,205)	(1,041)
Proceeds from sale of common shares	7	23
Dividends paid to preference shareholders	(61)	(25)
Dividends paid to common shareholders	(64)	(59)
Dividends paid to minority interest	(153)	(8)
Other	38	28
Cash (used for) provided by financing activities	(463)	1,512
Effect of exchange rate changes on cash and cash equivalents	(96)	40
Net increase in cash and cash equivalents	513	480
Cash and cash equivalents, beginning of period	981	365
Cash and cash equivalents, end of period	$1,494	$845

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

The accompanying unaudited condensed consolidated financial statements of Bunge Limited and its subsidiaries (Bunge) 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 of the Securities Exchange Act of 1934, as amended (Exchange Act). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The consolidated balance sheet at December 31, 2007 has been derived from Bunge s audited financial statements at that date. Operating results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the year ending December 31, 2008. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2007 included in Bunge s 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 3, 2008.

Restatements Subsequent to the issuance of the Quarterly Report on Form 10-Q for the period ended September 30, 2007 and as disclosed in Bunge s 2007 Annual Report on Form 10-K, Bunge corrected errors in its previously issued 2007 unaudited quarterly condensed consolidated financial statements. The errors, which resulted in an overstatement of net sales and costs of goods sold, had no effect on Bunge s previously reported volumes, gross profit, net income or earnings per common share. As a result, amounts for the three and nine months ended September 30, 2007 contained in this Quarterly Report on Form 10-Q have been restated. See Note 16 to the condensed consolidated financial statements.

Bunge also re-evaluated the classification of two employee benefit plans in Brazil and concluded that such plans should be properly disclosed as a multiple employer pension plan and a postretirement healthcare plan. Bunge included such amounts under the headings Foreign Pension Benefits and Foreign Postretirement Healthcare Benefits. This correction did not have an effect on Bunge s consolidated balance sheet at December 31, 2007, or its condensed consolidated statements of income for the three and nine months ended September 30, 2007 and condensed consolidated statements of cash flows for the nine months ended September 30, 2007.

In addition, in connection with an increase in short-term borrowings with original maturities greater than 90 days, Bunge has now presented on a gross basis certain short-term borrowings which had been presented on a net basis in its condensed consolidated statement of cash flows for the nine months ended September 30, 2007.

Reclassifications Certain reclassifications were made to the prior period condensed consolidated financial statements to conform to the current period presentation.

2. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements In October 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-3, *Determining Fair Value of a Financial Asset in a Market That Is Not Active* (FSP No. FAS 157-3). FSP No. FAS 157-3 clarifies the application of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements,* in a market that is not active and provides guidance to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP No. FAS 157-3 is effective upon issuance, including reporting for prior periods for which financial statements have not been issued. Bunge s adoption of FSP No. FAS 157-3 as of September 30, 2008 did not have a material impact on its condensed consolidated financial statements.

In 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other U.S. GAAP standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 does not expand the use of fair value in any new circumstances. SFAS No. 157 became effective for Bunge on January 1, 2008. In February 2008, the FASB issued FASB Staff Position FAS 157-1, *Application of SFAS No. 157 to SFAS No. 13 and Its Related Interpretative Accounting Pronouncements that Address Leasing Transactions* (FSP FAS 157-1) and FASB Staff Position FAS 157-2, *Effective Date of SFAS No. 157* (FSP FAS 157-2). FSP FAS 157-1 excludes SFAS No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions, with the exception of fair value measurements of assets and liabilities recorded as a result of a lease transaction but measured pursuant to other pronouncements within the scope of SFAS No. 157. FSP FAS 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP FAS 157-1 and FSP FAS 157-2 became effective for Bunge upon adoption of SFAS No. 157 on January 1, 2008. See Note 9 to the condensed consolidated financial statements.

In 2006, the FASB issued SFAS No. 158, *Employer s Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158). SFAS No. 158 amends SFAS No. 87, *Employer s Accounting for Pensions, SFAS No. 88, Employer s Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, SFAS No. 106, *Employer s Accounting for Postretirement Benefits Other Than Pensions*, and SFAS No. 132(R), *Employer s Disclosures about Pensions and Other Postretirement Benefits*. SFAS No. 158 requires an entity which sponsors defined postretirement benefit plans to: (1) recognize in its statement of financial position the funded status of a defined benefit postretirement plan, (2) measure a defined benefit postretirement plan s assets and obligations that determine its funded status as of the end of the employer s fiscal year and (3) recognize changes in the funded status of a defined benefit postretirement plan in comprehensive income in the year in which the changes occur. On December 31, 2006, Bunge adopted the recognition and disclosure provisions of SFAS No. 158. The requirement to measure a defined benefit postretirement plan assets and benefit obligations as of the date of the employer s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. As a result of the adoption of this measurement provision on January 1, 2008, Bunge recorded approximately $4 million as a reduction to retained earnings to reflect the transition period of the new measurement date.

In 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits an entity to measure certain financial assets and financial liabilities at fair value. Pursuant to SFAS No. 159, entities that elect the fair value alternative will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value alternative may be elected on an instrument-by-instrument basis, with a few exceptions, as long as it is applied to the instrument in its entirety. The fair value alternative election is irrevocable, unless a new election date occurs. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. SFAS No. 159 was effective as of January 1, 2008. Bunge has not elected to measure financial assets or liabilities at fair value which previously had not been recorded at fair value.

New Accounting Pronouncements In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS No. 161), which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, by requiring expanded disclosures about a company s derivative instruments and hedging activities, including increased qualitative, quantitative, and credit-risk disclosures, but does not change the scope or accounting of SFAS No. 133. SFAS No. 161 also amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to clarify that derivative instruments are subject to the concentration-of-credit-risk disclosures of SFAS No. 107. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. Bunge is evaluating the provisions of SFAS No. 161 to determine the potential impact, if any, the adoption will have on its consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Bunge is currently evaluating the impact of FSP 142-3 will have on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP (the GAAP hierarchy). SFAS No. 162 makes the GAAP hierarchy explicitly and directly applicable to preparers of financial statements, a step that recognizes preparers responsibilities for selecting the accounting principles for their financial statements, and sets the stage for making the framework of the FASB Concept Statements fully authoritative. The effective date for SFAS No. 162 is 60 days following the SEC s approval of the Public Company Accounting Oversight Board s related amendments to remove the GAAP hierarchy from auditing standards, where it has resided for some time. Bunge does not expect the adoption of SFAS No. 162 to have a material impact on its consolidated financial statements.

3. INVENTORIES

Inventories consist of the following:

(US$ in millions)	September 30, 2008	December 31, 2007
Agribusiness Readily marketable inventories at market value (1)	$3,142	$3,358
Fertilizer	2,510	924
Edible oils	582	419
Milling	123	176
Other (2)	638	1,047
Total	$6,995	$5,924

(1) Readily marketable inventories are agricultural commodities inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms.

(2) Agribusiness inventories carried at lower of cost or market.

