

own 100% of Bunge Brasil and its subsidiaries, Bunge Alimentos S.A. and Bunge Fertilizantes S.A. We have consolidated the operating results of these entities since 1997. We accounted for the acquisition under the purchase method as a step acquisition of minority interest.

INCOME TAXES As a Bermuda exempted company, we are not subject to income taxes in our jurisdiction of incorporation. However, our subsidiaries, which operate in multiple tax jurisdictions, are subject to income taxes at various statutory rates.

In 2003, the sale of our Brazilian soy ingredients business to Solae for a gain of \$111 million did not result in taxable income and therefore no income tax was provisioned.

We have obtained tax benefits under U.S. tax laws providing tax incentives on export sales from the use of a U.S. Foreign Sales Corporation, or FSC, through 2001. Beginning in 2002, due to the repeal of the FSC-related legislation, we were required to use the tax provisions of the Extraterritorial Income Act (ETI) legislation, which were substantially similar to the FSC-related legislation. The U.S. Congress has recently passed, and the President has signed, the American Jobs Creation Act of 2004 that ultimately repeals the ETI benefit. Under the new legislation, the ETI will be phased out with 100% of the otherwise available ETI benefit retained for 2004, 80% of the ETI benefit retained for 2005, 60% of the ETI benefit retained for 2006 and the ETI benefit phased out completely in 2007. The current tax legislation lowered our overall tax liabilities by approximately \$17 million in 2004. The ETI benefit has been replaced with an income tax deduction intended to allocate benefits previously provided to U.S. exporters across all manufacturers when fully phased in. Although most of our U.S. operations qualify as “manufacturing,” we expect that this new tax legislation will be less beneficial to us than the prior one primarily due to our U.S. tax position.

INFLATION Inflation did not have a material impact on our business in 2004, 2003 or 2002.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 to our consolidated financial statements.

ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS We evaluate the collectibility of our trade accounts receivable and secured advances to farmers and record allowances for uncollectible accounts if we have determined that collection is doubtful. We base our determination of the allowance for uncollectible accounts on analyses of credit quality for specific accounts, historical trends of charge-offs and recoveries, and market and other conditions. Different assumptions, changes in economic circumstances or the deterioration of the financial condition of our customers could result in additional provisions to the allowance for uncollectible accounts and an increase in bad debt expense.

RECOVERABLE TAXES We evaluate the collectibility of our recoverable taxes and record valuation allowances if we determine that collection is doubtful. Recoverable taxes primarily represent value added taxes paid on the acquisition of raw materials and other services which can be recovered in cash or as compensation of outstanding balances against income taxes or certain other taxes we may owe. We have recorded valuation allowances against certain recoverable taxes owed to us by the Argentine government due to uncertainty regarding the local economic environment. Management’s assumption about the collectibility of recoverable taxes requires significant judgment because it involves an assessment of the ability and willingness of the Argentine government to refund the taxes. The balance of these allowances fluctuates depending on the sales activity of existing inventories, purchases of new inventories, seasonality, changes in applicable tax rates, cash payment by the Argentine government and compensation of outstanding balances against income or certain other taxes owed to the Argentine government. At December 31, 2004 and 2003, our allowances for recoverable taxes in Argentina were \$27 million and \$25 million, respectively. We continue to monitor the economic environment and events taking place in Argentina and will adjust these reserves in the future depending upon significant changes in circumstances.

AGRICULTURAL COMMODITY DERIVATIVES To the extent we consider it prudent for minimizing risk, we use exchange-traded futures and options contracts to minimize the effect of price fluctuations on agricultural commodity transactions. The futures and options contracts that we use for hedging are purchased and sold through regulated commodity exchanges. We also manage risk by entering into fixed-price purchase contracts with pre-approved producers and establishing limits for individual suppliers. Fixed-price sales contracts are entered into with customers with acceptable creditworthiness, as determined by us.