NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARKETABLE SECURITIES The fair value was determined based on quoted market prices.

LONG-TERM DEBT The fair value of long-term debt was calculated based on interest rates currently available to Bunge for similar borrowings.

DERIVATIVE INSTRUMENTS In September 2004, Bunge entered into treasury rate lock agreements with an aggregate notional amount of $500 million at a 10-year treasury yield of 4.15% with a settlement date of March 2005. The treasury rate lock agreements were not designated as hedging instruments. In the fourth quarter of 2004, Bunge terminated these treasury rate lock agreements. Bunge recorded a gain in other income (expense)–net in the consolidated statements of income of approximately $10 million relating to the cash settlement received on these derivative agreements for the year ended December 31, 2004.

In June 2004, Bunge entered into various interest rate swap agreements to manage its interest rate exposure on a portion of its fixed rate debt. These swap agreements had an aggregate notional amount of $1 billion at weighted average fixed rates receivable of 4.375% and 5.35% and weighted average variable rates payable of 2.23% and 2.17%, with maturity dates of 2008 and 2014. These interest rate swap agreements were accounted for as fair value hedges. In September 2004, Bunge terminated the June 2004 swap agreements and received $60 million in cash, which was comprised of $8 million of accrued interest and a $52 million gain on the net settlement of the June 2004 swap agreements. The $8 million of accrued interest was recorded as a reduction of interest expense for the year ended December 31, 2004 in the consolidated statement of income and the $52 million gain was recorded as an adjustment to the carrying amount of the related debt in the consolidated balance sheet. The $52 million gain will be amortized to earnings over the remaining term of the debt, which ranges from four to nine years.

Concurrent with the September 2004 termination of the June 2004 swap agreements, Bunge entered into various new interest rate swap agreements to manage its interest rate exposure on a portion of its fixed rate debt. Bunge has accounted for these new swap agreements as fair value hedges.

The interest rate swaps used by Bunge as derivative hedging instruments have been recorded at fair value in other liabilities 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 interest rates. Ineffectiveness is recognized to the extent that these two adjustments do not offset. As of December 31, 2004, Bunge recognized no ineffectiveness related to the interest rate swap hedging instruments. The derivatives Bunge entered into for hedge purposes are assumed to be perfectly effective under the shortcut method of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The differential to be paid or received on changes in interest rates is recorded as an adjustment to interest expense. The interest rate swaps settle every six months until expiration. Bunge recorded $6 million of accrued interest as a reduction of interest expense in the consolidated statement of income for the year ended December 31, 2004.

The following table summarizes Bunge's outstanding interest rate swap agreements as of December 31, 2004.

	Maturity			Fair Value
				December 31,
(US$ in millions)	2008	2014	Total	**2004**
Receive fixed/pay variable notional amount	$ 500	$ 500	$1,000	$ (12)
Weighted average variable rate payable (1)	3.28%	3.15%		
Weighted average fixed rate receivable	4.375%	5.35%		

(1) Interest is payable in arrears based on a forecasted rate of six-month LIBOR plus a spread.

In connection with obtaining debt financing in 2002, Bunge entered into treasury rate lock contracts to hedge interest rate variability risk associated with changes in U.S. Treasury rates. Bunge accounted for these derivative contracts in other comprehensive income (loss) as cash flow hedges of forecasted issuances of debt. These hedges were terminated upon issuance of the related debt. The $17 million remaining in accumulated other comprehensive income (loss) is commensurate with the actual debt issued and is being amortized over 10 years. In 2004 and 2003, Bunge reclassified approximately $2 million in both years from other comprehensive income (loss) to interest expense