4. BUSINESS ACQUISITIONS

On June 23, 2008, Bunge and Corn Products International, Inc. (Corn Products) announced that they had entered into a definitive merger agreement in which Bunge would acquire Corn Products in an all-stock transaction. On November 4, 2008, as required by the terms of the merger agreement, Corn Products notified Bunge that its Board of Directors intended to withdraw its recommendation of the merger, and on November 10, 2008, Corn Products notified Bunge that the Corn Products Board of Directors has voted to withdraw its recommendation in favor of the merger and to recommend that its stockholders vote against the merger. In light of the Corn Products Board s decision, Bunge announced on November 10, 2008, that it has terminated the merger agreement between the parties. As a result of the termination of the merger agreement, Bunge is entitled to reimbursement from Corn Products for up to $10 million of its transaction-related expenses. In addition, Corn Products will be obligated to pay Bunge a termination fee of $110 million (such amount to be reduced by the amount of any expenses reimbursed by Corn Products referred to above) if, within twelve months after the date of termination, Corn Products enters into a definitive agreement with respect to, or consummates, a change of control transaction.

During the nine months ended September 30, 2008, Bunge acquired a European margarine producer based in Germany for a purchase price of approximately $31 million, which consisted of $25 million in cash and $6 million of assumed debt. Assets and liabilities acquired consisted of $6 million of cash and $4 million of historical other net assets. As of September 30, 2008, Bunge had not completed the purchase price allocation valuation of the acquired assets and liabilities and has preliminarily recorded $21 million of goodwill in its edible oil products segment related to this acquisition. During the three months ended September 30, 2008, Bunge made certain other smaller acquisitions with an aggregate purchase price of approximately $42 million in cash. Bunge recorded goodwill of $14 million as a result of these acquisitions.

In addition, in July 2008, Bunge entered into an agreement to acquire the international sugar trading and marketing division of Tate & Lyle PLC (Tate & Lyle). The acquisition will be accomplished in two stages. In the first stage, completed in July 2008, the operations and employees of Tate & Lyle s international sugar trading business were transferred to Bunge. The purchase consideration attributable to this stage of the transaction is immaterial. The working capital in the business will remain with, and be collected and paid by, Tate & Lyle through March 31, 2009, at which point it will be assumed by Bunge upon final completion of the transaction. The completion of the transaction is subject to certain customary conditions.

5. OTHER CURRENT ASSETS

Other current assets consist of the following:

(US$ in millions)	September 30, 2008	December 31, 2007
Prepaid commodity purchase contracts	$ 173	$ 429
Secured advances to suppliers (1)	356	382
Unrealized gain on derivative contracts	2,466	2,320
Recoverable taxes (2)	607	368
Margin deposits	264	309
Other	961	1,045
Total	$4,827	$4,853

(1) Bunge provides cash advances to suppliers, primarily Brazilian farmers of soybeans and other agricultural commodities, to finance a portion of the suppliers production costs. 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. In addition to current secured advances, Bunge has non-current secured advances to suppliers, primarily farmers in Brazil, in the amount of $309 million and $379 million at September 30, 2008 and December 31, 2007, respectively, that are included in other non-current assets in the condensed consolidated balance sheets. The repayment terms of the non-current secured advances generally range from two to three years. Included in the secured advances to suppliers recorded in other current assets are advances that were renegotiated from their original terms, equal to an aggregate of $41 million and $41 million at September 30, 2008 and December 31, 2007, respectively. Included in the secured advances to suppliers recorded in other non-current assets are advances that were renegotiated from their original terms, equal to an aggregate of $30 million and $48 million at September 30, 2008 and December 31, 2007, respectively, mainly due to crop failures. These renegotiated advances are largely collateralized by a farmer s future crops and a mortgage on the land, buildings and equipment.

Also included in non-current secured advances to suppliers are advances for which Bunge has initiated legal action to collect the outstanding balance, equal to an aggregate of $243 million and $245 million at September 30, 2008 and December 31, 2007, respectively. Collections being pursued through legal action largely reflect loans made for the 2005 and 2006 crops. The allowance for uncollectible advances totaled $79 million and $52 million at September 30, 2008 and December 31, 2007, respectively.

Interest earned on secured advances to suppliers of $10 million and $12 million for the three months ended September 30, 2008 and 2007, respectively, and $33 million and $42 million for the nine months ended September 30, 2008 and 2007, respectively, is included in net sales in the consolidated statements of income.

(2) Bunge has a recoverable taxes balance of $225 million and $191 million at September 30, 2008 and December 31, 2007, respectively, which is included in other non-current assets in the condensed consolidated balance sheets. The balance of current and non-current recoverable taxes is net of the allowance for recoverable taxes of $126 million and $135 million at September 30, 2008 and December 31, 2007, respectively. In May 2008, Bunge received a favorable ruling from the tax authorities in Brazil, related to certain transactional taxes, confirming that it was entitled to a higher credit rate for a certain category of raw material purchases made by Bunge since the third quarter of 2004. As a result, Bunge recorded tax credits of $128 million of recoverable taxes (current and non-current) pertaining to sales transactions in cost of goods sold and allocated $117 million and $11 million to its agribusiness and its milling products segments, respectively. Bunge will apply the credit as an offset against future Brazilian tax liabilities incurred in the ordinary course of business and expects that the credit will be fully utilized over the next 12 to 18 months. In addition, in the three months ended September 30, 2008, Bunge recorded a recoverable tax credit of $62 million in selling, general and administrative expenses pertaining to a favorable ruling from the Brazilian tax authorities that certain transactional taxes were unlawfully levied on financial transactions, which Bunge accrued and paid, between 2000 and 2004. Bunge allocated $60 million and $2 million of these credits to its agribusiness segment and edible oil products segment, respectively. Bunge expects to also apply the $62 million of these credits as an offset against future Brazilian tax liabilities incurred in the ordinary course of business and expects to fully utilize the credit by 2010.

6. GOODWILL

At September 30, 2008, the changes in the carrying value of goodwill by segment are as follows:

(US$ in millions)	Agribusiness	Edible Oil Products	Milling Products	Total
Balance, December 31, 2007	$318	$27	$9	$354
Acquired goodwill (1)	7	21	14	42
Allocation of acquired goodwill (2)	(16)			(16)
Tax benefit on goodwill amortization (3)	10	1		11
Foreign exchange translation	(21)	(3)	(1)	(25)
Balance, September 30, 2008	**$298**	**$46**	**$22**	**$366**

(1) See Note 4 of the notes to the condensed consolidated financial statements. In addition, Bunge recorded an additional $7 million of goodwill as a result of a resolution of a contingency in the purchase price relating to its 2007 sugarcane mill and ethanol production facility acquisition.

(2) Bunge allocated $14 million to property, plant and equipment and $2 million to deferred taxes, related to the 2007 sugarcane mill and ethanol production facility acquisition.

(3) One of Bunge s Brazilian subsidiaries has tax deductible goodwill in excess of its book goodwill. For financial reporting purposes, the tax benefits attributable to the excess tax goodwill are first used to reduce recorded goodwill and then to reduce intangible assets prior to recognizing any income tax benefit in the condensed consolidated statements of income. As of September 30, 2008, Bunge has reclassified the tax benefits attributable to the excess tax goodwill to other intangible assets as it has amortized all the goodwill related to the transaction.

7. INVESTMENTS IN AFFILIATES

In the nine months ended September 30, 2008, Bunge invested $61 million in cash for a 50% ownership interest in its joint venture Bunge Maroc Phosphore S.A. The joint venture was formed to produce fertilizers in Morocco for export primarily to markets in Latin America. Bunge Maroc Phosphore S.A. is accounted for under the equity method of accounting.

8. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(US$ in millions)	September 30, 2008	December 31, 2007
Accrued liabilities	$1,262	$1,071
Unrealized loss on derivative contracts	1,885	2,023
Advances on sales	538	367
Other	188	34
Total	$3,873	$3,495

9. FINANCIAL INSTRUMENTS

Adoption of SFAS No. 157, Fair Value Measurements Effective January 1, 2008, Bunge adopted SFAS No. 157, which provides a framework for measuring fair value. SFAS No. 157 also eliminates the deferral of gains and losses at inception associated with certain derivative contracts whose fair value was not evidenced by observable market data. SFAS No. 157 requires that the impact of this change in accounting for derivative contracts be recorded as an adjustment to opening retained earnings in the period of adoption. Bunge did not have any deferred gains or losses at inception of derivative contracts and therefore no adjustment to opening retained earnings was made upon adoption of SFAS No. 157.

SFAS No. 157 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in Bunge s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Bunge determines the fair market values of its readily marketable inventories, derivative contracts, and certain other assets based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect Bunge s own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The standard describes three levels within its hierarchy that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include exchange traded derivative contracts.

Level 2: Observable inputs, including Level 1 prices (adjusted); quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include readily marketable inventories and over-the-counter (OTC) commodity purchase and sales contracts and other OTC derivatives whose value is determined using pricing models with inputs that are generally based on exchange traded prices, adjusted for location specific inputs that are primarily observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually, or when aggregated with other inputs, generally represent more than 10% of the fair value of the assets or liabilities. For such identified inputs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Level 3 assets and liabilities include assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as assets and liabilities for which the determination of fair value requires significant management judgment or estimation.

The following table sets forth by level Bunge s assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2008. Pursuant to FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, Bunge will delay the adoption of SFAS No. 157 for its nonfinancial assets and liabilities that are recognized on a nonrecurring basis, including goodwill and intangibles and asset retirement obligations. As required by SFAS No. 157, assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3. Bunge s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

	September 30, 2008 Fair Value Measurements at Reporting Date Using			
(US$ in millions)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets:				
Readily marketable inventories (Note 3)	$	$2,797	$345	$3,142
Unrealized gain on derivative contracts (Note 5)	24	2,323	119	2,466
Other (1)	46	26		72
Total assets	$70	$5,146	$464	$5,680
Liabilities:				
	$26	$1,763	$96	$1,885

Unrealized loss on derivative contracts (Note 8)				
Total liabilities	$26	$1,763	$96	$1,885

(1) Other assets include primarily the fair values of marketable securities.

Derivatives Exchange traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Bunge s forward commodity purchase and sale contracts are classified as derivatives along with other OTC instruments relating primarily to freight, energy and foreign exchange. Bunge estimates fair market values based on exchange quoted prices, adjusted for differences in local markets. These differences are generally valued using inputs from broker or dealer quotations, or market transactions in either the listed

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or OTC markets. In such cases, these derivative contracts are classified within Level 2. Changes in the fair market values of these contracts are recognized in the consolidated financial statements as a component of cost of goods sold, foreign exchange gain or loss or other comprehensive income.

OTC derivative contracts include swaps, options and structured transactions that are valued at fair value and may be offset with similar positions in exchange traded markets. The fair values of OTC derivative instruments are 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.

Readily marketable inventories Bunge s readily marketable commodity inventories are valued at estimated fair market values. These commodities are readily marketable, have quoted market prices and may be sold without significant additional processing. Bunge estimates fair market values based on exchange quoted prices, adjusted for differences in local markets. Changes in the fair market values of these inventories are recognized in our consolidated statements of income as a component of cost of goods sold.

Readily marketable inventories are valued based on the fair values of the commodities, including exchange quotations, broker or dealer quotations, or market transactions in either listed or OTC markets. In such cases, the inventory is classified within Level 2. Certain inventories may utilize significant management judgment or estimation to measure fair value. In such cases, the inventory is classified as Level 3.

If Bunge used different methods or factors to estimate fair market values, amounts reported as unrealized gains and losses on derivative contracts and readily marketable inventories 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 in the consolidated balance sheets and consolidated statements of income could differ.

Level 3 Valuation Bunge s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In evaluating the significance of fair value inputs, Bunge gives consideration to items that individually, or when aggregated with other inputs, generally represent more than 10% of the fair value of the assets or liabilities. For such identified inputs, judgments are required when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure. Because of differences in the availability of market prices and market liquidity over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy or some combination thereof. While SFAS No. 157 requires Bunge to classify these assets and liabilities in the lowest level in the hierarchy for which inputs are significant to the fair value measurement, a portion of that measurement may be determined using inputs from a higher level in the hierarchy.

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.

Level 3 Derivatives The fair values of Level 3 derivative instruments are estimated using pricing information from less active markets. Level 3 derivative instruments utilize both market observable and unobservable inputs within the fair value measurements. These inputs include commodity prices, price volatility factors, interest rates, volumes and locations.

Level 3 Readily marketable inventories Readily marketable inventories are considered Level 3 when at least one significant assumption or input is unobservable. These assumptions or inputs include exchange quotes and certain management estimations regarding local markets.

The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2008. Level 3 instruments presented in the tables include readily marketable inventories and derivatives, which were carried at fair value prior to the adoption of SFAS 157. These instruments were valued using pricing models that, in management s judgment, reflect the assumptions a marketplace participant would use at September 30, 2008.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	Derivatives, Net (1)	Readily Marketable Inventories	Total
Balance, June 30, 2008	$28	$750	$778
Total gains and losses (realized/unrealized) included in cost of goods sold	140	(181)	(41)
Purchases, issuances and settlements	(138)	(225)	(363)
Transfers in/out of Level 3	(7)	1	(6)
Balance, September 30, 2008	**$23**	**$345**	**$368**

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

The table below summarizes changes in unrealized gains or losses recorded in earnings during the three months ended September 30, 2008 for Level 3 assets and liabilities that were held at September 30, 2008.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	Derivatives, Net (1)	Readily Marketable Inventories	Total
Changes in unrealized gains and losses relating to assets and liabilities held at September 30, 2008:			
Cost of goods sold	$102	$10	$112

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

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	Derivatives, Net (1)	Readily Marketable Inventories	Total
Balance, January 1, 2008	$107	$133	$240
Total gains and losses (realized/unrealized) included in cost of goods sold	238	(116)	122
Purchases, issuances and settlements	(315)	384	69
Transfers in/out of Level 3	(7)	(56)	(63)
Balance, September 30, 2008	**$23**	**$345**	**$368**

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

The table below summarizes changes in unrealized gains or losses recorded in earnings during the nine months ended September 30, 2008 for Level 3 assets and liabilities that were held at September 30, 2008.

	Level 3 Instruments: Fair Value Measurements		
(US$ in millions)	**Derivatives, Net (1)**	**Readily Marketable Inventories**	**Total**
Changes in unrealized gains and losses relating to assets and liabilities held at September 30, 2008:			
Cost of goods sold	$21	$14	$35

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

Interest Rate Derivatives The interest rate swaps used by Bunge as hedging instruments have been recorded at fair value in the consolidated balance sheets with changes in fair value recorded currently in earnings. Additionally, the carrying amount of the associated debt is adjusted through earnings for changes in the fair value due to changes in benchmark interest rates. Ineffectiveness, as defined in SFAS No. 133, is recognized to the extent that these two adjustments do not offset.

In the nine months ended September 30, 2008, Bunge entered into interest rate swap agreements with an aggregate notional principal amount of $250 million maturing in 2011 for the purpose of managing its interest rate exposure associated with its $250 million three-year fixed rate term loan due 2011. The principal terms of these transactions are shown in the table below. Under the terms of the interest rate swap agreements, Bunge makes payments based on the average daily effective Federal Funds rate and receives payments based on a fixed interest rate. Bunge has accounted for the interest rate swap agreements as fair value hedges in accordance with SFAS No. 133. The swap agreements are assumed to be perfectly effective under the shortcut method of SFAS No. 133. The interest rate differential, which settles semi-annually, is recorded as an adjustment to interest expense.

	Maturity 2011	**Fair Value Gain September 30, 2008**
(US$ in millions)		
Receive fixed/pay Federal Funds notional principal amount	$250	$4
Weighted average variable rate payable (1)	3.05%	
Weighted average fixed rate receivable	4.33%	

(1) Interest is payable in arrears based on the average daily effective Federal Funds rate.

Also, during the three months ended September 30, 2008, Bunge entered into interest rate basis swap agreements with an aggregate notional principal amount of $375 million for the purpose of swapping out of the LIBOR benchmark rate on $375 million of the $475 million three-year LIBOR rate term loans due 2011. Under the terms of the basis swap agreements, Bunge makes payments based on the average daily effective Federal Funds rate and receives payments based on LIBOR. The basis swap agreements are intended to mitigate Bunge s exposure to LIBOR rate settings that have recently risen sharply from benchmark interest rate levels. These basis swap agreements do not qualify for hedge accounting in accordance with SFAS No. 133, and therefore Bunge has not designated these swap agreements as hedge instruments. As a result, changes in fair value of the basis swap agreements are recorded as an adjustment to earnings. The principal terms of the basis swap agreements as of September 30, 2008 are set forth in the table below:

	Maturity 2011	**Fair Value Gain September 30, 2008**
(US$ in millions)		
Receive LIBOR / pay Federal Funds notional principal amount	$375	$3
Weighted average rate payable (1)	2.48%	
Weighted average rate receivable (2)	3.16%	

(1) Interest is payable in arrears based on the average daily effective Federal Funds rate.

(2) Interest is receivable in arrears based on LIBOR.

In January 2008, Bunge terminated certain of its then outstanding interest rate swap agreements with a notional amount of $1,150 million maturing in 2014, 2015 and 2017 and received approximately $49 million in cash, of which a gain of $48 million on the net settlement of the swap agreements will be amortized to earnings over the remaining term of the debt.

Foreign exchange derivatives Bunge uses net investment hedges to partially offset the translation adjustments arising from remeasuring its investment in its Brazilian subsidiaries. For derivative instruments that are designated and qualify as net investment hedges, Bunge records the effective portion of the gain or loss on the derivative instruments in accumulated other comprehensive income (loss). At September 30, 2008 and December 31, 2007, Bunge had outstanding cross currency swaps with a notional value of $76 million for both periods to hedge a portion of its net investment in Brazilian assets. Bunge pays Brazilian *reais* and receives U.S. dollars using fixed interest rates, offsetting the translation adjustment of its net investment in Brazilian *reais* assets. The swaps mature in December 2008. At September 30, 2008, the fair value of these currency swaps was a loss of $10 million, which was recorded in other current liabilities in the condensed consolidated balance sheet. At December 31, 2007, the fair value of these currency swaps was a loss of $17 million. For the nine months ended September 30, 2008, Bunge recorded a $7 million gain as an offset against foreign exchange translation adjustment in accumulated other comprehensive income (loss) that related to the change in the fair value of the outstanding net investment hedges. As of October 1, 2008, this net investment hedge has been undesignated as a net investment hedge and related fair value adjustments until this date will remain in accumulated other comprehensive income (loss) until such time underlying investments have been disposed of.

10. LONG-TERM DEBT

During the nine months ended September 30, 2008, Bunge entered into a $250 million syndicated term loan with a group of lending institutions. The term loan bears interest at a fixed rate of 4.33% per year and matures in 2011. Bunge used the proceeds from this term loan to repay outstanding indebtedness. In the three months ended September 30, 2008, Bunge also entered into several three-year bilateral term loan agreements with various banks aggregating $475 million. These bilateral term loans are fully-funded and carry interest rates based on LIBOR plus a spread ranging from 1.25-1.75%. Bunge intends to use the U.S. dollar proceeds to repay outstanding indebtedness.

In September 2008, Bunge entered into a ¥10 billion syndicated term loan agreement with a group of lending institutions. The term loan bears interest at Yen LIBOR plus 1.40% based on Bunge s current credit ratings and matures in 2011. The Japanese Yen term loan was funded in October 2008 and simultaneously swapped into U.S. dollars through a floating to floating currency and interest rate swap. Bunge intends to use the U.S. dollar proceeds to repay outstanding indebtedness.

In addition, during the nine months ended September 30, 2008, Bunge entered into a $650 million, three-year revolving credit facility with a number of lending institutions that matures in 2011. Borrowings under the revolving credit facility may be used for general corporate purposes. The interest rate applicable to borrowings under the revolving credit facility may range from LIBOR plus 0.65% to LIBOR plus 1.50% based on the credit ratings of Bunge s long-term unsecured debt at the time of borrowing. Based on Bunge s current credit ratings borrowings would bear interest at LIBOR plus 0.80%. There were no borrowings outstanding under this facility at September 30, 2008.

11. RELATED PARTY TRANSACTIONS

Bunge purchased soybeans, related soybean commodity products and other commodity products from its unconsolidated joint ventures (primarily its North American joint ventures), which totaled $305 million and $291 million for the three months ended September 30, 2008 and 2007, respectively, and $831 million and $568 million for the nine months ended September 30, 2008 and 2007, respectively. Bunge also sold soybean commodity products and other commodity products to its unconsolidated North American and certain European joint ventures, which totaled $75 million and $51 million for the three months ended September 30, 2008 and 2007, respectively, and $184 million and $123 million for the nine months ended September 30, 2008 and 2007, respectively. Bunge believes these transactions were recorded at values similar to those with third parties.

12. EMPLOYEE BENEFIT PLANS

In 2007, Bunge re-evaluated the classification of two employee benefit plans in Brazil and concluded that such plans should be properly disclosed as a multiple employer pension plan and a postretirement healthcare plan. Bunge included such amounts under the headings Foreign Pension Benefits and Foreign Postretirement Healthcare Benefits. This correction did not have an effect on Bunge s consolidated balance sheet at December 31, 2007 or its consolidated statements of income for the three and nine months ended September 30, 2007 or its cash flows for the nine months ended September 30, 2007.

In addition, in the nine months ended September 30, 2008, Bunge recorded a $20 million accumulated benefit obligation related to certain postretirement medical costs required to be paid by employers under Brazilian law as a result of recent court decisions which have impacted employer interpretations of the related laws and regulations.

	U.S.-Pension Benefits Three Months Ended September 30,		**Foreign-Pension Benefits Three Months Ended September 30,**	
(US$ in millions)	**2008**	**2007**	**2008**	**2007**
Service cost	$2	$3	$1	$1
Interest cost	5	5	9	8
Expected return on plan assets	(5)	(5)	(10)	(10)
Recognized prior service cost				
Recognized net loss	1	1		1
Net periodic benefit cost	$3	$4	$	$

(US$ in millions)	U.S.-Pension Benefits Nine Months Ended September 30, 2008	2007	Foreign-Pension Benefits Nine Months Ended September 30, 2008	2007
Service cost	$8	$8	$3	$3
Interest cost	15	14	27	24
Expected return on plan assets	(15)	(14)	(29)	(30)
Recognized prior service cost	1	1	1	1
Recognized net loss	1	2		1
Net periodic benefit cost	$10	$11	$2	$(1)

(US$ in millions)	U.S.-Postretirement Benefits Three Months Ended September 30, 2008	2007	Foreign-Postretirement Benefits Three Months Ended September 30, 2008	2007
Service cost	$	$	$	$1
Interest cost			1	2
Recognized net loss				2
Net periodic benefit cost	$	$	$1	$5

(US$ in millions)	U.S.-Postretirement Benefits Nine Months Ended September 30, 2008	2007	Foreign-Postretirement Benefits Nine Months Ended September 30, 2008	2007
Service cost	$	$	$1	$1
Interest cost	1	1	2	6
Recognized net loss				8
Net periodic benefit cost	$1	$1	$3	$15

In the nine months ended September 30, 2008, Bunge made contributions to its U.S. defined benefit pension plans totaling approximately $23 million, which includes a contribution to meet the minimum funding requirements under the Pension Act of 2006 and to its foreign defined benefit pension plans totaling approximately $7 million. In the nine months ended September 30, 2007, Bunge made contributions totaling approximately $14 million to its U.S. defined benefit pension plans and approximately $4 million to its foreign defined benefit pension plans.

In the nine months ended September 30, 2008, Bunge made contributions totaling approximately $1 million and $4 million to its U.S. and to its foreign postretirement benefit plans, respectively. In the nine months ended September 30, 2007, Bunge made contributions totaling approximately $2 million to its U.S. and approximately $2 million to its foreign postretirement benefit plans.

13. COMMITMENTS AND CONTINGENCIES

Bunge is party to a large number of claims and lawsuits, primarily tax and labor claims in Brazil, arising in the normal course of business. Bunge records liabilities related to its general claims and lawsuits when the exposure item becomes probable and can be reasonably estimated. After taking into account the liabilities recorded for the foregoing matters, management believes that the ultimate resolution of such matters will not have a material adverse effect on Bunge s financial condition, results of operations or liquidity. Included in other non-current liabilities at September 30, 2008 and December 31, 2007 are the following accrued liabilities:

(US$ in millions)	September 30, 2008	December 31, 2007
Tax claims	$199	$175
Labor claims	111	103
Civil and other claims	126	81
Total	$436	$359

Tax Claims The tax claims relate principally to claims against Bunge s Brazilian subsidiaries, including primarily value added tax claims. The determination of the manner in which various Brazilian federal, state and municipal taxes apply to the operations of Bunge is subject to varying interpretations arising from the complex nature of Brazilian tax law.

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

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

Bunge has incurred certain costs relating to crude sunflower oil supplied to Bunge by third parties and sold by Bunge in Europe that has been subject to a withdrawal from the market due to non-conformity. To date, such costs have not been material and Bunge does not expect the withdrawal to have a material adverse effect on its financial condition or results of operations.

In July 2008, the European Commission commenced an investigation into whether certain traders and distributors of cereals and other agricultural products in the E.U. have infringed European competition laws. In this regard, on July 10, 2008, the European Commission carried out inspections at the premises of a number of companies, including at Bunge s subsidiary s office in Rome, Italy. No other Bunge offices were inspected. The European Commission s investigation is at a preliminary stage and therefore, Bunge is, at this time, unable to predict the outcome of this investigation, including whether the European Commission will ultimately determine to commence formal proceedings against Bunge. Bunge is cooperating with the European Commission in relation to this investigation.

Guarantees Bunge has issued or was a party to the following guarantees at September 30, 2008:

(US$ in millions)	**Maximum Potential Future Payments**
Unconsolidated affiliates financing (1)	$ 14
Customer financing (2)	181
Total	$195

(1) Prior to January 1, 2003, Bunge issued a guarantee to a financial institution related to debt of its unconsolidated joint ventures in Argentina, which are its unconsolidated affiliates.

The term of the guarantee is equal to the term of the related financing, which matures in 2009. There are no recourse provisions or collateral that would enable Bunge to recover any amounts paid under this guarantee.

(2) Bunge has issued guarantees to third parties in Brazil related to amounts owed these third parties by certain of Bunge s customers. The terms of the guarantees are equal to the terms of the related financing arrangements, which are generally one year or less, with the exception of certain Brazilian government programs, primarily from 2006, where remaining terms are up to five years. In the event that the customers default on their payments to the third parties and Bunge would be required to perform under the guarantees, Bunge has obtained collateral from the customers. At September 30, 2008, $144 million of these financing arrangements were collateralized by tangible property. Bunge evaluates the likelihood of the customer repayments of the amounts due under these guarantees based upon an expected loss analysis and records the fair value of such guarantees as an obligation in its consolidated financial statements. The fair value of these guarantees is recorded in accrued liabilities at September 30, 2008.

In addition, Bunge Limited has provided full and unconditional parent level guarantees of the indebtedness outstanding under certain senior credit facilities and senior notes entered into, or issued by, its 100% owned subsidiaries. At September 30, 2008, debt with a carrying amount of $3,429 million related to these guarantees is included in Bunge s consolidated balance sheets. This debt includes the senior notes issued by two of Bunge s 100% owned finance subsidiaries, Bunge Limited Finance Corp. and Bunge N.A. Finance L.P. There are no significant restrictions on the ability of Bunge Limited Finance Corp., Bunge N.A. Finance L.P. or any other Bunge subsidiary to transfer funds to Bunge Limited.

Also, one of Bunge s subsidiaries has provided a guarantee of indebtedness of one of its subsidiaries. The total debt outstanding as of September 30, 2008 was $92 million and was recorded as long-term debt in Bunge s condensed consolidated balance sheet.

14. COMPREHENSIVE INCOME (LOSS)

The following table summarizes the components of comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(US$ in millions)	**2008**	**2007**	**2008**	**2007**
Net income	$ 234	$351	$1,274	$ 533
Other comprehensive income (loss):				
Foreign exchange translation adjustment, net of tax expense	(936)	215	(416)	557
Unrealized gains (losses) on commodity futures and foreign exchange contracts designated as cash flow hedges, net of tax of $26 and $13 (2008), $(1) and $(7) (2007)	(54)	5	(27)	16
Unrealized gains (losses) on investments, net of tax of $0 and $2 (2008), $1 and $4 (2007)		2	(5)	8
Reclassification of realized net (gains) losses to net income, net of tax of $(2) and $5 (2008), $1 and $5 (2007)	4	(1)	(7)	(7)
Total comprehensive income (loss)	$(752)	$572	$ 819	$1,107

15. EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding, excluding any dilutive effects of stock options, restricted stock unit awards, convertible preference shares and convertible notes during the reporting period. Diluted earnings per share is computed similar to basic earnings per share, except that the weighted average number of common shares outstanding is increased to include additional shares from the assumed exercise of stock options, restricted stock unit awards and convertible securities, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

In addition, Bunge accounts for the effects of convertible securities using the if-converted method. Under this method, the convertible securities are assumed to be converted and the related dividends are added back to earnings, if dilutive.

Bunge has 862,455 mandatory convertible preference shares outstanding as of September 30, 2008. Each mandatory convertible preference share has a liquidation preference of $1,000 per share. On the mandatory conversion date of December 31, 2010, each mandatory convertible preference share will automatically convert into between 8.219 and 9.6984 of Bunge Limited common shares, subject to certain anti-dilution adjustments, depending on the average daily volume weighted average price per common share over the 20-trading day period ending on the third trading day prior to such date. At any time prior to December 31, 2010, each mandatory convertible preference share is convertible, at the holder s option, at the minimum conversion rate of 8.219 common shares (which as of September 30, 2008 represents 7,088,518 Bunge Limited common shares, subject to certain anti-dilution adjustments).

In addition, Bunge has 6,900,000 convertible perpetual preference shares outstanding as of September 30, 2008. Each convertible perpetual preference share has an initial liquidation preference of $100 per share and each convertible preference share is convertible, at any time at the holder s option, initially into approximately 1.0846 Bunge Limited common shares (which represents 7,483,740 Bunge Limited common shares), based on an initial conversion price of $92.20 per convertible preference share, subject in each case to certain anti-dilution adjustments.

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2008 and 2007:

(US$ in millions, except for share data)	Three Months Ended September 30, 2008	2007	Nine Months Ended September 30, 2008	2007
Net income	$234	$351	$1,274	$533
Convertible preference share dividends	(19)	(8)	(58)	(25)
Net income available to common shareholders	$215	$343	$1,216	$508
Weighted average number of common shares outstanding:				
Basic	121,616,824	120,854,591	121,494,029	120,607,259
Effect of dilutive shares:				
Stock options and awards	1,649,876	1,456,602	1,567,986	1,414,801
Convertible preference shares	14,572,370	7,483,740	14,572,541	7,483,740
Diluted (1)	137,839,070	129,794,933	137,634,556	129,505,800
Earnings per common share:				
Basic	$1.77	$2.84	$10.01	$4.21
Diluted	$1.70	$2.70	$ 9.26	$4.12

(1) Approximately 1 million stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted average number of common shares outstanding for the three and nine months ended September 30, 2008. Approximately 2 million stock options and contingently issuable restricted stock units were not dilutive and not included in the weighted average number of common shares outstanding for the three and nine months ended September 30, 2007, respectively.

16. SEGMENT INFORMATION

Subsequent to the issuance of the Quarterly Report on Form 10-Q for the period ended September 30, 2007 and as disclosed in Bunge s 2007 Annual Report on Form 10-K, Bunge corrected errors in its previously issued 2007 unaudited quarterly condensed consolidated financial statements. The errors, which resulted in an overstatement of net sales and costs of goods sold, had no effect on Bunge s previously reported volumes, gross profit or net income. As a result, amounts for the three and nine months ended September 30, 2007 contained in this Quarterly Report on Form 10-Q have been restated.

The corrections resulted from Bunge s review during 2007 of its accounting for, and financial statement presentation of, certain transactions primarily in its agribusiness segment. As a result of this review, certain net sales and cost of goods sold amounts relating to sales among Bunge s subsidiaries were identified as incorrectly included in Bunge s net sales and cost of goods sold reported in its consolidated financial statements rather than being eliminated in the consolidation process. Management believes that these errors in the transfer of information from the general ledgers of Bunge s subsidiaries to Bunge s consolidated reporting system were primarily the result of systems changes made during 2007. Additionally, Bunge s management concluded that certain transactions related to Bunge s trade structured finance activities that had been recorded on a gross basis in net sales and costs of goods sold should have been recorded on a net basis.

The following table shows the amounts originally reported in Bunge s quarterly condensed consolidated financial statements and the corrected amounts for the three and nine months ended September 30, 2007:

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
(US$ in millions)	**As Reported**	**As Corrected**	**As Reported**	**As Corrected**
Agribusiness	$9,663	$6,736	$23,396	$18,027
Fertilizer	1,256	1,239	2,664	2,646
Edible oil products	1,384	1,388	3,782	3,771
Milling products	373	366	944	926
Total net sales	**$12,676**	**$9,729**	**$30,786**	**$25,370**
Agribusiness	$9,125	$6,198	$22,485	$17,116
Fertilizer	1,011	994	2,182	2,164
Edible oil products	1,305	1,309	3,550	3,539
Milling products	328	321	830	812
Total cost of goods sold	**$11,769**	**$8,822**	**$29,047**	**$23,631**

In 2008, Bunge re-evaluated the profitability measure of its reportable segments operating performance and has determined that segment operating performance based on segment earnings before interest and tax is a more meaningful profitability measure than segment operating profit, since the segment earnings before interest and tax reflects equity in earnings of affiliates and minority interest and excludes income tax. As a result, amounts for the three and nine months ended September 30, 2007 have been restated to conform to the current year presentation.

Bunge has four reportable segments agribusiness, fertilizer, edible oil products and milling products, which are organized based upon similar economic characteristics and are similar in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods. The agribusiness segment is characterized by both inputs and outputs being agricultural commodities and thus high volume and low margin. The activities of the fertilizer segment include raw material mining, mixing fertilizer components and marketing products. The edible oil products segment involves the manufacturing and marketing of products derived from vegetable oils. The milling products segment involves the manufacturing and marketing of products derived primarily from wheat and corn.

The Other column in the following table contains the reconciliation between the totals for reportable segments and Bunge consolidated totals, which consists primarily of corporate items not allocated to the operating segments and inter segment eliminations. Transfers between the segments are generally valued at market. The revenues generated from these transfers are shown in the following table as Inter segment revenues.

Operating Segment Information

(US$ in millions)	Agribusiness	Fertilizer	Edible Oil Products	Milling Products	Other (1)	Total
Three Months Ended September 30, 2008						
Net sales to external customers	$10,152	$1,899	$2,232	$514	$	$14,797
Inter segment revenues	2,072	36	40	2	(2,150)	
Gross profit	534	543	84	48		1,209
Foreign exchange losses	(192)	(270)	(9)			(471)
Equity in earnings of affiliates	7	2	4	1		14
Minority interest	(6)	(112)	(4)		32	(90)
Other income (expense)	1	(1)	(2)	1		(1)
Segment earnings before interest and tax (2)	170	84	(29)	22		247
Depreciation, depletion and amortization	(48)	(44)	(20)	(5)		(117)
Interest income	11	37	1		8	57
Interest expense	(70)	(6)	(16)	(5)		(97)
Three Months Ended September 30, 2007						
Net sales to external customers	$6,736	$1,239	$1,388	$366	$	$9,729
Inter segment revenues	1,603	11	56	13	(1,683)	
Gross profit	538	245	79	45		907
Foreign exchange gains (losses)	19	33	5	(1)		56
Equity in earnings of affiliates	(2)		6	2		6
Minority interest	(1)	(80)	2		22	(57)
Other income (expense)		(4)	(1)			(5)
Segment earnings before interest and tax (2)	381	112	17	22		532
Depreciation, depletion and amortization	(38)	(37)	(15)	(5)		(95)
Interest income	9	17	1		17	44
Interest expense	(90)	(4)	(7)	(1)		(102)
Nine Months Ended September 30, 2008						
Net sales to external customers	$28,894	$4,875	$6,411	$1,451	$	$41,631
Inter segment revenues	6,568	169	99	6	(6,842)	
Gross profit	1,743	1,314	306	164		3,527
Foreign exchange gains	(33)	(169)	(4)			(206)
Equity in earnings of affiliates	9	6	9	3		27
Minority interest	(23)	(294)	(7)		92	(232)
Other income (expense)	(20)	(4)	10	1		(13)
Segment earnings before interest and tax (2)	1,035	610	36	86		1,767
Depreciation, depletion and amortization	(144)	(130)	(56)	(14)		(344)
Interest income	42	89	3	1	24	159
Interest expense	(208)	(15)	(46)	(16)		(285)
Nine Months Ended September 30, 2007						
Net sales to external customers	$18,027	$2,646	$3,771	$926	$	$25,370
Inter segment revenues	3,595	17	110	26	(3,748)	
Gross profit	911	482	232	114		1,739
Foreign exchange gains (losses)	83	94	5	(4)		178
Equity in earnings of affiliates	(10)	(1)	16	2		7
Minority interest	(12)	(153)	2		59	(104)
Other income (expense)	5	(4)	(3)			(2)
Segment earnings before interest and tax (2)	526	219	41	48		834
Depreciation, depletion and amortization	(108)	(107)	(44)	(12)		(271)
Interest income	23	48	2	1	38	112
Interest expense	(211)	(14)	(23)	(3)		(251)

(1) Includes minority interest share of interest and tax to reconcile to consolidated minority interest and other amounts not attributable to Bunge s operating segments.

(2) Total segment earnings before interest and taxes (EBIT) is an operating performance measure used by Bunge s management to evaluate its segments operating activities. Total segment EBIT is a non-GAAP financial measure and is not intended to replace net income, the most directly comparable GAAP financial measure.

Bunge s management believes total segment EBIT is a useful measure of its segments operating profitability, since the measure reflects equity in earnings of affiliates and minority interest and excludes income tax.

Income tax is excluded as Bunge s management believes income tax is not material to the operating performance of its segments. In addition, interest income and expense have become less meaningful to the segments operating activities. Total segment EBIT is not a measure of consolidated operating results under U.S. GAAP and should not be considered as an alternative to net income or any other measure of consolidated operating results under U.S. GAAP.

A reconciliation of total segment EBIT to net income follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(US$ in millions)	**2008**	**2007**	**2008**	**2007**
Total segment earnings before interest and tax	$247	$532	$1,767	$834
Interest income	57	44	159	112
Interest expense	(97)	(102)	(285)	(251)
Income tax	(5)	(145)	(459)	(221)
Minority interest share of interest and tax	32	22	92	59
Net income	$234	$351	$1,274	$533

17. SUBSEQUENT EVENT

In October 2008, Bunge acquired a 60% interest in a sugar cane mill in Brazil for a total purchase price of approximately $54 million. In addition, in October 2008, Bunge acquired a 50% interest in the owner/operator of Phu My Port in Vietnam through the acquisition of 100% of SSI Logistics , which owns a 50% interest in the owner/operator of Phu My Port, for approximately 11 million euros.

Cautionary Statement Regarding Forward Looking Statements

This report contains both historical and forward looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). These forward looking statements are not based on historical facts, but rather reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward looking statements by using words including may, will, expect, anticipate, believe, intend, estimate, continue and sim expressions. These forward looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or implied by, these forward looking statements. The following important factors, among others, could affect our business and financial performance: governmental policies and laws affecting our business, including agricultural and trade policies, as well as biofuels legislation; our funding needs and financing sources; changes in foreign exchange policy or rates; the outcome of pending regulatory and legal proceedings; our ability to complete, integrate and benefit from acquisitions, divestitures, joint ventures and strategic alliances; availability and demand for the commodities and other products that we sell and use in our business; industry conditions, including competition and cyclicality of the oilseed processing industry, commodities market conditions, weather conditions and the impact of crop and animal disease on our business; global and regional agricultural, economic, financial market, political, social, and health conditions; and other factors affecting our business generally.

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

You should refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 3, 2008, and Part II Item 1A. Risk Factors in this Quarterly Report on Form 10-Q for a more detailed discussion of these factors.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Third Quarter 2008 Overview

Foreign Currency Exchange Rates

Due to the global nature of our operations, our operating results can be materially impacted by foreign currency exchange rates. Both translation of our foreign subsidiaries financial statements and foreign currency transactions affect our results. Local currency-based subsidiary statements of income and cash flows are translated monthly into U.S. dollars for consolidation purposes based on weighted average exchange rates during the period. Therefore, fluctuations of local currencies versus the U.S. dollar during a reporting period impact our consolidated statements of income and cash flows for that period and also affect comparisons between periods. Subsidiary balance sheets are translated using exchange rates as of the balance sheet date with the resulting translation adjustments reported in our consolidated balance sheets as a component of other comprehensive income (loss).

Additionally, we record transaction gains or losses on monetary assets and liabilities of our foreign subsidiaries that are denominated in U.S. dollars. These U.S. dollar-denominated amounts must be remeasured into their respective subsidiary functional currencies at exchange rates as of the balance sheet date, with the resulting gains or losses included in the subsidiary s statement of income and therefore in our consolidated statements of income as a foreign exchange gain (loss).

From time to time we also enter into derivative financial instruments, such as foreign currency forward contracts, swaps and options, to limit exposures to changes in foreign currency exchange rates with respect to our foreign currency denominated assets and liabilities and our local currency operating expenses. These derivative instruments are marked-to-market, with changes in their fair value recognized as a component of foreign exchange in our consolidated statements of income. We may also hedge other foreign currency exposures as deemed appropriate.

During the third quarter of 2008, the U.S. dollar strengthened against most global currencies, reversing the weakening dollar trend that began in early 2007. In particular, the Brazilian *real* devalued by 17% against the U.S. dollar during the third quarter of 2008 compared to an appreciation of the *real* by 5% against the U.S. dollar during the third quarter of 2007. The devaluation of the Brazilian *real* resulted in transaction losses during the third quarter of 2008 primarily relating to the U.S. dollar-denominated financing of working capital in our Brazilian subsidiaries. During the nine months ended September 30, 2008, the Brazilian *real* devalued by 7% against the U.S. dollar compared to an appreciation of 16% against the U.S. dollar during the same nine-month period of 2007. These transaction gains and losses, as well as the translation of functional currency costs and expenses at monthly average exchange rates impact the comparison of our financial statements between periods.

During the third quarter of 2008, the average Brazilian *real*-U.S. dollar exchange rate was R$1.6680 compared to R$1.9160 during the third quarter of 2007, which represented a 13% strengthening in the average value of the *real* versus the U.S. dollar. During the nine-month period of 2008, the average *real*-U.S. dollar exchange rate was R$1.6865 compared to R$2.0024 during the same nine-month period of 2007, which represented a 16% strengthening in the average value of the *real* versus the U.S. dollar. The effect of the stronger *real* in the third quarter and the first nine-month period of 2008 compared to the same respective periods of 2007 was an increase in translated local currency costs and expenses.

Segment Overview

Agribusiness oilseed processing results were slightly lower in the quarter, as higher margins were more than offset by lower volumes. Softseed processing results in Europe and Canada were strong in the quarter, whereas demand for soybean products weakened due to reduced demand for animal feed inputs in certain regions. Slow farmer selling in the U.S. and Brazil due in part to volatility of commodity and currency prices, as well as harvest delays in the U.S. contributed to lower results in grain origination. Lower distribution results reflected margins that returned to more normal levels from the higher margins experienced in the third quarter of last year. Risk management strategies worked well during a volatile period in commodity prices. Third quarter EBIT included a $60 million credit resulting from a favorable ruling related to certain transactional taxes in Brazil that were accrued and paid in past years.

Fertilizer volumes were down in the quarter primarily due to soybean and corn farmers accelerating purchases in the first half of the year and a tight credit environment for farmers. Higher margins were more than offset by $215 million of foreign exchange losses resulting from the devaluation of the Brazilian *real* on U.S. dollar-denominated financing of working capital. Unlike in agribusiness where inventories are marked-to-market, the offsetting gain on fertilizer inventories is expected to occur in future quarters when the inventories are sold. Minority interest increased in the quarter due to higher results at Fosfertil.

Edible oil products volumes increased in the quarter. Results declined primarily due to high raw material costs in Europe as a result of crude vegetable oil inventories purchased prior to the recent price declines.

Milling products results benefited from higher margins in wheat milling, which were offset by lower volumes in corn milling.

Segment Results

Subsequent to the issuance of the Quarterly Report on Form 10-Q for the period ended September 30, 2007 and as disclosed in Bunge s 2007 Annual Report on Form 10-K, Bunge corrected errors in its previously issued 2007 unaudited quarterly condensed consolidated financial statements. The errors, which resulted in an overstatement of net sales and costs of goods sold, had no effect on Bunge s previously reported volumes, gross profit or net income. As a result, amounts for the three and nine months ended September 30, 2007 contained in this Quarterly Report on Form 10-Q have been restated.

In 2008, Bunge re-evaluated the profitability measure of its segments operating performance and has determined that segment operating performance based on segment earnings before interest and tax is a more meaningful profitability measure than segment operating profit, since the segment earnings before interest and tax reflects equity in earnings of affiliates and minority interest and excludes income tax. As a result, amounts for the three and nine months ended September 30, 2007 have been restated to conform to current year presentation.

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

(US$ in millions, except volumes and percentages)	Three Months Ended September 30, 2008	2007	Change	Nine Months Ended September 30, 2008	2007	Change
Volumes (in thousands of metric tons):						
Agribusiness	29,683	31,168	(5)%	86,501	86,261	%
Fertilizer	3,082	4,033	(24)%	8,748	9,529	(8)%
Edible oil products	1,452	1,418	2%	4,281	4,069	5%
Milling products	1,004	1,097	(8)%	2,972	3,010	(1)%
Total	35,221	37,716	(7)%	102,502	102,869	%
Net sales:						
Agribusiness	$10,152	$6,736	51%	$28,894	$18,027	60%
Fertilizer	1,899	1,239	53%	4,875	2,646	84%
Edible oil products	2,232	1,388	61%	6,411	3,771	70%
Milling products	514	366	40%	1,451	926	57%
Total	$14,797	$9,729	52%	$41,631	$25,370	64%
Cost of goods sold:						
Agribusiness	$(9,618)	$(6,198)	55%	$(27,151)	$(17,116)	59%
Fertilizer	(1,356)	(994)	36%	(3,561)	(2,164)	65%
Edible oil products	(2,148)	(1,309)	64%	(6,105)	(3,539)	73%
Milling products	(466)	(321)	45%	(1,287)	(812)	58%
Total	$(13,588)	$(8,822)	54%	$(38,104)	$(23,631)	61%
Gross profit:						
Agribusiness	$534	$538	(1)%	$1,743	$911	91%
Fertilizer	543	245	122%	1,314	482	173%
Edible oil products	84	79	6%	306	232	32%
Milling products	48	45	7%	164	114	44%
Total	$1,209	$907	33%	$3,527	$1,739	103%
Selling, general and administrative expenses:						
Agribusiness	$(174)	$(173)	1%	$(641)	$(451)	42%
Fertilizer	(78)	(82)	(5)%	(243)	(199)	22%
Edible oil products	(102)	(74)	38%	(278)	(211)	32%
Milling products	(28)	(24)	17%	(82)	(64)	28%
Total	$(382)	$(353)	8%	$(1,244)	$(925)	34%
Foreign exchange gains (losses):						
Agribusiness	$(192)	$19		$(33)	$83	
Fertilizer	(270)	33		(169)	94	
Edible oil products	(9)	5		(4)	5	
Milling products		(1)			(4)	
Total	$(471)	$56		$(206)	$178	
Equity in earnings of affiliates:						
Agribusiness	$7	$(2)	450%	$9	$(10)	190%
Fertilizer	2		100%	6	(1)	700%
Edible oil products	4	6	(33)%	9	16	(44)%
Milling products	1	2	(50)%	3	2	50%
Total	$14	$6	133%	$27	$7	286%
Minority interest:						
Agribusiness	$(6)	$(1)	500%	$(23)	$(12)	92%
Fertilizer	(112)	(80)	40%	(294)	(153)	92%
Edible oil products	(4)	2	(300)%	(7)	2	(450)%
Milling products			%			%
Total	$(122)	$(79)	54%	$(324)	$(163)	99%

(US$ in millions, except volumes and percentages)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change	2008	2007	Change
Other income (expense):						